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REPORT

of the

United Provinces Provincial Banking Enquiry Committee

1929-30

Volume III

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 purposses 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 (*bcopari*)?

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

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

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

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

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

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

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

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

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*See Annexure I.

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

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

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

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

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

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

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

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

(i) the amount of debt secured on land mortgages of various kinds

(*a*) registered, (*b*) unregistered,

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

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

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

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

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

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

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

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

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

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

(For landlords only.)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) from the distributing centres to the consumer.

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

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

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

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

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

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

PART E.—*Land mortgage banks.*

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

(*a*) landlords,

(*b*) tenants of various kinds?

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

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

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

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

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

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

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

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

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

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

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*See Annexure II.

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

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

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

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

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

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

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

(iii) Should the debentures rank as trustee securities?

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

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

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

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

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

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

(v) power to manage defaulting estates.

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

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

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

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

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

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

(ii) obtained by sale on a court decree,

(iii) obtained by private negotiation?

If so, what is the cause of the difference?

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

PART F.—*Co-operation.*

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

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

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

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

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

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

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

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

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

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

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

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

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

PART H.—*Small urban industries.*

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

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

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

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

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

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

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

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

If so, can you give any specific instances?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

II.—INDIGENOUS BANKING.

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

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

A.—Organisation of indigenous banking.

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

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

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

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

(i) agriculture,

(ii) trade,

(iii) industry?

What are their various methods?

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

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

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

(ii) the volume of their business,

(iii) their expenses?

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

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

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

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

B.—Raising of funds by indigenous bankers.

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

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

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

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

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

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

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

C.—Advances by indigenous bankers.

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

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

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

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

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

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

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

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

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

D.—Exchange and money market.

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

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

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

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

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

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

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

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

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

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

E.—Defects of indigenous banking.

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

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

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

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

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

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

F.—Co-ordination.

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

(i) indigenous bankers of the same class,

(ii) indigenous bankers of different classes,

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

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

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

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

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

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

G.—Consolidation of indigenous banks.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

III.—Investment Habit and Attraction of Capital.

A.—Encouragement of saving and investment habit.

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

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

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

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

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

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

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

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

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

(i) revision of the rate of interests, or

(ii) change of the existing terms of issue?

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

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

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

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

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

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

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

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

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

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

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

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

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*See Annexure III.

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

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

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

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

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

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

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

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

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

B.—Cheque habit.

1. Is the cheque habit growing in India?

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

(i) any increase in the use of cheques,

(ii) the opening of more accounts?

3. What classes of the population use cheques?

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

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

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

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

C.—Vernacular scripts in banking.

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

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

D.—Imperial Bank of India.

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

(i) the encouragement of the investment habit,

(ii) the promotion of internal trade and industry,

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

(iv) the increase of facilities for agricultural credit,

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

ANNEXURE I.

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

The American system of licensed warehouses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(*a*) location of the warehouse,

(*b*) date of issue of receipt,

(*c*) consecutive serial number of receipt,

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

(*e*) rate of storage charges,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ANNEXURE II.

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

LAND MORTGAGE BANKS.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ANNEXURE III.

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

The National Savings Movement in England.

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

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

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

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

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

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

Scheme 2.

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

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

Scheme 5.

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

Scheme 7.

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

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

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

MINUTES OF EVIDENCE.

Mr. R. OAKDEN, C.S.I., O.B.E., I.C.S., Member, Board of Revenue, United Provinces.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part E.—Land mortgage banks.

Question 3.—The non-transferability of the holdings must impede long-term credit, but agriculturists ordinarily do not require long credit. If holdings were made transferable they would quickly pass into the hands of mortgagees and the tenant would become a mere slave, or would lose his holding. This would be fatal both economically and politically. It would also defeat the whole purpose of the legislation of the past thirty years—the object of which has been to build up a stable body of tenants with the right to hold the lands they cultivate.

Question 6.—Land mortgage banks are easy to start but hard to run. The note ignores the main difficulty, namely, what to do with a defaulter. The bank would not want to manage his estate or to be involved in expensive litigation, but in the end would probably be driven to both courses. In my opinion such banks should be run on co-operative principles, and should be limited in their area, say, to a group of districts or a division. They should depend on debentures for their funds, and it would probably be necessary at first for Government to take a considerable number of these in order to give the bank a start.

Loans should be limited to half the value of the security offered.

At first all the privileges mentioned in clause (*i*) of the question should be given.

The idea of a co-ordinating bank under a central institution [vide clause (*j*) of the question] is premature until a number of self-reliant banks are in active existence. The growth should be upwards from the individual and not downwards from a central institution to the individual. The latter system has been the bane of the co-operative movement in this province, and should not be repeated in the case of mortgage banks.

Land should be valued at its ordinary market value. If this cannot be readily ascertained, the number of years' purchase usually obtainable in the district should be taken.

(For supplementary written and oral evidence see pages 2 to 6).

Supplementary written evidence.

Question 1.—*Do you favour that each divisional land mortgage bank should issue its own debentures? Will it be possible for such banks to successfully float and find a wide market for their debentures? Would not such a course involve the multiplicity of bonds, each differing in its terms and degree of popularity based upon degree of confidence in the management? If your idea is that all such divisional banks should be co-ordinated under some provincial institution, will you please suggest the nature and constitution of such an institution?*

Answer : My idea was that divisional banks should issue their own debentures, but on reconsideration I doubt if this will be possible in practice, mainly because I doubt if they will inspire sufficient confidence to attract capital. In any case, it would almost certainly be necessary for Government to buy debentures equal to the number issued to the public. In fact, my view is that unless Government is prepared to foster mortgage banks there is little chance in existing circumstances of their being successfully started. Capital is essential, and I see little chance of getting it unless public confidence is gained by strong government support.

Question 2.—*Would it not be advisable if the apex co-operative bank is established on joint-stock-cum-co-operative principles, so as to attract sympathy and capital from these sources which at present are outside the co-operative influence? The primary object of the co-operative machinery being to facilitate credit as cheap as possible by pledging collective responsibility, would it not be met if the dividend on the shares of the provincial bank is confined within reasonable limits?*

Answer : If by "apex co-operative bank" is meant a parent bank, which will establish local banks, the whole idea is opposed to co-operative principles, which are that growth should be upwards, not downwards. The local banks or societies should first be firmly established and should then combine to form the apex institution for their mutual help, just as the members of a society combine to form the society. There is no objection to the introduction of the joint-stock element provided it does not become the predominant element, unless the institution is to be run purely as a joint-stock institution.

The question of getting capital will be almost as difficult with as without a joint-stock element. It is a question of confidence. Moreover, it must be remembered that mortgage banks want money for a very long period.

There is no need to limit the dividends on the shares of the provincial bank, as it is unlikely, if it pays proper attention to the holding up of a substantial reserve, that it will be in a position to pay large dividends.

Question 3.—*It is said that there should be land mortgage associations grouped under district and provincial land mortgage banks to supply long-term credit. Some say that such an organisation would involve unnecessary duplication, and that there should be a provincial land mortgage bank with a few branches which should employ the existing co-operative banks and societies or its agents and thus meet the difficulty of not having enough competent men to manage land banks as well as lower the working cost. Which view do you favour, and why?*

Answer : I am not in favour of either view. Each seems to presuppose a very large number of small land mortgage banks, and appears to confuse them with co-operative credit societies. My idea of a land mortgage bank is an institution dealing with landowners, that is, with men whose ecomonic status is far above that of the members of ordinary co-operative societies. The area of such a bank would be such that the members should know each other and each other's affairs. It would, therefore, follow that the bigger the members the wider would be the area, *viz.*, for the bigger landowners the division or district, for smaller ones the tahsil or any area where a sufficient number of men are willing and able to form an association. It is desirable that members of each bank should, as far as possible, be roughly of an equal economic status.

Question 4.—*You recommend the establishment of land mortgage banks on co-operative principles. In view of the fact that monied classes are generally outside the sphere of co-operative influence, and the success of the co-operative movement depends upon sufficiency of capital, would it not be more advantageous to start land banks on co-operative-cum-joint-stock principles, which would procure the same advantages as a co-operative machinery but at the same time would make it easier to get large funds and procure requisite business and financial capacity?*

MR. R. OAKDEN.

Answer : There is no objection to starting land banks on co-operative-*cum*-joint-stock principles provided the co-operative element predominates. It would, of course, be quite possible to start land banks purely on joint-stock principles, but they would have far more trouble from defaulters than banks based on co-operative methods, because the latter system presupposes that every borrower is known to and trusted by his fellow-members, and that all will share in the loss caused by any one of them. Thus the danger of default, and the risk of dishonesty, is lessened.

Question 5.—*Would not the limitation on the transferability of occupancy rights in favour of co-operative societies and land mortgage banks remove the possibility of the danger referred to by you? If no such transferability is allowed, what security would be available for the mortgage banks?*

Answer : No. It is no better for a tenant to lose his rights to a co-operative society than to a moneylender. Moreover, in the case of co-operative societies security is ultimately based on the collective responsibility and circumstances of the members, and rests on their mutual confidence, not on the mortgage of individual property. It would be fatal to make tenant-holdings transferable, even to co-operative societies, and would be the first step towards their general transferability. It would, of course, give a transitory popularity to such societies, but by providing facilities for credit would encourage borrowing, and, after a few bad seasons, or even after the bad examples of a few defaultings, would ruin both societies and tenants. Finally, there is the landholder to be considered. A tenancy implies a conditional right only, and is not an absolute property. The power of transfer would give the co-operative society the right to lease the land, and would, in effect, deprive the landholder of all rights of ownership. The last question does not arise because in my view mortgage banks should be confined to owners of land.

Question 6.—*You think that there is great possibility of default and the consequent danger of land mortgage banks being involved in the management or purchase of properties. Will not the smallness of instalment greatly reduce the possibility of default? How far do you agree with the view that the farmers, through long experience, have come to be economical and are anxious to live within their means and avoid unremunerative borrowing?*

Answer : The smallness of instalment will reduce the possibility of default, but will not remove it. I have no reason for believing that farmers generally have become more economical. It is probable, unless co-operation is a failure, that those who are members of co-operative societies, and have learnt something about the principles of credit and debt, have realised the evil of unremunerative borrowing, but I doubt if this idea has permeated very deeply yet.

(For oral evidence see pages 4 to 6).

ORAL EVIDENCE.

Lucknow, February 3, 1930.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C., ...	*Chairman.*
MR. MOHAN LAL SAH, M.A., LL.B., ...	
RAI BAHADUR BABU MOHAN LAL, M.A., LL.B., M.L.C. ...	
DR. RADHAKAMAL MUKERJEE, M.A., PH.D.	*Members.*
RAI BAHADUR PANDIT G. S. UPADHYA, B.A. ...	
MR. LAKSHMI DAS, B.A.	
DR. L. C. JAIN, M.A., LL.B., PH.D.	*Secretary.*

Sir Purshotamdas Thakurdas, KT., C.I.E., M.B.E., M.L.A., Acting Chairman, and Mr. V. K. Aravamudha Ayangar, M.A., C.I.E., Secretary, Indian Central Banking Enquiry Committee, were also present.

(*Witness*: MR. R. OAKDEN, C.S.I., O.B.E., I.C.S., *Member, Board of Revenue, United Provinces.*)

The Chairman : About the land mortgage bank, I think you hold the same views as Mr. Kharegat. His view is that it may best be run as a branch of the co-operative society.—(*Witness*) I would certainly work it on a co-operative basis.

Would you object to anything in the shape of a provincial land mortgage bank trying to operate in the whole province?—If the district banks are properly started and well established they could combine in the apex bank. There will be no objection to that. The objectionable thing is to start, as we started in the case of co-operation, from above. You must start from below.

In that case I do not think we need trouble you very much. We have had a lengthy examination of Mr. Kharegat on this point. His idea is that the district co-operative bank should start the land mortgage bank as a sort of separate department, and then it can be worked up possibly to an entirely separate land mortgage bank if necessary. We start at the bottom and do it on a small scale.—(*Witness*) But your land mortgage bank will have to deal with landholders and not with tenants. Your letter seems to imply that it will deal with tenants.

Yes, it will have to deal with landholders. Now there is a point about the transfer of holdings. I do not know if all the committee will agree with you. I understand your position to be that the average tenant has quite enough freedom in the matter of his borrowings already, and, if it is made possible for him to borrow still more freely, the whole position will become worse than it is at present. If you make his holding transferable, the result will be that he will ultimately become a sub-tenant of the mortgagee.—(*Witness*) Yes, if you make it transferable.

There are obvious objections to that. In the first place, as you have said, it will bring a revolution in the landlords themselves.—(*Witness*) I made it clear in my note

We all know that occupancy tenants under the cover of a sub-lease mortgage their land. Does that result in any damage to the land?—No, I should not think so, because it is not very common.

Also we have to distinguish between various kinds of mortgagees.—(*Witness*) We do not recognise a mortgagee. His position is a delicate one.

I share that view. Suppose a tenant borrowed money from a moneylender and cannot pay back the money; he then says: "Take my land as sub-tenant for three years and pay yourself off." If the moneylender is of a non-agriculturist class the probability is that he will not take the land, or, even if he takes it, he will sub-let it to somebody else who is an agriculturist. Would there be any harm done to the land by the change in cultivation?—No.

If the moneylender is himself an agriculturist there will be no trouble at all?—No.

Dr. Radhakamal Mukerjee: You have been telling us that this process of sub-letting goes on and the law is got over. The moneylender himself sometimes does not cultivate and a sub-tenant comes?—Sometimes.

You said that if the sub-tenant belonged to the agricultural class the land would not suffer at all?—Not necessarily.

Your point was that the sub-tenant could be evicted?—Yes. Under the present law he is liable to be evicted both by the *zamindar* and the occupancy tenant.

If the practice of sub-letting, as it prevails at present, goes on unrestricted in this manner, do you think that land will suffer in the long run?—If sub-letting is done extensively and for long periods, I think land does suffer.

As you are aware, in some provinces there are more drastic laws restricting sub-letting altogether. There have been cases in different provinces where sub-letting has gone on to a really dangerous extent leading to the advent of the moneylender and the addition of a new intermediary. Do you think that our law should be modified in such a manner as to make sub-letting more difficult than at present?—I think the present law works quite well on the whole.

You have been saying that sub-letting in lieu of repayment of loans is widely prevalent?—No, I did not say that. I said that it is not widely prevalent.

We have other evidence showing that it is prevalent to a large extent.—(*Witness*) It is much too risky under the present law to be widely prevalent. Whenever the landlord chooses he can get rid of the occupancy tenant if he mortgages and sub-lets his land.

If sub-letting goes on, no matter to what extent, do you think that we ought to do something in the way of a more drastic restriction?—No, I would leave the landlord to deal with it. After all, he is interested in the land, and, if he does not object to sub-letting, let it remain.

We are interested in the land as well.—(*Witness*) So is he. I think under the present law you can safely leave the landlord to deal with it.

The Chairman: I just want to make it absolutely clear if you do not mind. Is it a fact that this type of sub-letting to the mortgagee is not very common?—As compared with the number of holdings which are not sub-let it is very uncommon.

Is it also your opinion that in cases where it does occur the probability is that the mortgagee is a person who has got a hankering for land himself?—As a rule, he is an actual cultivator.

If as a rule one actual cultivator takes the place of another and the one who is replaced is *ex hypothesi* a bad tenant, is any damage done to the land?—Not necessarily.

Is it also not possible that a better man may take his place?—Yes.

Would he lose interest in the land?—He may lose interest, because his position is a very delicate one.

On the other hand, if he is a keen cultivator he may have more interest because he wants to make as much money out of it as he can in the short time?—Yes, that is possible.

So the position is that sub-letting is uncommon, and when it does occur, it does not do very much harm to the land?—As things are I do not think it does. That type of sub-letting cannot be common, because there are so many difficulties in the way of the mortgagee.

Can you improve the state of things by making the holding transferable?—I think that would be disastrous.

MR. R. OAKDEN.

Dr. Radhakamal Mukerjee : Are there any figures available in the Board of Revenue showing the kind and extent of sub-letting that is going on?—I do not think so. These transactions are very often kept secret; and secondly, the man would only appear as a sub-tenant; the mortgage would not be recorded. So I do not think there is any means of getting figures. It sometimes happens that the mortgagor turns round on the mortgagee and ejects him. The present view of the law is that he can eject the mortgagee, and the landlord can eject both. The view held is that the mortgagor can treat his mortgagee as his sub-tenant and can eject him. For some time the opinion was held that he could not eject the mortgagee until the money was repaid, but the more recent view is that it is not so. The recovery of the loan is a matter for the civil court and does not affect the question between the landlord and the tenant as such. There has been some difference of opinion between the Chief Court of Oudh and the High Court at Allahabad.

Rai Bahadur Pandit G. S. Upadhya : The chief objection made in this connection is that if the right was made transferable he would take loans unnecessarily?—No, that is not my main objection to it. My objection is to the principle of the whole thing.

So far as it goes, do you not think that the right should be made transferable in the national interest? For instance, there are a large number of occupancy tenants in western districts who have got a larger area than they can cultivate themselves, and they sub-let that area to others. If this right was transferable, probably they would transfer it to somebody who would better look after that area.—(*Witness*) I do not think so. If they cannot cultivate the whole land they can easily give it up.

Rai Bahadur Babu Mohan Lal : Do you think that a very great evil will be created in the village community if you allow transfers of occupancy holdings, because they may transfer them to most undesirable persons?—I have already stated that it would be disastrous.

Not necessarily. You may make it transferable, but at the same time you may say that it will be transferable only to the agriculturists or to certain associations, not necessarily to undesirable persons.

The Chairman : You are, as a matter of fact, raising a question which has very little to do with the Banking Enquiry Committee.

The Witness : I know that it would give a tremendous impetus to co-operative societies if tenants were enabled to mortgage their rights to them. We would find that co-operative societies became extremely popular, but it would be the thin end of the wedge. Before long other people will see that if these rights are transferable to the societies, why should not they be transferable to them? That is quite apart from the question of the deprivation of the landlord of his rights.

Rai Bahadur Babu Mohan Lal : Another point which I will submit for consideration is in connection with the statutory law which has been enacted. The holding not being transferable, do you not think that this will lead ultimately to the creation of a landless class of labourers?—No. I should think the opposite will be the effect.

Would you not like that the land of the thriftless should pass to thrifty persons?—If they borrow unnecessarily the ordinary economic effect would be that they would lose their land.

So it may be a good thing if the land passes from thriftless to thrifty persons?—Thriftless persons will go to the wall.

If there will be no rights of transfer the land will stick?—It will go to the *zamindar*. If a tenant does not pay his rent he goes out.

The Chairman : What my friend is thinking is that the land should go from the thriftless to thrifty persons. If the law remains as it is, then the result will be that in case a thriftless man does not pay his rent the land will go to the *zamindar* who will let it to other tenants.—(*Witness*) Yes, he will.

(The Chairman thanked the witness, who withdrew.)

MR. R. OAKDEN.

Mr. J. C. SMITH, C. I. E., I. C. S., Member, Board of Revenue, United Provinces.

Replies to the questionnaire.

III.—Investment habit and attraction of capital.

B.—Cheque habit.

Question 1.—The habit of using cheques is growing in India.

Question 2.—The abolition of stamp duty on cheques has led to (*a*) an increase in the use of cheques and (*b*) the opening of more accounts.

Question 3.—Mostly it is the literate people of the middle classes who use cheques.

Question 4.—The cheque habit would be further promoted if some interest were paid on the monthly balance in current accounts and if undue stress were not laid on the identification of the person who goes to cash cheques. Acceptance of cheques in payment of government dues would certainly encourage the freer use of cheques.

Post office savings bank accounts would be encouraged if the restriction allowing only one withdrawal in a week were relaxed and if the excessive observance of minute details were not insisted on.

Question 5.—The Board do not think that illiterate people can at present use cheques. Any system devised to encourage them to use cheques is bound to fail, as it would necessarily entail safeguards which would delay payment and be troublesome.

C.—Vernacular scripts in banking.

Question 1.—It would certainly help the rural public if the Devanagri character or Persian script were allowed to be used in cheques. It would tend to make the cheque system popular.

Question 2.—*Sarafi* is written in different ways and there is no standard script. It would therefore be troublesome to introduce. A man who is acquainted with *sarafi* can also write Devanagri, and it would be preferable if the use of vernacular scripts were confined to Devanagri and Persian.

Mr. J. C. Smith.

Mr. N. C. STIFFE, O.B.E., I.C.S., Commissioner, Kumaun division.

Replies to the questionnaire.

I HAVE little experience of the matter under investigation. Leaving out the Tarai and Bhabar government estates, where Government is the landlord and has provided a co-operative bank which is extensively used by the tenants, the hill portion of this division is owned almost exclusively by peasant proprietors. Except for a few forest contractors, there is no trade or industry to finance. There is no doubt that the prosperity of the individual in the hills has increased enormously and continuously during the last century, and a prudent man has very little need to resort to borrowing. The holdings are so small—an average of three acres or so—that finance is not really necessary. The families owning these small holdings have also increased, and there is nearly always a brother or two in outside service whose cash wages provide such finance as is necessary. Such borrowing as there is falls mainly under the following heads :—

Borrowing by men of status in the past who will not work but try to keep up their position;

Borrowing for marriages, or the educational demands of the family; and

Borrowing in time of famine.

By far the larger amount of indebtedness falls under the first head, but it is impossible to say what is the proportion. Litigation also accounts for some part of it. The borrowing is done almost entirely from village moneylenders. The hillman has never taken kindly to *taqavi*, and there are no co-operative societies. There is no borrowing of grain.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—(*d*) Bonds are usually written for three years, but in point of fact are mostly renewed over and over again.

Question 2.—The rates of interest used to be 25 per cent. per annum, but money is now available to anybody with landed security at 12½ per cent. A small advance of interest is usually taken from cash loan—this reducing the amount of the face value of the bond to some extent.

Question 3.—Practically, the only security accepted in these parts is land; and tenant right is esteemed a very poor security. Opinions differ as to the increase or diminution of indebtedness; but my own opinion is that it is less than it was. Twenty years ago I came across more than one case of a man considering himself practically the bond slave of his creditors, but have never heard of such a case in recent years.

Question 4.—(*a*) Payment is almost invariably enforced by the sale of the mortgaged land; but so long as interest is paid, resort is seldom taken to this extreme measure.

(*b*) In the Tarai and Bhabar estates, the Banjaras make great efforts, often successful, to keep the Tharus and Bhoksas (practically aboriginal tribes) permanently in their debt, with a view to securing their rice crops at a favourable rate, in the same way that the Khandsaris of Rohilkhand treat the cultivators of sugarcane. These people are beginning to prefer the co-operative bank, but progress is very slow owing to their backwardness in every respect.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—(*b*) There is very little surplus of grain for sale, and owing to difficulties of transport, this is almost entirely consumed in local markets, such as small towns and the pilgrim route.

Question 2.—The crop passes direct from the cultivator to the small shopkeeper, who supplies the public, and there are no intermediaries.

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

As I have said, the transactions are on such a small scale that the credit facilities alluded to in this part do not come in.

Part E.—Land mortgage banks.

For the same reason, and in consideration of the small size of the holdings, land mortgage banks are not practical politics.

Part G.—Small industries allied to agriculture.

There is one dairy farmer who has recently started operations in the Tarai, but I have no information as to how he has financed himself. The only cottage industry in the hills is the weaving of wool. The wool ought to be spun also in the hills, as the supply from Tibet comes right across the division to go to Cawnpore to be spun in the mills and come back for weaving by hand. But no method of sufficiently speedy spinning has yet been discovered to enable the wool to be dealt with altogether in this division. The Bhotias, who convey the raw wool from Tibet to railhead, and afterwards do most of the weaving, have their own arrangements with the Cawnpore mills who give them advances so as to secure the supply in the following season. The system seems to work satisfactorily.

Part H.—Small urban industries.

There are no small urban industries.

Part J.—Internal remittance and negotiable instruments.

Remittance is concerned with small sums only, and is adequately dealt with by the post office.

Mr. E. F. OPPENHEIM, I.C.S., Commissioner, Benares Division.

Replies to the questionnaire.

[*N.B.—This evidence is that of a conference convened by* MR. E. F. OPPENHEIM, I.C.S., *Commissioner, Benares Division, which was attended by the following gentlemen :—*

(1) THE HON'BLE KHAN BAHADUR SHAIKH MAKBUL HUSAIN, C.I.E., *Collector of Jaunpur (taluqdar of Bara Banki district and at one time Registrar of Co-operative Societies).*

(2) H. BOMFORD, ESQ., I.C.S., *Collector of Mirzapur.*

(3) B. BALRAM DAS, *Vakil and manager of a local bank.*

(4) B. DAMODAR DAS, *rais.*

The conference were unanimous in their views on all subjects except the subject of the desirability of establishing land mortgage banks.]

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—In this division the agriculturist is mainly financed by village moneylenders : the loans are made almost entirely by village moneylenders.

Money is borrowed mostly for litigation, marriages and the repayment of old debts. Except for seed loans the loans are nearly always long-period loans.

Question 2.—Excluding loans given on the security of proprietary rights or fixed-rate rights, the interest paid varies from 18 to 24 per cent. on loans advanced on the security of land, etc., and is about 36 per cent. on loans advanced on the security of ornaments, etc.

Loans in kind for seed are usually advanced on the *sawai* system. The agriculturist pays at the harvest one and a quarter times the amount taken in seed. We could think of no other loans in kind which are made in this division.

Compound interest is calculated with three-monthly rests.

We considered the rates of interest exorbitant.

In addition to the interest the borrower has to pay for the stamp. He also has to pay registration fees, writing fees and identification fees. There is usually no *dalali* charged, and there are no charges exacted on repayment.

Question 3.—The usual security is land mortgage. Jewellery is also frequently pledged.

We agree that the better the credit the more does a man borrow. In consequence the premises stated in the question is to some extent correct.

We think that the comparative extent of the indebtedness of the various classes of tenants and landlords is increasing and that the amount of debt secured on land mortgage is increasing. We think that "the unsecured debt or debt otherwise secured" is small.

Question 4.—The usual methods of enforcing payment of debt is by personal effort of the moneylender, which is usually made after the harvest when the debtor has money to pay.

There is rarely any difference between the rates mentioned in the question. All cultivators know the prevailing market rates. They find this out for themselves on visits to the markets or from their friends who have visited the markets.

Question 5.—Cultivators take *taqavi* for seed, etc., at times of drought. Government does not usually give *taqavi* for such purposes in an ordinary year. Government take the view that in such a year cultivators can finance their own operations. It is rare for cultivators to take *taqavi* for building wells or tanks. Such *taqavi* is available. But usually a cultivator who decides to undertake such a work is prosperous and does not want to take a loan for the purpose.

There is no defect in the rules. But *patwaris* all over the province are corrupt and take money from cultivators to whom *taqavi* has been given. Revenue officials who distribute *taqavi* do their best to make this difficult. They are not very successful.

Question 6.—There is no combination by which cultivators combine together to produce a particular crop nor do we consider such a combination possible under present conditions.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The crops are brought to market by *beoparis* who go round villages buying. The methods do not vary according as the crop is one mainly used for domestic consumption, or one mainly sold in the market.

Question 2.—Co-operative societies do not assist in the marketing of crops. We do not think that is one of their proper functions. We consider that such work would be work of the nature of speculation.

Question 3.—Cultivators have very few dealings with *banias*, *arhatias* and *dalals*. The charges of *beoparis* vary according to the situation of the place where the grain is bought. We think that as a rule the net profit of the *beopari* for his time and for the upkeep of his animals and means of transport is about one anna in the rupee.

The charges do not vary in the case of different crops.

The cultivator has sometimes to pay weighing dues which are supposed to be paid by the purchaser. When they bring their goods to the market in a town, as small cultivators sometimes do, they usually have to pay to the octroi muharrir something exceeding the amount due on account of octroi.

Question 4.—Grain is stored in *khattis* and *kothas*. In markets grain is stored in gunny bags under tin-sheds.

Question 5.—Grain so stored is used as security for obtaining credit.

Part C.—Extent and nature of agricultural indebtedness.

Question 3.—We think that the ownership of land is passing from the old landlords to moneylenders, etc. But there has been no change in possession. In consequence we do not think that the efficiency of farmers has been seriously affected. We consider that the people actually cultivating the land do their utmost to secure a good crop.

Part E.—Land mortgage banks.

Question 1.—Landlords have great difficulty in obtaining loans for long periods. The reason is that the money is locked up and that the bank has difficulty in realizing it. The rates are 9 per cent. to 12 per cent. on loans secured by proprietary rights, and 18 to 24 per cent. on loans secured by tenant rights.

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

Question 4.—The security served by the occupancy right is clearly inadequate. But in practice an occupancy tenant has little difficulty in obtaining money on the security of his occupancy land. This may be due to the fact that he is regarded as more respectable and more solvent than the tenant-at-will.

We do not think any modification of the law desirable. Nor is there any probability that the law will be modified in such a way as to increase the value of such security for long-term advances.

Question 5.—There was diversity of opinion regarding the question whether the establishment of land mortgage banks would solve the problem of long-term advances in the province. My own opinion is that the experiment should be started in a restricted area. It would be desirable to obtain more information about the financial state of the "Jhang" (Punjab) Co-operative Mortgage Bank.

Question 6.—We discussed the question of the institution of land mortgage banks in great detail. There was again diversity of opinion.

MR. E. F. OPPENHEIM.

I think that the State should guarantee a small interest, say, 4 per cent. Unless there is such a guarantee, there is no chance of a land mortgage bank being a success. I think that with such a guarantee the shares would probably be taken up. I do not think that Government should subscribe. The share capital should be available for subscription to the public. The maximum period of loans advanced by land mortgage banks should be thirty years, and the margin between the amount of loans and the value of the mortgage should be one-third.

Question 7.—For purposes of calculating the value of land it would be necessary to adopt different rates for different tracts. Such rates have now been prepared for all districts for use in cases of land acquisition. The best method to value land is to multiply the net profits by the number found applicable for any particular tract.

The value of land depends on a very large variety of factors, such as its situation, the distance from a market, the distance from *abadi*, the species of tenancies, the facilities of irrigation, the soil, the class of tenant, the question whether tenants are easily obtainable or not, and many other circumstances which it would be impossible to attempt to describe in a reference of this sort.

The prices obtained in sales by government auction for non-payment of revenue, on a court decree, and by private negotiation are much the same. Sales by private negotiations yield higher prices. The reasons are obvious. In all cases of forced sales small prices are obtained. There is also the consideration that in cases of forced sales less private effort to get better prices is made.

We made some rough estimates regarding the proportion of the annual net yield of average quality land to its market value. We thought that the net yield from land bearing an economic rent of Rs. 10 an acre would be some Rs. 30, and that its market value would be about Rs. 240.

III.—Investment habit and attraction of capital.

A.—Encouragement of saving and investment habit.

Question 4.—Postal cash certificates are popular in this division.

Question 5.—We think that more post offices might be empowered to do savings bank business and to issue postal cash certificates.

Question 6.—We do not consider the allegation that the rates of interest on postal cash certificates and treasury bills are so favourable as to create competition between Government and banks in attracting money to be correct.

Question 8.—We are opposed to the suggestion that it would promote the savings habit if public bodies like municipalities were to afford savings bank facilities.

Question 11.—Various classes use the money surplus to their normal expenditure for buying land and jewellery and for lending money and for the paying off of debts.

Question 13.—We agree with the allegation that in India the banking and investment habit is of very slow growth. We attribute the cause to the conservatism of the classes in question, and also to the very natural fear which they have that they should lose their hard-earned money. Bank failures have also frightened people. There has also been a good deal of swindling, and there have also been a good many bogus concerns. This has not encouraged investments.

B.—Cheque habit.

Question 1.—We consider that the cheque habit is growing rapidly in India.

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

Question 3.—Only the educated classes use cheques.

Question 4.—To further promote the cheque habit we think that the payment of government servants and bank employees by cheques and the free receipt of cheques in payment of Government dues should be adopted.

We are opposed to the idea that post offices should open "cheque account." We do not think that it is the legitimate business of the post office to undertake work of this sort.

Mr. C. W. GRANT, I.C.S., Commissioner, Agra Division.

Memorandum regarding agricultural credit and credit facilities.

As regards indebtedness of agriculturists, both *zamindars* and tenants, I attach a copy of a note left by Mr. Mudie, late Settlement Officer of Agra, which illustrates the increasing indebtedness of agriculturists of the Agra district, especially in the precarious tahsils of Kiraoli and Kheragarh. The position is not nearly so bad in other parts of the division.

2. The proposals put forth in the questionnaire which appear to me to be most promising are—

(1) land mortgage banks,
(2) agricultural banks, and
(3) the extension of co-operative credit societies.

I further suggest that in every tahsil there should be a seed dépôt organised by an agricultural bank on 50 per cent. more favourable terms than the existing practice of *sawai*. At present the Agricultural department demands much higher charges for seed than the existing *bazar* rates. In many tahsils there are no seed dépôts at all.

3. I also think that a system should be organised of *taqavi* advances to agriculturists in every district in normal years as well as in famine years. Necessary funds should be subscribed both by Government and by the general public. The rate of interest payable by agriculturists should be 9 per cent., which should enable Government and the general public as shareholders in normal years to receive 6 per cent. as interest on their money after paying all expenses and writing off irrecoverable advances. These advances should, as at present, be a prior charge on all crops raised by such advances, and realisation should be made by government officials, such as *taqavi* naib-tahsildars, *kanungos*, etc. To popularise the system, each village should have a committee which will recommend and report on all applications for loans. The *patwari*, as at present, will supplement the report with a statement of the holding of each applicant, together with a note of his previous indebtedness for previous advances of *taqavi*. Advances will be made on the joint security of the various recipients by villages on the responsibility of the subdivisional officer. The general public should have every confidence in such a form of investment which is supported and managed by government officials. The scheme would also do much to combat indebtedness and pave the way for co-operative credit societies, which will gradually take its place. At present such societies are a drop in the ocean, and merely touch the fringe of agricultural distress.

[*Extract from a note by* MR. R. F. MUDIE, I.C.S., *Settlement Officer, Agra.*]

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The circumstances of the people are indicated by the figures below—

Tract.	Percentage of cultivators indebted.		Average debt per indebted family.		*Zamindars'* debt as fraction of value of debtors' landed property.	Tenants' debt as multiple of the valuation of their holdings at statutory rates.
	Zamindars.	Tenants.	*Zamindars.*	Tenants.		
Pargana Agra ..	53	69	800	320	·2	4·6
South-west portion of Kirauli.	93	93	750	300	·7	7·6

Agra is reasonably prosperous, but in south-west Kirauli things are about at breaking-point. The figures represent the debt in June 1929. It must have increased since, and the local moneylenders' resources are probably now nearly exhausted.

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MR. C. W. GRANT.

Mr. W. E. J. DOBBS, I.C.S., Collector, Allahabad.

Replies to the questionnaire.

[*Note.—These replies are based on a draft dawn up by* Mr. Fazlur Rahman, *Deputy Collector, which was amended by* Mr. Dobbs *after conference with all the sub-divisional officers of the district.*]

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturists borrow from the local *banias*, co-operative societies, Government and, in certain cases, Court of Wards, and their own *zamindars*.

The purposes for which they borrow and the proportion in which the debt is distributed are shown below—

(i) Marriage and other social functions	...	25 per cent.
(ii) Payment of revenue and rent	...	40 ,,
(iii) Seed and cattle	...	15 ,,
(iv) Litigation	...	20 ,,

Of the total debt 85 per cent. is borrowed from local *banias* and 15 per cent. from Ahirs.

Seventy-five per cent. of the debt is incurred in cash, 20 per cent. in grain, and 5 per cent. in cloth.

Sixty per cent. are short-term debts and 40 per cent. long-term.

Question 2.—The rate of interest charged by local *banias* varies between 75 per cent. and 112 per cent. per annum (one anna per rupee per month to one anna six pies per rupee per month). The maximum rate charged by the Government on *taqavi loans* is 7½ per cent. The maximum rate charged by the co-operative bank is 15 per cent.

The rate on grain is 25 to 50 per cent. for the harvest for which the seed was advanced. If at the harvesting time it remains unpaid, compound interest is charged over the principal and the interest for the first half-year.

Other loans in kind consist only of cloth sold by the Afghanis. Their rate of interest varies from one anna to two annas per rupee per month, *i.e.*, 75 per cent. to 150 per cent. per annum.

Interest is calculated up to and including the date of payment with monthly and six-monthly rests for compound interest. Interest on *taqavi* loans advanced by the Government is charged for the full month if the debt is paid after the 15th of that month; otherwise it is charged up to the last date of the previous month.

In my opinion the lowest rate charged on grain advances is not exorbitant, having regard to the risk; the other rates quoted are exorbitant.

For all cash advances it is a general custom with the local *banias* to charge 20 to 25 per cent. over the advance at the time it is paid. This they call commission or *battawan*, or *sawai*, *e.g.*, *A* borrows Rs. 100 : the moneylender will pay him Rs. 75 or Rs. 80, while he will obtain a pronote for the full amount of Rs. 100. This principal will be charged in addition to the interest on the full amount of Rs. 100.

Question 3.—Advances by the *banias* in cash to tenants are mostly on personal security. In some cases house property, ornaments and cattle are pawned. *Zamindars* have first to hypothecate landed property.

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

Petty *zamindars* are much more indebted than big landlords and tenants.

The amount of debt secured on land mortgage is increasing and in the case of *zamindars* is much higher than of debts otherwise secured.

Question 4.—In enforcing payment of debt from agriculturists, frequently the money-lender seizes the produce of the land and then the cattle, helped by the *zamindar*. The tenant's almost permanent distress prevents him from opposing this enforced payment in a court of law. In the case of *zamindars* the civil court is the most common instrument for the *bania* to realise his dues.

Cultivators borrow at at least four chattaks less per rupee, and when they go to repay it they are charged four chattaks per rupee more than the prevailing rate in the nearest market. Tenants generally accept the rate prevailing in the village, which is equal to that in the nearest local market. They are quite ignorant and have no means of ascertaining the current rate of bigger markets.

Question 5.—The cultivator takes full advantage of the facilities offered by the Agriculturists Loans Act but not the Land Improvement Act. The reason is the strictness of the rules regarding security and absence of unity between the tenants. A tenant cannot get an advance under Act XIX if he has not any safe security to offer, while the cases of joint application by several tenants are quite rare.

The cultivator borrows much more *taqavi* in abnormal years than in normal years: this partly because Act XII *taqavi* is not readily available in normal years.

I can point to no defects in the present *taqavi* system removal of which would make *taqavi* more popular. I think that sometimes Act XIX *taqavi* is wasted for want of sufficient supervision over its application.

Question 6.—Since the cessation of poppy growing I have known of no instance where cultivators combine together to grow a particular crop. Combination is of course, desirable, but the possibility is very remote.

Question 7.—The defects in the present system of agricultural borrowing are quite apparent from the above account. Tenants are compelled to borrow money at exorbitant rates from the local *banias* as they have little facility in other quarters. Co-operative societies are very few and have not been very successful. The cultivator, in his present stage of development, often prefers the more elastic system of the *bania*, even if its ultimate results are disastrous to advancement.

Taqavi under Act XII instead of being restricted to abnormal years might be made available on a more extensive scale even when there is no scarcity. There is little fear of loss to Government owing to the system of joint responsibility. It might be advisable to raise the rate of interest in normal years so as to cover cost of establishment.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—In the majority of cases the tenants confine themselves to the village *bania* to whom they are indebted, otherwise the market nearest to the village is the only one available to the producer. The *bania* sells the produce to the agencies of the wholesale dealers, and these in their turn bring the grain to the central market in the district. *Sanai* is sold direct to agents of big firms. Food-grains like *bajra*, *juar*, etc., which are consumed in greater part by the producer, are brought to the central markets in lesser quantity (except *sanai*).

Question 2.—The only class which lends money to the producers and which affects the marketing is the local *bania* who sometimes makes advance payments for the produce of the harvest. The produce thus sold is then taken possession of by the *bania* in the village itself and the latter is responsible for further marketing expenses.

Question 3.—The charges of the cultivator ordinarily pays in the case of marketing his crop are—

(i) Quarter seer per rupee more than the market rate if the produce is sold in the village itself to the local *bania*.

(ii) If Ithe produce is taken to the nearest market the same quarter seer per rupee is given to the *arhatia*.

(iii) *Dalali* charges are generally one pice per rupee.

These charges vary with different crops.

An incidental charge of one pice per rupee for weighment is paid by the purchaser.

Question 4.—The tenant hardly ever stores grain in this district. In the markets they have got *pakka* and *kachcha* store-houses, mostly underground. Underground storage is open to objection both on sanitary grounds and owing to its effects on the flavour of the grain. We should aim at the construction of overground rat-proof storage godowns.

MR. W. E. J. DOBBS.

Question 5.—Most of the persons who store grain in *khattis* borrow money from the bank as well as from the local *banias* on the security of the *khatti*.

Part C.—Extent and nature of agricultural indebtedness.

Question 3.—The proprietary rights, except in Bundelkhand tahsils, are passing to a large extent to *banias* and other moneylending classes who have no interest in agriculture: they are Banias, Kalwars or Khatris. I have no proof that the process causes the cultivator to produce less or less efficiently. But in my opinion the tendency must be for production to be adversely affected when the proprietor is not on the spot, in touch with actual conditions, and able to advise and encourage his tenants, or to help them in hard times. It is unfortunate that the resident *zamindar* very often does not act up to his obligations in these respects; but environment and hereditary sympathy are bound, on the average, to have some influence; and the presence of the *zamindar*, if he is not a bad or foolish one, reduces the chance of oppression by intermediaries.

Part G.—Small industries allied to agriculture.

Question 1.—*Gur*-making, tobacco manufacture and hand-spinning are found everywhere. There are two large modern sugar factories in the neighbourhood of Allahabad and a large oil factory at Manauri.

Question 2.—Except for the factories, the industries are not well organised or conducted on the best methods. If more "farms" were opened, subsidiary industries might perhaps be started in connexion with them. Investment of capital by competent persons in collaboration with *zamindars* is required. I think there should be considerable scope for small local establishments making modern ploughs, Persian wheels, etc.

Question 3.—During the off-season landlords might with advantage give more employment to farmers on petty works of agricultural improvement, such as embankments and storage tanks.

III.—Investment habit and attraction of capital.

Part A.—Encouragement of saving and investment habit.

Question 3.—The people of this district are not in the habit of investing in gold or silver except to a limited extent in the form of jewellery. In most parts of the district those who have savings to invest are by no means numerous.

Question 4.—Postal cash certificates are not popular. The rate of interest is not attractive compared with that produced by other forms of investment. Further, the purchaser is sometimes confronted with difficulties or petty exactions at the post offices.

Hon'ble Khan Bahadur SHEIKH MAKBUL HUSAIN, C.I.E., Collector, Jaunpur.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist in my district borrows from village moneylenders largely, and to a very small extent from co-operative societies. Government is resorted to only in seasons of agricultural distress.

He borrows mainly for—

(i) Marriage and other social functions.
(ii) Litigation.
(iii) Payment of accumulated interest (generally, by renewing the old loans).
(iv) Payment of land revenue and rent.
(v) Seed.

The proportion of debt is distributed generally in the order mentioned above.
Debt is incurred for short periods only in the case of seed.

Question 2.—The rates of interest are 24 per cent. per annum for written loans; 75 per cent. for *dastgardan*, (one anna per rupee per month, as a rule). For loans in kind *sawai* is charged. The weighmen's share has to be paid by the borrower.
The rates of interest are in my opinion certainly exorbitant.

Question 3.—The kind of security usually given is land, standing crops, and ornaments. Interest in the last case is two pice per rupee per month.
As a rule it is correct to say that the better the title to land the greater the amount of indebtedness. Small landlords are generally heavily in debt.
The amount of debt secured on land mortgage appears to be increasing.

Question 4.—The usual methods of enforcing payment are social *panchayats* and influence in the case of unsecured debts, litigation for secured. The litigation is fairly heavy.
As a rule, there is no difference between the rate at which the cultivator borrows grain or repays it and the prevailing rate. In cases of loans for special crops the rate is fixed at the time of borrowing on the production of future crops irrespective of the market price. Cultivators generally know the market prices.

Question 5.—Cultivators do not take full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act. They fight shy of government loans. The reason for this is the cumbersome procedure, strictness in recovery, and the officialism of petty officials. Generally, the cultivator borrows only in abnormal years. If repayments are made by easier instalments, there will be improvement in the *taqavi* system.
Question 7.—High rates of interest is the chief defect in the present system of agricultural borrowing.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The principal crops in my district are brought to market through *banias*.

Question 2.—Money is not borrowed for the marketing of crops.
Co-operative societies do not assist in the marketing of crops. They should, but the lack of interest among the people has hindered such assistance.

Question 3.—The only agency employed in the case of marketing crops is the local moneylender (*bania*). He purchases from the cultivator at two annas per rupee higher as a rule. This margin varies according to the nature of the crop.

Incidental charges are the weighman's wages and sometimes "*Chaudhrana.*"

Question 4.—The cultivator stores his grain in earthen *kothras* with *bhusa*. This practice is satisfactory. Grain is stored in markets in gunny bags generally.

Question 7.—I know of no instances where cultivators combine together to market particular crops. The practice is very desirable, but difficult owing to lack of intelligent combination.

Part E.—Land mortgage banks.

Question 1.—Loans are obtainable by both landlords and tenants, but at unduly high rates of interest.

Question 2.—Land security is generally required for long-period loans, but the special difficulty of long-period borrowers is the dearth of sources.

Question 3.—Non-transferability in the case of tenants acts as an impediment to long-term credit.

Question 4.—Occupancy right does not serve as an security for long-term credit. Security would increase if transferable rights are given, but I would not advocate that. The better the security the larger the debts in the case of cultivators who are, as a rule, improvident.

Question 5.—The establishment of land mortgage banks would certainly go a long way in solving the problem of long-term advances.

Question 6.—There should be two such banks which should co-operate with each other. They should have share capital of their own as well as a government guarantee.

The share capital should be available to the public, and if it is not taken up by the public, Government should undertake the obligation of subscribing the balance.

The maximum period of the loans advanced by a land mortgage bank should be 40 years and the margin between the amount of loans and the value of mortgage two-thirds of the market value.

Land mortgage banks should obtain working capital from deposits and debentures. The latter should carry a government guarantee both for principal and interest. If they are not taken up by the public within a certain time, Government should take up the balance. Debentures should rank as trustee securities.

If Government undertakes any financial obligations, it should control the administration.

Land mortgage banks should be given as many concessions as practicable—the same as co-operative societies. These banks should only be provincial concerns.

Question 7.—The value of land should be calculated on net profits.

Such value differs according to the soil and situation in relation to the village site and means of irrigation.

Prices sometimes differ on compulsory sales and sales by private negotiations. Forced sales lead buyers to expect that many bidders may not come forward.

Part F.—Co-operation.

Question 1.—The relations between the co-operative banks and other banks are very few, and there is no, so far as I know, any competition between co-operative banks and joint-stock banks.

Question 2.—In this district there are no special difficulties, but in some others there are. These have, however, not proved insuperable, so far as I believe.

Question 3.—The amount of capital available for financing the co-operative movement is more than sufficient in this district. The local bank has idle balances.

Question 4.—I do not think that financial concessions have any considerable effect on the growth of the co-operative movement, but they are helpful in the administration of the movement; but if such action is possible, it is desirable.

Question 5.—Personally I do not think there is any real need for a provincial co-operative bank at present; but I have been out of touch with the administration of the movement for some considerable time.

HON'BLE KHAN BAHADUR SHEIKH MAKBUL HUSAIN.

Part J.—Internal remittance and negotiable instruments.

Question 1.—*Hundis* are largely used for obtaining cash when and where it is wanted. I do not think there are any defects in the present system.

Question 2.—*Hundis* are largely used in the internal trade of the province.

Question 3.—Supply bills are little used for internal remittances. I am told that officials look upon this work as *begar* and the applicants are put to inconvenience. If some concession is allowed the system may be encouraged.

Question 4.—There is no means of extending the use of bills of exchange. The duty is already small.

Question 7.—During the process of marketing money is borrowed on railway receipts, and no difficulty is experienced in using such instruments in this manner.

Mr. R. C. A. S. HOBART, I.C.S., Collector, Shahjahanpur.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—In this district the agriculturists generally borrow money from money-lenders, from landlords and from co-operative credit societies where they exist. But the borrowing is not limited to money. The largest debts of agriculturists are of seed, which is borrowed from landlords and bigger tenants.

The agriculturists borrow for all the purposes mentioned in the questionnaire.

The greatest amount of debt is for seed, and we should say it is sixteen annas. Debts taken for the purposes of repayment of earlier debts and payment of accumulated interest will come to less than one pie in the rupee as compared to seed debts. Debts for marriages would come to about eight times the loan of seed for a year; but these debts are taken usually only by the small landlord class. Tenants seldom borrow for marriages. He spends what he has in these ceremonies and later borrows for other needs. In famine and other kinds of distress the amount of debt is three-fourths of the status of the agriculturist for the year, or four times the debt for seed in an average year. Debts for payment of land revenue and rent may be said to be two annas as compared to seed when occasion arises, but this is not general. Any debts for the purpose of manure, expenses of cultivation and agricultural implements are nominal and may be neglected when taking account of debts so far as this district is concerned. Borrowing for litigation, where indulged in, may be put at two pice as compared with the debt for seed; but such loans are not common and are mostly confined to the *zamindar* classes. Debts for purchase of cattle for plough and other cattle may be placed at four annas as compared to the seed debts of a whole village. Debts for sinking of wells would come to one anna as compared with debt for seed. For building of tanks and other agricultural improvements debts are so rarely incurred that they may be said to be *nil*. Debts taken for subsistence would come to one-sixteenth where they are taken at all as compared to debt for seed.

Of the total given out as debt, landlords and big tenants lending seed command twelve annas; other moneylenders, two annas; Government (on an average of ten years) one anna; co-operative banks, one anna.

Of the debts those meant for seed and maintenance are borrowed in grain and represent fourteen annas in the rupee out of the whole. Debts for other purposes are incurred in cash and come to about two annas in the rupee.

The debt for seed and maintenance is generally for short periods, and that for other purposes generally for long periods.

Question 2.—The interest charged for cash advances ranges from 25 to 37½ per cent. For loans in kind for seed the interest is 50 per cent., nominally in kind. It comes to about the same as the interest for cash advances, considering the prices obtaining at the time of giving the loan and at the time of its return. Grain is generally dearer at the time when loan is taken and cheaper when it is returned at harvest. If the loan in kind is for half the year only, *i.e.*, for one *fasl*, the interest sometimes charged is only 25 per cent. in kind. For other loans in kind there is no general standard, but the interest charged comes to about what is said above.

The interest charged is supposed to be simple and is calculated by the month for large amounts; but small amounts are advanced in multiples of Rs. 10, and for each Rs. 10 the borrower has to pay Rs. 12 in a year, one rupee in every month, the first instalment being paid immediately on taking the loan, so that the man gets actually Rs. 9 only for which he has to pay Rs. 12 in the year.

In my opinion these rates of interest are exorbitant.

Other incidental charges to the grant of the loans are in some instances commission, which is mostly confined to big loans; and in the case of small debts, a certain charge, which may be called a fine, which is levied in default of payment of an instalment at the fixed time. Yet another incident to debts is the deduction beforehand of the interest for the first month.

Question 3.—Ordinarily no security is given in the case of borrowing for agricultural purposes. That is one reason for the high rate of interest.

It is correct to say that the better the title to land the greater the amount of indebtedness; but the question looks at it from a wrong angle of vision. The need for money is equal in all the classes; but as the tenants-at-will can offer no security, he cannot get loans to the same extent as others; and when he gets them the interest is very high. The occupancy tenant gets it comparatively more easily; still more easily does the landlord get it.

The comparative extent of the indebtedness of the various classes of landlords and tenants is as under :—

	Rs.	Rs.	Per cent.
Landlords paying land revenue from ..	500 to	1,000	10
Ditto ditto over ..	1,000 to	3,000	20
Ditoo ditto above ..	3,000	..	50
Tenants paying rents ranging up to Rs. 50 a year	..	..	50
Ditto ditto from above ..	50 to	100	20
Ditto ditto above ..	100	..	5

The amount of debt secured on land mortgage is increasing. It is twice as much as it was, say, twenty years ago, and twice as much as the unsecured debt, or debt otherwise secured, so far as the number of debts is concerned.

Question 4.—Payment of debts from agriculturists is sometimes enforced by posting a man at the harvest time to see that the harvested crop is not removed before payment of the debt. If not, payment is enforced through courts.

In most of the cases of grain debts, the question of difference between the rate at which it is borrowed or paid (with reference to the prevailing market price) does not arise, for whatever is paid in kind is taken back in kind with an addition of 25 or 50 per cent., as the case may be, as already stated. But an occasional grain lender lends out grain and counts its obtaining price as the amount of loan, and at the time of repayment of debts takes the grain for the value so counted *plus* 50 per cent. at a privileged rate. This privileged rate is slightly more than what the grain would fetch in the open market. The cultivator is usually in a position to ascertain the prevailing rate, for small markets are spread over the whole district. He knows the high-handedness, but is helpless. Such grain lenders are, however, very few and revert to this method only occasionally, when owing to famine or distress there is a paucity of lenders on the usual terms.

Question 5.—The cultivator, where he can get it, takes full advantage of the facilities provided by the Agriculturists Loans Act and to a very limited extent of the Land Improvement Act. He freely borrows *taqavi* for seed and cattle and now and then for agricultural implements and for building wells, but the amount available for these purposes is always limited.

In abnormal years a cultivator borrows three times as much as he would in a normal year, but the number of borrowers increases in abnormal years to about ten times of those in ordinary years.

The difficulties in the present system of *taqavi* are as follows. Much time is spent in finding out the *haisiyat* of the tenant, which means that very often he gets the money late, or later than he would get from the village moneylender. Sometimes the money allotted to a district is not sufficient, and further allotments are received too late to be of use to the tenant who wants the *taqavi*. Loans are generally distributed at big centres which offer allurements to tenants, who spend away part of the money in purposes not intended by the *taqavi* loan. In any case a tenant has to spend more money in coming to these centres and staying there for receiving *taqavi*. Collections are made sometimes at inconvenient times, and personal conveniences are from the very nature of the collections not taken into consideration in collecting *taqavi* debts. Despite effort it cannot be said that unlawful gratifications and offers to *patwaris*, etc., in *taqavi* loans have been altogether eliminated.

Of the suggestions made for improvements to me are that *haisiyat* statements of all tenants be prepared annually and amounts for payment of *taqavi* loans under Act XII be drawn on the lines of provincial charges. I am not sure that they are very practical suggestions; still I have put them down for what they are worth.

MR. R. C. A. S. HOBART.

Question 6.—Cultivators in this district do not combine together to produce any particular crop. It is certainly desirable, but it is very difficult to introduce measures for it on account of the conservative nature of the farmers.

Question 7.—The chief defect in the present system of agricultural borrowing is that the borrower holds nothing from which he can prove the amount of his debt, or the amount that he may have paid out of it. Also the fact that the *bahi* on which these loans are given is taken as evidence of the contents without being supported by a voucher. The only remedy that I can suggest is a change of law so far as indigenous bankers are considered, laying down that no debts or payments shall be genuine unless they are supported by vouchers both on the credit and debit side.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The principal crops of the district are brought to market in carts by bigger cultivators directly and in bundles by smaller ones. From the smaller cultivators the crop is also sometimes bought on the spot by the *mahajan* who brings it from the villages to the market. By market I mean the grain markets and not the village markets where a small cultivator sometimes sells his crop.

The crop that is used for domestic purposes by the tenants is not brought to the market at all. Only such portions as are meant to be sold away are brought to the market, in which case the methods are as above.

Question 2.—The marketing of crops is financed primarily by the indigenous banker who has his own money and is also helped by banks. He finances the grain merchant or the *arhatia* and local exporting firms, who in their turn pay the person who brings the crop to the market. The indigenous banker charges an interest which is 25 per cent. over and above the bank rate at which he gets money or would get money. These are the lowest terms on which he advances money to the *arhatias*. The *arhatias* generally work on the commission system. Exporting firms do not advance any money to the *arhatias* in this district, so far as is known.

There are some co-operative societies in this district. They do not assist in the marketing of crops either by lending money or otherwise. In my opinion they cannot help in that line at present, as they have not yet been able to develop their present functions fully; and it will be long before they can take up further work.

Question 3.—The cultivator pays nothing in marketing his crop to the local money-lender (*bania*). To the commission agent (*arhatia*) he pays eight annas per cart for the goods sold and a quarter seer corn for each three maunds of the carts brought; but if the cart has twenty maunds he has to pay two seers of it. The commission agent charges eight annas per cent. from the purchaser. The broker (*dalal*) is not supposed to get anything from the cultivator. He is supposed to get four annas per cent. from the commission agent. The wholesale grain merchant (*beopari*) does not purchase anything directly from the cultivator. These charges vary with certain crops.

The other main incidental charges are *tahbazari* charges, one seer per cart for the *kahar*, certain sums for Ram Lila and *dharamsala* institutions, and certain illegal charges also. I may mention that the person selling does not pay weighing dues in this district which he does in certain other districts. Here they are paid by the purchaser.

Question 4.—The cultivator stores his grain in *khattis* and *kothas*, lining them with *bhusa* to prevent damage. This is not as good a system as it might be, but possible improvement would be too costly for the kind of tenant that one finds in this district.

In the market the grain is stored in bags or stocked in *khattis* in heaps. The walls as well as bottom and top of the *khattis* are lined with *bhusa*. It is supposed that it gets spoiled when stored in bags, so it is generally stored in bulk, protected with *bhusa* or straw on all sides.

Question 5.—Twenty per cent. of the grain marketed, or 75 per cent. of that stored in *khattis*, *kothas*, bank godowns, etc., is used as security for obtaining credit. Speaking very roughly, 50 per cent. of the grain brought to the market is exported, 25 per cent. of it is sold locally and 25 per cent. is so stocked. Out of the 25 per cent. so stocked, 80 per cent. is used as security for obtaining credit, which comes to 20 per cent. of the crop marketed.

Question 6.—The licensed warehouses system about which a note has been appended to the questionnaire could be worked only in big exporting centres. So far as this district is concerned it will not work for decades yet to come.

Suggestions for introducing the system of licensed warehouses may be thrown out by officers in their public utterances. Government may assist when there is a fairly good demand, otherwise not.

Question 7.—In this district cultivators do not combine together to market any particular crop. Such a combination though desirable is not possible in this district.

Question 8.—In the system of weighment obtaining in this district the agriculturist does not suffer. The ordinary purchaser sometimes suffers owing to dishonesty on the part of the weighman. The present law is sufficient to meet such dishonest practices.

Question 9.—Exporting firms in this district are never guilty of speculative dealings in agricultural produce. The extent of their control over the prices in this district is just what it may be in any other districts, which is always with reference to the quantity required to be exported as compared to the yield of the year of a particular crop. The cultivator's profit is consequently not affected, and no measures are necessary for his protection.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—It is possible to mention estimates of existing indebtedness of a particular well-known estate. For example, there is one estate valued at Rs. 24 lakhs with a debt amounting to Rs. 8 lakhs or so. But estimates of the indebtedness of the agricultural classes in general is not possible.

In such estimates it would be possible to distinguish between amounts of debt secured on land mortgage of various kinds, (*a*) registered and (*b*) unregistered, and the amount of debts incurred against any other assets such as houses, ornaments, crops, etc. This could be done by obtaining figures of registered deeds from the registration office and estimates of unregistered debts from *patwaris* so far as they relate to mortgages of holdings. The balance of the estimate of the total debt will give the amount of debt against other assets.

Question 2.—The principal creditors of the agriculutrists are grain lenders; next come professional moneylenders, and grain dealers, indigenous bankers, Government and co-operative societies range after them.

Almost the whole of the borrowing of grain is from the richer agriculturists, including the *zamindar* classes who lend out to poorer agriculturists. Two-thirds of the grain lent out is advanced by the richer tenant agriculturists and one-third by the *zamindar* class.

Question 3.—As a result of the enforced payment of debt, land and the rights in land are passing in marked degree from the possession of people who are efficient farmers into the hands of creditors who are not themselves efficient farmers. But this does not cause the cultivator to produce less or to produce less efficiently.

Question 5.—The special causes for the indebtedness of the landlord classes are (1) want of training in business, (2) living up to their entire means without regard for special needs and lean years, (3) the environment in which thy are brought up makes them regardless to these.

The percentage of the various classes of *zamindars'* indebtedness is given in the reply to question no. 3 of Part A, and the extent of indebtedness varies from 10 per cent. to 60 per cent. of the value of the estate exclusive of interest. Most of this debt is owed to the indigenous bankers.

Question 6.—The land-owning classes have to pay a special charge of Re. 1 per cent. known as *battawan* for the amount of the loan, *i.e.*, they get 1 per cent. less than the amount covered by the bond or deed, as the case may be. They have sometimes to pay a brokerage also which may come up to 5 per cent.

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

Question 1.—The respective parts played by various credit agencies in respect of crop production are as follows—

Government distributes *taqavi* and gives sometimes seed on credit.

Co-operative banks play an important part in respect of crop production, inasmuch as they advance loans to the agriculturists.

The indigenous bankers and grain merchants advance money to the agriculturists against the security of the sugarcane crop, to *banias* who sometimes purchase on the spot or else in the market, and to *arhatias* who buy in the local big markets and sell to exporters. Professional moneylenders also play an important part in financing the agriculturists in respect of crop production. In professional moneylenders are included the *Kist* distributors of Moradabad, Bijnor, Meerut and other districts who visit this place, and the village moneylenders also. The last-named advance both cash and grain. Companies and organisations trading in fertilisers do not exist in this district. Sometimes implements used in connexion with agriculture, such as sugarcane presses, are given on credit on fixed annual rent.

The existing credit facilities are not adequate so far as the agriculturist is concerned. They can be increased by the expansion of co-operative banking and the establishment of land mortgage banks.

The defects in the existing system of agricultural credit are that it is costly and is unsystematically worked. These defects can be removed if village banks are established on a large scale.

Question 2.—Marketing of crops is chiefly helped by grain merchants who either bring the commodity from the village to the *mandi* (local), or are the immediate purchasers of the crop so brought by the bigger tenant. They get the supply of money from the indigenous bankers who in turn are financed by the joint-stock banks and the Imperial Bank. Sometimes the agriculturist brings it unaided to the market. The commission agent or *arhatia* exports to distributing centres and the wholesale grain merchant to exporting ports.

The existing credit facilities are not adequate : money should be made cheap by the banks. The chief cause is the high interest rate which makes money-borrowing hard. Special banks for the purpose, a little superior to those in the Punjab, are needed, but the limit of interest chargeable must be fixed.

Question 3.—If there is any co-ordination among the various credit agencies it is between the indigenous bankers and the grain merchants and in no others, so far as this district is concerned. It can be improved between others if credit is extended.

Question 4.—Credit facilities in the matter of internal trade are comparatively easily available and at a favourable rate,—rapidity of turn-over is possible in the case of internal trade. In the matter of overseas trade credit facilities can be had at a very high charge with very little volume of business transacted. The reply is limited to circumstances obtaining in the district.

Question 5.—It is possible to form an estimate of the total amount of capital required for agricultural finances generally. I should put it at 50 lakhs for this district.

Such an estimate can be calculated by adding up applications for loans refused by the various agencies used in the finance of agriculture. It will require a detailed enquiry to be accurate, but speaking off-hand I should provide it to one thousand co-operative societies with a capital of Rs. 5,000 each.

Part E.—Land mortgage banks.

Question 1.—Loans for long periods are fairly easily obtainable by landlords in this district, but about 15 per cent. only of the applicants of the tenant class can obtain long-period loans.

Question 2.—Long-period advances are available to landlords on the security of mortgage of their immovable property, and to tenants on mortgage of their occupancy rights *plus* their personal credit.

The chief difficulties of the long-period borrowers are (1) specially excessive rates of interest with six monthly or yearly rests, (2) on default the amount of interest is included in the principal. Thus these loans are not easily payable. (3). They also have to pay a certain amount as commission before getting the money; this means that they get so much less.

Question 3.—The non-transferability of the tenancy rights is an impediment to long-term credit of the tenant. The rate of interest is enhanced in his case in view of the risk one has to take in making an advance to him.

MR. R. C. A. S. HOBART

Question 4.—The occupancy right does not serve as a sufficient security for long-term credit though it carries some credit, particularly in short-term loans. I would much rather leave the law where it is.

Question 5.—The establishment of land mortgage banks will largely help in solving the problem of long-term advances in this province.

Question 6.—There should be two mortgage banks, one to deal with the farmers and small landowners, and the other with big landowners.

There should be no connexion of the working arrangements between the two, as in that case interest in one would result in neglect of the interests of the other.

The land mortgage banks should have share capital of their own; the capital which each bank is required to keep before commencing business operations should be fixed at the probable requirements of the province. This figure should be divided in shares open to subscription to any person, corporation or estate.

The Government should undertake to subscribe the balance if the share capital is not taken up by the public, and in any case should fix the maximum percentage of profits to be derived from it.

Such banks should be managed by six directors. The rights and vote of the shareholders should be the same as that of a limited concern.

The maximum period of long-term loans should be fixed at 25 years, but the maximum amount of loan should not exceed 15 times the estimated annual net income of the property, after deducting the land revenue of the same.

The land mortgage banks should obtain working capital by floating bonds in the market against the security of the mortgages obtained by them in their favour. They should also obtain it from deposits and debentures guaranteed by Government.

It would be necessary that debentures should carry a government guarantee. This will bring money at less interest, although if this were not done the assets represented by mortgages held by the bank should serve as sufficient guarantee for the principal and interest.

The Government should take up the balance, if the debentures are not taken up by the public within a prescribed time.

The debentures should rank as trustee securities.

The mortgages held by the bank can be handed over to the Government in lieu of its financial obligations, and in this way Government can be safeguarded against loss.

To assist the land mortgage banks, certificates of encumbrances should be issued by the registration office at a nominal charge. There should be a reduction of stamp duty, registration charges, and court-fees. Proposed mortgages should be notified though such notifications will be disliked by the loan-taking public. The process of foreclosure and sale in the event of non-payment should be simplified, and the banks should be vested with power to manage defaulting estates, the Government reversing rights of supervision and intervention.

The provincial land mortgage banks should be co-ordinated under an all-India central institution. In the first place a Loans Act should be passed by the Government. The Act should provide for a Loan Board which should have power of general supervision. The board should organise land mortgage banks. It should consist of the finance member (*ex officio*) and four other members appointed by the Governor-General in Council.

Question 7.—The value of land can be estimated by taking the average of the net annual income of the property for three years, after deducting land revenue and other charges, and by multiplying such average by 15.

In this district the value of land per acre differs according to the crops grown on it, which in turn depends on the situation and class of the land. The value also bears a relation to the rent obtainable.

There is great difference in the prices obtained by sale of land in various ways :—

(i) In sales due to non-payment of revenue, the land is auctioned usually at a comparatively low price.

(ii) In a sale on a court decree the purchaser is usually bound to bid for an amount not less than the estimated value prepared by the revenue staff of the Government. This means more money, but the estimate is prepared on a fixed principle which is sometimes much lower than the market value would deserve.

(iii) In private negotiation the land fetches its real market value, because the vendor exerts himself to the full.

Under normal conditions the market value is nearly 22 times the annual yield of average quality land, less land revenue and other charges.

Part F.—Co-operation.

Question 1.—The relation which exists between co-operative banks and the Imperial Bank of India and the joint-stock banks is that the latter act as bankers to the co-operative banks on the system of cash credit. Co-operative banks keep their surplus funds with them in the shape of current account and withdraw when in need of them. There is no relation with indigenous banks.

There is no competition in this district between the co-operative banks and the joint-stock banks as the fields of activity of the two differ. Co-operative banks confine their investments to rural areas, while the joint-stock banks deal chiefly in urban ones.

Questions 2 *and* 3.—The co-operative societies experience difficulty in raising long-term capital but not short-term capital. The amount of capital available for financing the co-operative movement in this district is by no means sufficient. Fifty lakhs are required for this district alone. This will mean 1,000 societies with a capital of Rs. 5,000 each. The amount can be raised by the issue of shares or by debentures guaranteed by Government.

Question 4.—It is possible to stimulate the growth of the co-operative movement by financial concessions, such as exemption from income-tax, which will increase the margin of savings, and the inclusion of debentures in the list of trustee securities which will help considerably in raising the amount required for financing the movement. This or some such action is desirable.

Question 5.—The establishment of a provincial co-operative bank will be the best means of stimulating the co-operative movement in the province.

Part G.—Small industries allied to agriculture.

Question 1.—*Gur*-making, sugar-refining, tobacco-growing, vegetable-growing and fruit-growing are industries which are subsidiary to agriculture in this district.

Question 2.—Their condition, on the whole, is satisfactory. Improvement in tobacco is possible by teaching the growers and others the ways of its manufacture, and in fruit-growing by teaching them how to preserve the fruit and where to send them. When these matters have been sufficiently handled by the Education and Industries departments the question of financing will come up. It is idle to mention it yet as it will depend upon the nature of the turn that things take. The organisations suggested below may be utilised for helping in these industries also.

Question 3.—I would suggest spinning and weaving on handlooms and sock-making as industries that can be introduced at once, and toy-making on German lines, which may be introduced in course of time, to give employment to a farmer during the off-season when he is not fully occupied in agriculture. Technical classes for these will have to be opened and multiplied.

Co-operative credit societies and other individuals may be encouraged to store handlooms, spinning wheels, and machinery for making hosiery, with the object of hiring them out on the same lines as the sugarcane presses are hired out at present. The estate bank may supply these things at a nominal profit or interest to the organisers or societies who in turn could give them out on hire on terms securing a profit to the tenants who will spin or make articles in their spare time. The societies or organising persons and bodies could sell the produced articles for the producer, sharing the profits in a certain proportion.

Part H.—Small urban industries.

Question 1.—Cottage industries in this district are done on a very small scale and no money is needed for them, but any, if ever required, is borrowed.

The artisans get their supply of raw material and implements from the local bazar; but in such cottage industries as cap-making, etc., the material is supplied by the wholesale dealer.

The wares are disposed of by selling in the local market or by delivery to the wholesale dealer who pays for them and exports them.

The middleman sells these articles locally and settles the price between the consumer and the seller. The large dealer buys himself and supplies either to retail dealers and consumers or exports the commodity.

Question 2.—Workers are employed under master-artisans in cotton, carpet-making and loom-weaving industries, which are done in *karkhanas*.

The middleman decides the price between the consumers and the *karkhanadar* in such trades as castor oil vend and the like. In carpet weaving there is no middleman here.

Karkhanadars pay to the workers so much for so much work done—the work being classed according to the quality, and the wages depending on the quantity of work of a certain quality. Apprentices get nothing at the start and very little during the progress of learning the work; but when they qualify themselves they are paid full wages on the same basis as other workers.

The tendency in these industries is for the artisans to drift from home to small workshops, but the possibilities are limited. There is no tendency in the opposite direction.

Question 3.—Needle-work, done as a cottage industry by females, brings very little return. It could fetch more by organisation. Men have to over-work in castor oil factories, but they are well paid for it.

Considering that *purdah*-observing females play a considerable part in several cottage industires, it is not easy to organise home workers, or to protect them from exploitation; but the municipality can be made to help them by opening museums of such works, with a note of places where they can be had from. This should be available to the visitors, and a very small charge made for the maintenance of the museum from the exhibitors.

Question 4.—There are no co-operative artisan societies in this district. Co-operative organisations would remedy sweating and exploitation; but the difficulty in such organisation is as has been stated above, where an alternative suggestion has also been made.

Question 5.—Industrial banks would provide a suitable method of improving the small industries done in *karkhanas*, as they will deal with all and sundry and not with a limited sphere as a co-operative society has to. On the other hand, co-operative banks would be more useful for cottage industries because it will be difficult in these cases for a joint-stock bank to know whether a small man can pay off debts or not.

Joint-stock banks should issue loans to firms and artisans; societies and co-operative banks to individual artisans.

Question 6.—Sales associations, dépôts and emporia will be of some assistance in advertising and marketing art wares. As these emporia will relate to small urban industries the suggestion in my answer to question no. 3 above may be tried. A very small charge may be made for each exhibit, and this will cover the small cost necessary for maintaining the institution suggested therein.

Part J.—Internal remittance and negotiable instruments.

Question 1.—The facilities available to the public, including banks and bankers, for internal remittance are the drafts of the Imperial Bank on places where it has got its branches, or the issue of supply bills on limited fixed centres.

The facilities available are very limited in scope and costly as well: they can be improved by a free issue of supply bills on all places where there is a government treasury or branch of the Imperial Bank.

Question 2.—Negotiable instruments play an important part in the internal trade of the province being instruments by which money can be got at the spot for effecting purchases.

Question 3.—Supply bills facilitate internal remittance in a very limited degree; their utility can be increased if they are issued on all places where there is a government

treasury or a branch of the Imperial bank, and the distinction in the charges between those below Rs. 10,000 and above it removed; the charge should be one anna per cent. for all bills of any amount which should not be below Rs. 1,000.

Question 4.—The use of bills of exchange would be extended if duty is reduced on them.

Question 5.—I am in favour of the extension and cheapening and improvement of the post office agency in handling internal remittances.

Question 6.—There are two classes of *hundis* current in this district: on demand and draft *hundis*. Demand *hundis* are payable on presentation, while draft *hundis* are payable on the expiry of the period for which they are written.

The Negotiable Instruments Act in its present form has no provision for the period demand *hundis* can remain current. Sometimes they remain in a rotating state for a considerable time, and as there remains always the risk of the money being lost on the failure of the drawee, the fixation of the period of currency will protect persons handling *hundis*; this can be effected by amendment of the Negotiable Instruments Act.

Hundis in the trade centre are held by middlemen, merchants and commission agents and also pass freely from hand to hand.

The *hundis* of this district are discounted in the district and are also sent outside for discounting and re-discounting.

Question 7.—It is not possible to borrow money on the security of railway receipts or invoices. One can borrow on the security of government loan papers. The question of transfer is the chief difficulty, for some instruments are not transferable; these difficulties can be removed by getting the transferring rights written on separate stamp paper, but other facilities can be afforded by legislation.

II.—Indigenous Banking.

A.—Organisation of indigenous banking.

Question 1.—There are two classes of indigenous bankers, one whose chief business is lending money only, and the other who deals in all sorts of business, such as receiving deposits, dealing in *hundis* and lending money. Again, the former are divided into those working in rural and those in urban areas.

Some of the urban indigenous bankers combine other business with their own such as *khandsar* (dealing in sugar), and *bhadsar* (stocking of grain), but banking is their principal business; others are subsidiary to it.

Question 2.—Indigenous bankers, even if they also deal in sugar, do much in financing agriculture by distributing money to the tenants against the security of their sugarcane crop. They help trade by supplying money to the grain merchant and the commission agents. They are seldom of any help to other trades: in industry they do very little.

Question 3.—It is very difficult to arrive at an estimate of the resources of the indigenous bankers. But they may be taken to be 60 lakhs in respect of those who lend money only, and 40 lakhs in the case of the others. No true information can be given.

The volume of their business may be said to be 10 per cent. more than the capital as there are very limited opportunities for turnover.

No correct information can be given of their expenses, but they are very little so far as banking in urban areas goes,—say one per cent., and *nil* in rural. For other business combined with banking the expenses come to 6 per cent.

The annual net return of each class of indigenous bankers on their capital, after making allowance for legal expenses, expenses of management, losses through bad debts, etc., is 10 per cent. in urban and 15 to 20 per cent. in rural areas.

Question 4.—There are no financial houses in the province dealing solely in the purchase and sale of *hundis* and other bills of exchange. Their absence is due to lack of sufficient *hundis* and exchange business.

Question 5.—The method pursued by indigenous bankers in keeping accounts is that of the single entry system.

B.—Raising of funds by indigenous bankers.

Question 1.—The different forms of *hundis* are demand and sight *hundis*. Other credit instruments are promissory notes and *sarkhats*. *Hundis* are mostly used, but promissory notes and *sarkhats* are also much used.

Samples *hundis*, promissory notes, deposit receipts and *sarkhats* are appended.*

Question 2.—The indigenous bankers provide themselves with funds by drawing demand or sight *hundis* in order to meet demands upon them.

The assistance which they receive from the Imperial Bank and the joint-stock banks is very limited. They obtain such assistance by either pawning their ornaments or government securities or by drawing sight *hundis* where they are well-known.

The defects in the present system from the point of view of the indigenous bankers is that they cannot get sufficient funds on credit. Improvement lies in extension of credit. From the point of view of the debtor the defect is that indigenous bankers' books and accounts are not supported by vouchers, in regard to which my suggestion is that the law of evidence be so amended as to make it compulsory for the indigenous bankers to have vouchers signed by the debtor both for entries on the credit side and on the debit side before any is considered admissible in evidence. Absence of vouchers on any side should make entries on either side inadmissible.

Question 3.—Indigenous bankers receive both short-term and long-term deposits and allow 3 per cent. per annum generally on short-term deposits for six months and 4½ per cent. on long-term deposits for a year or more. These rates vary at different seasons.

C.—Advances by indigenous bankers.

Question 1.—The various methods in which the indigenous bankers grant loans are by taking immoveable property in mortgage or ornaments in pawn, advancing on promissory notes and allowing simple credit. Cash credit in the technical sense of the term is not given except in rare cases against fixed deposits.

The loans are both for long and short terms.

Landed property, moveables and deposits with the bankers are accepted as security to cover these loans.

The rate of interest varies from 9 per cent. to 15 per cent. per annum on long-term loans according to the nature of the security offered. It is 25 to 37½ per cent. on loans without security and on small sums in cash and kind.

Question 2.—The agriculturist has to pay to the indigenous banker 2 per cent. per mensem. But where there is no security he pays Rs. 12 for every Rs. 10 : one rupee is deducted at the time of payment and he pays one rupee per month. In other words he gets Rs. 9 and pays Rs. 12 in the course of the year at Re. 1 per month.

The urban indigenous banker advances cash only and receives back in cash. The rural banker when he advances grain receives it back as also its interest in kind. The interest for loans for 6 months is 25 per cent. and for a year 50 per cent. of the same kind of grain. Considering that grain is dear at the time of the year when loans are given and cheaper when received back, the interest works out at 37½ per cent. per annum.

The organisation of banking can be improved and the rate of interest can also be reduced, if the leading banks take up the task. The rate of interest will also fall if agricultural banks are opened, owing to competition. Such reduction will undoubtedly benefit the agricultural community, but much of it will be intercepted by the village moneylender unless there is competition as suggested above.

Question 3.—The clients of the bankers are supposed to be allowed to inspect their accounts with them, but they seldom do so and almost always accept the word of the banker.

D.—Exchange and money market.

Question 1.—There is no regular local exchange and money market in this district. Exchange work is, however, done by the indigenous bankers, to a very limited

* Not printed.

extent. These indigenous bankers have business relations in all important money markets such as Cawnpore, Calcutta, Bombay and Delhi, and it is thus that the money market is linked with them.

Question 2.—The brokers are middlemen between the buyers and the sellers in the exchange and money market. They get generally half an anna per cent.

Question 3.—For internal remittance the rates of *hundis* depend on the stiffness of the money market.

To obtain credit *hundis* are purchased and sold with a difference of one anna on the market rate.

There are seasonal variations in the rates of *hundis*. The rates vary according to the volume of business and the supply of money.

As the Imperial Bank of India is the leading banking institution of the present day and the chief supplier of money for trade, the bazar rate is mostly affected by it.

Question 4.—The local market of the district is not influenced by any organisation such as the *Panchayat Sarafa* of Delhi or the *Saraff* Association of Bombay.

Question 5.—There is no local usage governing the local trade, and other usages affect it only slightly. They are: different weights for different commodities; payment of certain charges for local institutions such as Ram Lila, *dharamsalas*, etc., besides weighment charges and a certain quantity to the *arhatia* per cart or multiple of three maunds.

E.—Defects of indigenous banking.

Question 1.—Public opinion regarding the small moneylending class of indigenous bankers is that they are a blood-sucking community. They are hated, but have to be approached. The other class is respected.

Question 2.—There are many legal difficulties which the indigenous bankers have to face in carrying on their business, *e.g.*, they cannot realise from the holding of an occupancy tenant.

Question 3.—The indigenous bankers consider that they are not sufficiently protected in law and require additional safeguards by modification of the insolvency law. I however do not see eye to eye with them.

Question 4.—The defects in the dealings of the indigenous bankers from the point of interest of their clientèle are that no receipts are issued for deposits and only seldom for interest and part payment of debts. Change is required in the Evidence Act laying down that before any entry of the account books of an indigenous banker is admitted in evidence, it must be shown that each entry, both on the debit and credit side, is supported by vouchers properly signed by the debtor. Petty dealers take signed stamp papers which are blank. An Act on the lines of the Punjab Moneylenders Act is needed.

Question 5.—The indigenous bankers are not able to meet all acceptable demands for accommodation; they are sometimes obliged to refuse such demands on account of insufficient working capital. This is one reason why the interest is so high. Their resources can be extended if they are given a free credit.

F.—Co-ordination.

Question 1.—Those bankers who deal in the *hundi* business inter-sell and purchase *hundis* between themselves. Those of the class who do not deal in the *hundi* business purchase *hundis* from the class abovementioned when they stand in need of them. When small moneylenders take articles in pawn, they secure money from bigger moneylenders on the same security at smaller interest by passing on the pawned articles to them.

Indigenous bankers get their *hundis* discounted by the Imperial Bank and other joint-stock banks. They also take temporary loans. Petty indigenous bankers who are members of co-operative societies do, despite discouragement, take loans and advance to others on enhanced rates.

Preferential treatment, if any, given by the Imperial Bank of India or joint stock banks to indigenous bankers over other customers is negligible.

Question 2.—There is no co-ordination between the indigenous bankers and other banks. The latter only discount the former's trade demand bills and thus help them in giving credit to trade and industry.

The establishment of a provincial bankers' association is desirable and will serve the purpose of better co-ordination.

Question 3.—There is no cheque system in the working of indigenous bankers working in mofassil towns.

G.—Consolidation of indigenous banks.

Question 1.—The indigenous banking system can be improved and made more serviceable to the community if a licence system with suitable conditions of licence is introduced by the Government, though the measure will meet with much opposition in the first instance.

Question 2.—The indigenous bankers will secure an increased clientèle on recognition by the Government but mostly in respect of deposits. The conditions for recognition should be a minimum status and capital and the fixing of a rate of interest over which he cannot charge, the moneylending to be restricted for productive purposes only.

Question 2-*A*.—But when all this has been said I am opposed to the setting up of any class of licensed or registered moneylenders. Those who will take advantage of the system are likely to be from classes who abuse their privileges.

Question 3.—The introduction of measures designed to regulate the operations and enforcing the publication of the balance sheets of indigenous bankers will be resented by them.

Question 4.—There are times of the year—usually August to October and March—when money remains idle in the hands of the indigenous bankers in large amounts. There is a tendency for the money to be concentrated in important trade centres. One way of improving the organisation of lending and borrowing so that the idle money may remain in the district, would be to organise cottage industries suitable for the season and utilise the money for developing it.

Question 5.—The indigenous bankers do have business relations in important money markets within the province. They get money from these markets. The indigenous bankers of the locality also sell their demand bills in these money markets.

The bigger bankers of this district will prefer the establishment of agencies of the Imperial Bank of India held by local indigenous bankers, to any of the other courses mentioned in the question.

A joint stock bank may succeed in attracting sufficient business with a good directorate and a competent manager, but not otherwise.

A central reserve bank with sufficient Indian representation on it, intended to create a bond of connection between all the elements of the banking system, would be desirable.

The indigenous banks should be linked with the central reserve bank through the Imperial Bank of India, or rather its local agency.

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

Question 1.—The statement as to delays of law is more or less correct. Difficulties arise from a debtor being a member of a joint-Hindu family, in which case his share cannot be touched if not partitioned. Delay occurs also in the disposal of cases owing to congestion of work in the courts. There are similar delays in execution. Again, many expenses actually incurred are not allowed by the court, *e.g.*, *ekka* hire, etc., in the coming of the creditor or his man to the court.

Provision may be made for such extra expenses in costs; the number of courts with officers working honorarily should be increased, and more courts should be given summary powers.

MR. R. C. A. S. HOBART.

III.—Investment habit and attraction of capital.

A.—Encouragement of saving and investment habit.

Question 1.—The existing banking resources in this district are a branch of a joint stock bank, the co-operative bank, indigenous bankers, the professional money-lenders and post offices. I do not consider them to be adequate. It is difficult to estimate the additional capital required, but approximately the figure may be put at Rs. 50 lakhs.

Question 2.—The existing institutions for encouraging the habit of saving and investment are the post office savings bank, the joint stock banks and co-operative banks, though some deposits are made in indigenous banks also. They do not provide full facilities as all but indigenous banks accept deposits of limited amounts only. Co-operative banks take deposits only when they require money. The facilities require extension into the interior of the mofassil.

Question 3.—The people of the locality are in the habit of investing in gold or silver to the extent of, say, one per cent. of their income.

Question 4.—Postal cash certificates are not popular with the general public in this district. Their popularity can be encouraged by a change in the existing terms of issue. Interest may be allowed for full months instead of full quarters.

Question 4-*A*.—Considering the general level of education and the obtaining economic condition in India, I do not think that anything similar to the national savings movement in England is possible here.

Question 5.—Post office savings banks do not afford adequate facilities to the investing public. The facilities can be extended if the maximum limit of amount that one person can deposit in his name is increased, and the number of times for drawing money is also increased—say, made twice a week.

Generally the educated classes, including government servants, take advantage of the facilities offered by the post office. The classes that do not resort to this type of investment should be made to understand its advantages by propaganda in the vernacular. Also new branches should be opened in the interior.

Question 6.—I do not consider to be true the allegation that the rates of interest on postal cash certificates and treasury bills are so favourable as to create competition between Government and banks in attracting money. Such competition is healthy in any case.

Question 7.—As the idea of issue of gold cash certificates will be novel in India, nothing can be predicted as to how far it will succeed in accelerating the savings habit. Small men will not have much to care for gold.

Question 8.—It would not make any difference in the savings habit if public bodies like municipalities were to afford savings bank facilities. Facilities already exist generally where these bodies exist.

Question 9.—Government at present affords no facilities in purchase and sale of government securities. The Imperial Bank of India and other banks arrange such purchase and sale at favourable rates.

Small agriculturists and small investors can take up any form of government securities if sufficient provision is made for encashing them when they stand in need of money; and the proposed change in the issue of post office cash certificates will, if carried out, meet the present needs.

Question 10.—The facilities at present afforded by various financial agencies in respect of other than government securities are that they arrange in big trade centres their purchase and sale at favourable rates. But no such facilities are available in ordinary mofassil towns.

Question 11.—A few persons invest their surplus money in granting credit on mortgage of immoveable property, but most people get ornaments prepared for domestic use and hard times. They keep the money in their private chests or bury it underground, or keep it in the form of ornaments. Now and then, particularly in urban areas, they keep it in banks or with indigenous bankers.

Question 12.—In a prosperous year the farmers purchase ornaments and other necessities of life, and purchase agricultural implements, bullocks, etc., with their surplus money. Very rarely they lend to fellow agriculturists. And when they do it is usually in the form of seed, when 50 per cent. in kind is charged as interest for one year and 25 per cent. for one season.

The total capital, *i.e.*, inclusive of live-stock, implements, etc., of an agriculturist is Rs. 100 per family of four persons divided on the entire population. If, however, only investable capital is referred to in the question, then it is one per cent. of the total invested capital of the district.

Question 13.—I agree with the view that in India the banking and investment habit is of very slow growth. I attribute it to the lack of education and conservatism arising mostly in the pre-British period owing to insecurity of life and property in those days. It has descended down to the present generations. Government propaganda can, to some extent, educate people to invest savings in productive undertakings. Extension of co-operative societies will be another means of such education.

B.—Cheque habit.

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

Question 2.—There has been an increase in the opening of accounts as well as in the use of cheques owing to abolition of stamp duty.

Question 3.—The educated classes use cheques.

Question 4.—Payments of government servants and bank employees may be made by cheques. Though risky to receive government dues by cheques, it may be introduced with safeguards.

It is desirable that post offices should open cheque accounts. I should not place any restrictions on them.

Question 5.—The illiterate can be made to use cheques if Government can make them universal and acceptable by the public like government currency notes.

C.—Vernacular scripts in banking.

The present script used by the indigenous bankers is bad and the majority of people cannot read it. The use of Devanagri and Persian script must be a condition to introduction of vernacular script in banking.

D.—Imperial Bank of India.

1. The opening of new branches of the Imperial Bank has encouraged the investment habit in those only who are most well-to-do, and to a very limited extent. Internal trade has been promoted, but not industry. There has been no consolidation of and no encouragement to indigenous banking from them. Nor has there been any marked increase of facilities for agricultural credit, but there is an indirect facility for agricultural credit, inasmuch as cash credit is given to district co-operative banks which, through co-operative credit societies, help the agriculturist. The general price of money has been lowered. The discount rate remains high.

Mr. H. BOMFORD, I.C.S., Collector, Mirzapur.

Replies to the questionnaire.

I.—Agricultural Credit and Credit Facilities.

Part A.—Agricultural borrowing for purposes of production.

In order to answer question no. 1, I have analysed the figures of loans advanced by the co-operative bank to its constituent societies in this district during the past five years, and I attach a table showing the amounts advanced under different heads in each year. It will be noticed that in all years, except 1926-27, a large percentage of the total advance has been taken for cattle. I understand that the expenditure under this head is not so much for the purchase of plough cattle as for the purpose of dealing in cattle. In the year 1926-27 a large amount is shown under the head "Other needs of cultivation," and a comparatively small amount is shown under the head "Cattle." No definite information is now available, but I am told that it is possible that there is an error in the figures of that year, and that Rs. 9,354 shown in 1926-27 under the head of "Other needs of cultivation" should have been shown under the head "Cattle," and Rs. 995 shown under "Cattle" should have been shown under "Other needs of cultivation." One thing apparent from these figures is that the amount borrowed for payment of rent and revenue is practically constant every year, and that the amount borrowed for marriages is a great deal less than would be expected; while nothing is shown under the head of borrowing for the purpose of litigation. These figures to this extent contradict the conclusions reached by the committee* which I attended. But the head "Repayment of old debts" is evidently becoming more and more important. My inquiries in the village of Masari of 750 inhabitants, which lies near Mirzapur in the fertile Ganges basin, resulted as follows :—

Total debt of the persons questioned was Rs. 9,930. I was told that another two to three thousand should be added to cover the debts of the whole village. But the percentages I give are calculated on Rs. 9,930. This amount was, I was told, borrowed as follows :—

	Rs.	per cent..
(i) For repayment of earlier debts	2,400	24
(ii) For payment of accumulated interest ..	1,600	16
(iii) For marriage and other social functions ..	2,350	24
(iv) For payment of land revenue and rent ..	1,555	16
(v) For seed	40	0·4
(vi) For subsistence	375	3·7

(vii) Miscellaneous.—Rs. 100 was for building a house and Rs. 1,500 for the purchase of property.

These figures confirm the view of the committee that marriage and social ceremonies are a serious cause of indebtedness. They also suggest that it will be very difficult to say for what purposes the agriculturist borrows and in what proportion the debt is distributed among such purposes in detail. Rent and revenue have to be paid. If the profits from cultivation did not pay for the seed, manure, expenses of cultivation, litigation, and purchase of cattle required for cultivation,

* See evidence of Mr. E. F. Oppenheim at pages 10—12 of this volume.

the money will have to be borrowed for payment of rent and revenue and will be shown under that head. But the average man is not able to say why exactly he was unable to meet his liabilities for rent. All that he can say is that the crops were not good enough.

As for the classes of lenders from which the agriculturist borrows, this village had taken no *taqavi* from Government and nothing from co-operative societies. Eighty per cent. was borrowed from *mahajans*; 11·3 per cent. from relations, other tenants and the *patwari*, and 3·7 per cent. from the *zamindar* who had converted the liabilities for rent into a loan.

The whole debt was incurred in cash.

Only Rs. 40 in cash had been borrowed for the purchase of seed and for a short period.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—It would be possible to ascertain the existing indebtedness of any particular village, any particular estate or district or province by personal inquiry in the villages. As Settlement Officer of the Rewa State I prepared estimates of the indebtedness of that State and I give the figures for what they are worth. The figures unfortunately are not figures of the total debt but merely figures of five degrees of indebtedness, *i.e.*, every tenant in the estate was put into five classes :—

Class (*a*) comprised tenants who did a little moneylending themselves;

Class (*b*) tenants who were either not in debt or only occasionally in debt;

Class (*c*) tenants who were in debt but still had a certain amount of credit;

Class (*d*) tenants who were hopelessly embarrassed;

Class (*e*) persons without any credit at all and living by daily labour.

The results were that 6·2 per cent. of the tenants fell into class (*a*), 12·7 into class (*b*), 32·2 into class (*c*), 20·7 into class (*d*), and 28 per cent. into class (*e*). These proportions would, I think, be applicable to the Mirzapur district in which conditions are very similar to those in the Rewa State. The figures show that some 19 per cent. of the tenantry are comfortably off and about half are miserably poor.

Question 2.—The question as to who are the principal creditors of the agriculturists has been answered under Part A above. 11·3 per cent. of the debt in the village I visited was due from the poorer agriculturists to the richer.

Part G.—Small industries allied to agriculture.

There is a well-established turkey-breeding industry in the villages of the Ganges valley in this district which has extended into the uplands of the west.

I find that at Christmas time pairs of turkeys are sold to outside dealers at from Rs. 10 to Rs. 8 a pair. My own experience is that in places like Allahabad the pair of birds sell for Rs. 18. The industry is flourishing enough and it seems to me that any organisation that would enable the Mirzapur breeder to put his birds direct on to the large city markets would be beneficial to breeders and consumers alike.

So far as I can ascertain, losses among the birds are very heavy and I think the attention of the Government Poultry Expert might well be directed to improving the breed.

The breeders are, of course, all in the hands of *mahajans*. I cannot see any bank undertaking the finances of the industry, but a co-operative society should be able to do good work. Unfortunately the breeders are not of a very high type, being mostly Khatiks with some Kunjras and Chamars.

Part H.—Small urban industries.

The principal cottage and art industries of this district are the carpet industry in the north of Mirzapur, the brass industry in Mirzapur city, and the pottery industry of Chunar, where there are also small industries of silk weaving, and lacquer toy-making.

A.—THE CARPET INDUSTRY OF MIRZAPUR.

Question 1.—The bulk of the industry in the district is financed by two European firms. A third European firm operates in the adjoining area of the Benares State. A

small portion of the business is run by Indian capitalists who, however, are to some extent financed through the large shipping agents in Calcutta. They receive payment for the percentage of their invoice for carpets on receipt of the relative railway receipt and invoice by the shippers. The balance when realized is paid after the carpets have been disposed of at the London docks. The European firms deal direct with their wholesale agents in London.

The bulk of the yarn and the looms are supplied by the weavers themselves from advances taken in cash from the firms. But one European firm supplies yarn on credit to the weavers for its better carpets, and another is preparing to do the same; while some individual weavers are supplied by *mahajans* who give the weaver credit while he is employed by any responsible firm and charge him accordingly.

The carpets are sold by the weavers to the firms who supply them either with cash advance or with yarn.

The middleman plays but a small part in this trade. The nearest approach to a middleman is the outsider who comes into the market and buys bazar carpets at the best figures he can obtain them at.

Question 2.—There are *karkhanas* in the carpet business but they are very few. Most of the weaving is done on a family basis.

In the carpet industry, which is based on the home, there is no tendency for artisans to drift elsewhere.

Question 3.—Women take little part in the carpet trade,—none in the actual weaving. A few are employed at the headquarters of the firm or by large yarn factories for spinning yarn.

"Sweating" is a comparative term. The weaver no doubt works hard. The recognised hours are from sunrise to sunset. But so does every coolie at the plough; and when the weaver has other work to do, *e.g.*, agricultural, he turns to that without hesitation. They mostly are agriculturists as well as weavers.

I have no evidence that the weavers are being exploited. The overhead charges of the European firms are no doubt heavy, but I do not see how the industry could have reached its present state of prosperity without heavy overhead charges. The weavers for the most part can fall back on agriculture if they feel they are being exploited.

Question 4.—There are no co-operative artisans' societies in this district, and it is some years since I had acquaintance with the working of such societies. But I seem to remember that a great number went into liquidation when I was at Moradabad in 1916-17. I do not think that the carpet industry requires any remedy for sweating or exploitation.

Question 5.—I am not really in a position to say whether an industrial bank would be a suitable method of improving the present system of financing small industries but the system of giving advances free of interest to the weavers by the European firms is intended to keep their men out of the hands of the *mahajan*. But it is admitted that they are not always successful.

Question 6.—I remember that a very effective catalogue of local art wares was published some years ago. I think a depôt could be of great value. The Wembley Exhibition proved what could be done if local individual art wares were put before a large public. But I see no reason why private enterprise should not organise, finance and manage such depôts. If there is no reasonable profit to be made from such a depôt, there is no reason why Government should waste its money trying to create a demand.

B.—Brass-making in Mirzapur town.

Questions 1 *and* 2.—Brass work is divided into two parts: brass work proper, and work in *phul* or gun metal. The brass work proper is all done in the homes of the workmen, and the gun metal work is all done in workshops.

The whole business is financed in the first instance by *arhatias* who advance the masters of the *karkhanas* the materials, brass or *phul*. The masters in the same way advance materials and tools to the labourers, whether home workers or workshop workers. The workmen deliver the manufactured goods to the masters from whom they received advances and are paid, in the case of *loas* and *batuas*, by number, and in the case of *thalis*, by weight. All workmen receive advances free of interest from the masters and

these advances are paid off on delivery of goods, and I fancy the advances are always renewed. The masters of the *karkhanas* then sell to another set of *arhatias* through brokers or *dalals*. The *dalal* takes three annas a maund from the master and the *arhatias* takes a similar amount also. The *arhatia* then disposes of the manufactured goods to the *beopari* or wholesale dealer, who may come from any part of India. His commission is eight annas per cent. from the *beopari*, but in addition a great deal is supplied on credit to the *beopari*, and for this credit six per cent. a year is charged.

Anyone can become an apprentice. An apprentice gets no wages until he is reasonably proficient.

The brass workers work in their homes as a matter of course, and the workers in gun metal in *karkhanas*. There is a rigid distinction between the two classes of workers.

Question 3.—The gun metal workers are, I am told, worked very hard and are comparatively ill paid. As a matter of fact, on paper, wages are good. A brass worker can earn from 12 annas to a rupee a day, and a worker in gun metal from Re. 1-8 to Rs. 3; but the trouble is that work is not constant and at present there is little demand for labour as aluminium is cutting out the local brasswares. The fall in the demand led to a suggestion that wages should be reduced, but a *panchayat* of workers has been organised to fight any reduction in wages. Women are not employed in the industry.

As I have noted above the workers have taken steps to protect their own interests as they understand them, and I do not know that more can be done in that direction.

Question 4.—The whole trouble in the trade, so I am told, is that no one knows what profit is made by the *arhatia* who advances the metal. Other profits are not excessive. But the *arhatia* fixes his price at his own figure and there is no means of checking the fairness of that figure. I am informed that 25 years ago some kind of co-operative society was formed in order to control the *arhatia* who supplies the raw material, but it was broken by the *arhatias* in a couple of years.

If the *arhatias* are making excessive profits (it is not certain that they are), then a co-operative organisation might, if well managed, assist in raising wages or by reducing prices enable the workmen to get more regular employment, but personally I have my doubts whether a co-operative society, which must be run under rules, can compete, in the market with a businessman who can buy at the most suitable moment and is in a position to sell at a loss for a time if he thinks that he will be able to recoup himself in the long run.

Question 5.—So *primâ facie* a bank would be a more suitable agency for financing the business; but the trouble is that I fear the business is naturally decadent. I have heard that with the introduction of electric power methods of production will be cheapened, and the local brass and gun metal may then be able to compete with their rivals; but it remains to be seen whether this expectation will be fulfilled and at present I doubt whether the business is large enough to attract any bank.

C.—Pottery, wooden toys and silk weaving of Chunar.

I am afraid my information is not as full as it might be, but I give it for what it is worth.

All these industries are financed by individual workers and are not dependent as a rule on moneylenders or *mahajans*.

Supplies of raw materials are obtained locally.

The makers as a rule dispose of their own wares. It is only in the pottery industry that the middleman comes in. He buys some 60 per cent. of the output for sale to the general public.

There are no *karkhanas*.

There is no sweating, and no organisation is necessary for protection against exploitation.

A bank is not required for financing these industries.

Statement showing the amount of loans advanced by the co-operative bank to its constituent societies in the Mirzapur district.

—	1924-25.		1925-26.		1926-27.		1927-28.		1928-29.		Total.	
	Amount.	Per-centage.	Amount.	Per-centage.	Amount	Per-centage.	Amount.	Per-centage.	Amount.	Per-centage	Amount.	Per-centage.
	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.	
Old debts	2,486	9·4	2,610	11·5	3,183	11·8	4,027	34	2,774	28·2	15,000	15·4
Marriages, etc. ..	785	3	421	1·8	1,135	4	325	2·7	285	3	2,951	3
Rent and revenue ..	6,090	23	7,237	32	6,767	25	2,637	22·2	2,131	21·3	24,862	25·4
Seed	..	..	25	0·1	738	2·7	223	2	706	7	1,692	1·7
Other needs of cultivation	510	1·9	45	0·2	9,354	35	15	0·1	496	5	10,420	10·7
Cattle	7,234	27	8,247	36·4	995	3·5	3,450	29	2,526	25·3	22,452	22·9
Construction of wells ..	..	..	175	0·7	..	..	..	..	..	..	175	0·2
Maintenance	..	..	460	2	1,257	4·5	..	..	..	..	1,717	1·7
Trade	8,967	34	3,018	13·4	2,448	9	665	5·6	1,056	10·6	16,154	16·5
Purchase of land ..	..	..	..	..	895	3	..	..	..	..	895	0·9
Fodder	240	0·9	375	1·6	228	0·8	..	..	..	..	843	0·9
Other purposes (mainly housing).	100	0·4	..	..	..	..	525	4·4	..	..	625	0·6
Total ..	26,412	99·6	23,613	99·7	27,000	99·3	11,867	100	9,974	99·5	97,866	99·9

Mr. H. Bomford,

Mr. P. MASON, I.C.S., Superintendent, Dehra Dun.

Memorandum on credit conditions in the Dehra Dun district.

THE cultivators are fully alive to the advantages of *taqavi*, and many of them will take as much as they can get, but the local *zamindars* and grain dealers still have a strong hold upon them, remaining presumably from the days when the Dun was first cleared and settled, a process which is in fact still continuing, and are said to use their influence against this form of borrowing. The fact that an expected *taqavi* demand in the district has on one or two recent occasions not materialised appears to support this view. It has been suggested that as the crops in this district ripen a month after those in the plains, and the dates for collection of land revenue are correspondingly later, the dates for realisation of *taqavi* should also be postponed to a similar extent. The amount of *taqavi* is however very small, and I personally have never noticed any cases to support this view; instalments are of course always postponed to a future harvest if the circumstances of the debtors make this necessary.

2. The suggestion that the better the title to land the greater the amount of indebtedness is, I think, true enough in the districts of Oudh, but does not hold good here, where there is neither the same pressure on the land nor the same amount of debt. Unlike other districts which have now reached a static condition, Dehra Dun is still in process of development, and a man who is prospering proceeds to build himself a *pakka* house or break up more land for cultivation.

3. As regards the marketing of food crops, this is an importing district which cannot produce sufficient for its needs. The surplus in the villages is generally bought up by grain dealers on the spot or in adjacent markets and carted by them to the big centres. The district co-operative bank, therefore, does nothing to finance these operations, nor do I think there is any good opening for it to do so.

4. Postal cash certificates are not particularly popular here. The usual method of dealing with surplus money in this district is to take a forest or grass contract or to start a moneylending business. I should say that the cheque habit is certainly growing in India, as I have noticed its extension both here and in Oudh. Whether the abolition of the stamp duty on cheques has assisted this development, I cannot say, but judging from the ingrained reluctance of so many *banias* and others to part with the one-anna stamp required for a receipt, I should say that it certainly has had some beneficial effect.

5. A satisfactory feature of co-operative credit in this district is that many societies appear to be fully alive to the necessity of scrutinizing the objects for which their members take loans, and some of them have made rules or passed resolutions deprecating and limiting unproductive expenditure, such as that on marriage celebrations.

6. There is one notable subsidiary industry in Dehra Dun, and that is tea. The smaller gardens which have been let on lease to *thekadars*, whose sole object is to extract the uttermost pice during the term of the *theka*, are of course going to rack and ruin, but the larger ones are at present prosperous, and distinctly resented the suggestion of a Commissioner in 1927 that they and their methods required overhauling and a large measure of assistance from Government. I understand that at present dividends rise as high as 40 per cent., as a result of which the shares in those which are limited companies are of course practically unobtainable. All that they require at present is a concession railway freight to Calcutta, and the metalling of the *kachcha* roads upon which some of them are situated; the former is a matter for experts, and the latter quite out of the question with a district board which already receives from Government some Rs. 90,000 of its income of about Rs. 1,40,000, and still shows an annual deficit.

7. I attach a separate memorandum on the tea industry.

MR. P. MASON.

Memorandum on the tea industry at Dehra Dun.

In 1927 the district produced 1,500,000 lbs., being 7·7 per cent. less than in the previous year owing to damage by locusts, but in 1928 these gardens more than recovered and produced no less than 2,042,931 lbs., or an increase of 35·44 per cent. The following are the leading gardens :—

(1) Harbanswala and Arcadia, belonging to the Dehra Dun Tea Company, which is under mixed European and Indian management.
(2) East Hope Town, which has the same directors as no. (1), Both these companies also employ European managers.
(3) Udiyabagh and Herbertpur, belonging to Mr. Raynor, who is also the leading director of nos. (1) and (2).
(4) Annfield and Kaulagarh, which are the property of H. H. the Raja of Sirmur and under efficient Indian management.
(5) Raipur, the property of Kunwar Tegh Bahadur Singh and his son, Major Kunwar Shamsher Bahadur Singh.
(6) Ambari, the property of L. Balbir Singh, a big *mahajan* and *zamindar* of Dehra Dun who is also a director of nos. (1) and (2) above.
(7) Mohkampur, the property of Sheikh Inamullah, a *rais* of Dehra Dun.
(8) Jiwangarh, the property of Chaudhri Muizuddin and some other Mohammedan residents of the Dun.
(9) Goruckpur, the property of a syndicate of European residents and under European management.

In all there are some 22 gardens now working.

2. As regards the methods of finance, most of the smaller gardens have been bought up by *mahajans* who finance them as a branch of their moneylending business, and generally lease them to *thekadars*, who are really tea-buyers and take these leases so that they can distribute their own produce. The tea they produce is therefore as a rule of inferior quality produced for their own markets, while, as the lease is usually for a fixed number of years, there is a minimum of cultivation and expenditure of any sort, with the inevitable result that the garden rapidly deteriorates. On the other hand the leading gardens under up-to-date management are doing extremely well and dividends of 40 per cent. are not unknown, though a lot of trouble has to be taken in obtaining the right kind of seed to start with and in the maintenance of up-to-date methods.

3. As already reported, the chief difficulty encountered by the leading companies is the heavy cost of freight to Calcutta which makes it difficult for them to compete with places like Assam on the Calcutta market, and a reduction in this freight would no doubt stimulate the production in the Dun of good quality tea, for which there is a stable demand at Calcutta. The local market is of course more or less ready to buy anything, and a lot of the Dun tea also goes to Amritsar. Another difficulty is that many of the gardens are at some distance from the main roads, so that the construction and maintenance of their *kachcha* feeder roads is a heavy burden on their profits.

Mr. PANNA LAL, I.C.S., Collector, Budaun.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—Agriculturists borrow from Government under special circumstances, *e.g.*, famine and scarcity, also a small amount every year under Act XIX—*taqavi* for *pakka* wells.

There are now no co-operative societies in this district.

Most of the moneylending is done by village moneylenders, prosperous tenants and *zamindars*.

The purposes for which agriculturists borrow and the proportion of the debt distributed among such purposes are given below :—

	Rough percentage.
(i) Repayment of earlier debts	2 per cent.
(ii) Payment of accumulated interest	5 ,,
(iii) Marriage and other social functions ..	20 ,,
(iv) Famine and other kinds of distress ..	10 ,,
(v) Payment of land revenue or rent	15 ,,
(vi) Seed	15 ,,
(vii) Expenses of culivation, *e.g.*, wages of labourers	2 ,,
(viii) Litigation	5 ,,
(ix) Purchase of plough or other cattle ..	10 ,,
(x) Sinking of wells	1 ,,
(xi) Subsistence	15 ,,
Total ..	100 ,,

The proportion of debt divided between the various classes of the lending agencies mentioned above is :—

1. Government	2 per cent.
2. Zamindars	15 ,,
3. Prosperous tenants	25 ,,
4. Professional moneylenders	58 ,,
Total ..	100 ,,

The proportion of debt in cash and grain is 60 per cent. and 40 per cent. respectively, of which 70 per cent. is incurred for short periods and 30 per cent. for long periods.

Question 2.—For cash advances the rate of interest ranges between 24 per cent. and 37½ per cent.—the smaller the case, the higher the rate of interest.

For loans in kind for seed the rate of interest is 25 per cent. for six months or 50 per cent. per annum.

For other loans in kind the rate of interest is two pice per rupee per month or 37½ per cent. per annum.

In the case of short-term debts, any amount outstanding at the end of six months is treated as a fresh debt and interest is charged thereon at the rate agreed upon. Accounts are closed twice every year, in the months of *Aghan* (November-December) and *Baisakh* (May-June). Even if debts are incurred only a few months before the close of the six-monthly accounts, interest for a whole period of six months is charged. This practice, however, is not universal.

In the case of long-term debts, only simple interest is charged unless payment of compound interest is agreed upon. Compound interest is charged very rarely in the case of long-term debts, presumbly because the rates of interest are in themselves very high.

The rates of interest are exorbitant.

Incidental charges are registration fee, stamp, scribe's fee and the fee for consultation of registration or *patwaris'* records—all paid by the borrowers.

Question 3.—Money is generally advanced on the personal security of the borrower. Land is leased to the creditor by the borrower for a certain term when the debt gets accumulated.

It is correct to say that the better the title to land the greater the amount of indebtedness. Sixty-six per cent. of the *zamindars*, 50 per cent. of the occupancy tenants and 33 per cent. of the other classes of tenants are in debt.

As has been said above, land is generally mortgaged to pay up accumulated debts. Debts accumulate only in case of successive bad crops. Thus increase or decrease in land mortgage depends largely upon the condition of the crops.

The percentage of debts may be compared as follows :—

Debts on the security of land mortgage	15 per cent.
Unsecured debts	70 „
Debts otherwise secured	15 „

Question 4.—The method of enforcing payment of debt from agriculturists is in most cases that creditors approach influential local persons. Both parties put up their case before such persons, who decide the case on its merits. This is the time-honoured *panchayat* system, and its decision is, by an unwritten law of society, binding on both the parties. It is only in special cases that recourse is had to courts of law. *Zamindar* creditors realize their debts by exercising their influence, and in most cases rent paid by a tenant is credited to private debts and rent is shown in arrears.

Grain is borrowed at a rate slightly higher than the bazar rate, viz., ¼ seer to the rupee dearer than the bazar rate. At the time of repayment the borrower pays at a rate ¼ seer cheaper than the bazar rate. The cultivator knows the correct prevailing bazar rates from other cultvators of his own village or of the surrounding villages.

Question 5.—The cultivator takes full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act; but a sufficient amount of money under Act XII is not granted except during years of scarcity.

He borrows as much as he can get. The extent of *taqavi* depends upon how much is allotted and not upon the will or the needs of the cultivator.

It follows because Government allots a larger sum for distribution in abnormal years, that more is borrowed in such years.

There are no defects in the present *taqavi* system.

Question 7.—The sources from which money is borrowed are :—

(1) Government.

(2) *Zamindars.*

(3) Professional moneylenders.

The defects of each system are as follows :—

(1) Government does not or cannot advance sufficient money. Money advanced by Government does not exceed 4 per cent. of the total amount borrowed annually by agriculturists. Government lends when it wishes, *e.g.*, in time of drought, and not whenever the cultivator comes forward. Government cannot distinguish between individuals and deals in rough averages. So, in collections it may be too liberal to some and too harsh to others. There is little individual treatment.

(2) *Zamindar* moneylenders want to deprive cultivators of their rights in the land. They charge a high rate of interest and realize the debts with interest first, showing rent in arrears.

(3) The professional moneylender charges a high rate of interest and his dealings are not fair.

For Government to establish a cheap moneylending agency in competition with the *mahajan* does not seem to be practicable or advisable. The only salvation seems to lie in co-operative banks.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—Cultivators of small holdings sell their crops to their creditors on the spot, who, in their turn, bring a part of it to the nearest market, reserving the rest for relending. Cultivators with big holdings bring their own grain in their own carts to the nearest market.

MR. PANNA LAL.

Question 2.—The marketing of crops is financed partly by big grain merchants and partly by exporting firms through local big merchants.

There is no co-operative society here.

Question 3.—In the case of marketing his crop there are no special charges, but the cultivator has to sell cheaper than the bazar rate. He has to pay Re. 0-11-3 for a hundred rupees worth of grain he sells, but has got to pay nothing to the *dalal* or to the *beopari*.

These charges do not vary except in cotton, for which the cultivator is not required to pay anything.

There are no other incidental charges.

Question 4.—The cultivator stores his grain in *kothas* made of mud. This is the only suitable means for this part of the country. In markets the grain is stored in gunny bags. No improvement can be suggested.

Question 5.—There are no markets or bank godowns here.

Question 6.—The American system will not work in a primitive agricultural district like Budaun.

Question 8.—The system of weighment is not satisfactory in the grain market of Budaun city. The *thekedari* system is the root of the evil and should be abandoned. Only licensed weighmen should be allowed to weigh.

Question 9.—Exporting firms and companies are not guilty of speculative dealings in agricultural produce; but they can control prices to a certain extent if they (rival firms) make a conspiracy to do so. No case of speculative dealing has occurred so far.

Part C.—Extent and nature of agricultural indebtedness.

Question 3A.—The Land Alienation Act has not resulted in any undue restriction of an agriculturist's credit. It has resulted in the replacement of an ordinary *bania* by an agriculturist moneylender.

Question 5.—The special cause for the indebtedness of the land-owning classes is extravagance, *e.g.*, a father dies leaving four sons: each keeps up the same style of living though the income is reduced to one-fourth, and makes no efforts to increase his income.

Seventy per cent. of the indebtedness is due to a higher standard of living than is warranted by the income, and 30 per cent. is due to other minor causes, *e.g.*, marriage ceremonies.

Question 6.—The rate of interest ranges between 12 per cent. and 24 per cent. per annum according as the amount of debt is big or small.

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

Question 1.—The Opium department advances money for poppy production. *Khandsalis*, who are generally professional moneylenders, advance money for sugarcane production. No other department or bank advances money for crop production.

The existing credit facilities are adequate.

Money advanced for sugarcane production is advanced on a high rate of interest. The *khandsali* is by no means a fair dealer. He has no sympathies with the agriculturist and tries to make as much money out of him as he can. The only remedy seems to lie in co-operative banks.

Question 5.—The total amount for agricultural finance is roughly Rs. 87,00,000 for the district. About 70 per cent. of this is invested by the cultivator himself, and 30 per cent. is borrowed by him at a high rate of interest (which comes to Rs. 26.10.000). The average amount required for agricultural finance in respect of one acre of land is Rs. 10, the total area under cultivation of this district being roughly about 870,000 acres.

Part E.—Land mortgage banks.

Question 1.—Long-period debts are obtained by *zamindars* (landlords) to the extent of about 50 per cent. of the value of their landed property.

Long-period debts are not obtainable by tenants of any kind.

Question 2.—Long-period advances are available on the security of landed property, and in the case of landlords there are no difficulties.

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

Question 4.—Occupancy rights do not serve as adequate security for long-term credit. No modification of the law is suggested as it will do no good to the tenant. His inability to borrow long-period debts is in itself a boon.

Question 7.—The value of land should be calculated on the basis on which the value of land is calculated when money is advanced by Government under Act XIX (*taqavi*).

In my district the value of land is based on profits, irrespective of the nature of the soil. If the condition of the land is precarious, or the tenants have the reputation of being bad payers, the value of decreases.

No land has been sold for non-payment of land revenue, so it cannot be said whether such sale will fetch 20 times the profit, which is the average sale price of land; probably it will. Prices obtained by private negotiations are higher than the prices obtained by sale on a court decree, presumably because there is fear of further litigation.

The proportion of the annual net yield of average quality land to its market value under normal conditions is 5 : 100.

Part G.—Small industries allied to agriculture.

Question 1.—*Gur* making, cotton ginning, hand-spinning, growth of tobacco and vegetables, *ban* (string) making, mat making, and basket making are the industries allied to agriculture.

Question 2.—The condition of these industries is good. Things are manufactured in accordance with the local demand and are consumed locally. Hand-spinning is the only industry which can be expanded and improved, but it cannot compete with machine thread and is therefore not sufficiently paying. Other articles manufactured are not worth exporting.

Question 3.—In view of the present circumstances and illiteracy of the agriculturists, the only industry that can be suggested is hand-spinning; working capital is not required for the purpose.

Part H.—Small urban industries.

Question 1.—In most cases the artisan invests his small capital. In a few cases he borrows small sums for a short period form the professional moneylender.

Raw material and implements are purchased locally.

Wares are disposed of in local markets.

The artisan generally has his own shop in the town and sells his wares to the public directly.

In the case of articles exported, *e.g.*, articles made of cardboard, special wholesale rates are charged from traders.

Question 2.—For furniture making there are *karkhanas*. There are no middlemen. Articles are sold direct to the public.

Karkhanadars get all the profits; workers, apprentices, etc., get fixed wages.

This is not an industrial town. No tendency for artisans to drift from their homes has been noticed. A few *karkhanas* that exist were established only a few years ago.

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

It is very difficult to organise an illiterate body of workers, who do not know the merits of co-operation, and eye with suspicion even their co-partners, to protect them against exploitation.

The existing *baradri panchayat* system only deals with social affairs. In case of artisans who have a *baradri panchayat* system in existence it is easy to make the *panchayat* deal with economical affairs also.

MR. PANNA LAL.

Part J.—Internal remittance and negotiable instruments.

Question 1.—No facilities are available to the public for internal remittance. Money in most cases is remitted by money-orders and by insured packets containing currency notes by post.

Question 2.—Practically no part is played by negotiable instruments in the internal trade of the district.

Question 3.—The supply bill system is hardly utilised in this district.

Question 5.—Reduction in money-order fees will facilitate matters. Fees should at least be reduced in the case of big remittances to afford facilities to traders. Money-order remittance is believed to be the safest way of remittance.

Question 6.—Very few *hundis* are issued in this district.

They are sent to Calcutta and Bombay also.

Question 7.—Reliable firms can borrow during the process of marketing, but on personal security, not on the security of any instruments.

II.—INDIGENOUS BANKING.

Part G.—Consolidation of indigenous banks.

Question 2A.—The scheme for a class of licensed or registered moneylenders appears attractive, but bristles with difficulties. It will be difficult to control abuse of privileges. The possibility of the scheme should be explored.

NOTE.—In view of the failure of co-operative banks in the district, big *zamindars* and other rich persons have lost all faith in the co-operative banking system. If any banks are started in the district it will not be possible to raise the capital here. The capital must come from outside. When the bank works satisfactorily and moneylenders find no clients, they will invest their money in local agricultural banks, provided the banks are run on Government security.

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

Question 1.—The statement of the Royal Commission regarding obstacles in execution of decrees is quite true.

The principal difficulties that the creditor encounters when endeavouring to recover a debt by process of law are the following :—

(i) Service of notice on judgment-debtor.
(ii) Frivolous objections raised by judgment-debtors, friends or relatives regarding the ownership of the property attached.
(iii) Frivolous objections regarding service of notice.
(iv) Long adjournments common to civil courts.

These may be removed by the establishment of special courts for disposing of cases of agricultural debt.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.—Encouragement of saving and investment habit.

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

They should offer the same rate of interest as banks, or even a little higher. But they will not be popular until the illiteracy of the people is removed.

Question 4A.—Owing to the appalling lack of education, the English national savings system is not practicable in this district.

Question 5.—Post office savings banks afford adequate facilities to the investing public, but the rates are too low to attract investment.

Government officials and pleaders who do no moneylending business take advantage of the various facilities for investment offered by the Post office. Increase of interest would attract other classes.

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

MR. PANNA LAL.

Question 8.—It would not promote the savings habit if public bodies like municipalities were to afford savings bank facilities.

Question 9.—Small agriculturists and small investors will not invest any money in government securities so long as they can invest it more profitably by lending it to their poor neighbours.

Question 11.—Those who do moneylending business lend their surplus money. Others bury it under the ground. It remains dead money for years and years. Sometimes the owner dies without telling anything about it to his heirs, and the money remains buried.

Question 12.—The farmers lend their surplus funds to poor farmers.

Question 13.—I agree with the view that in India the banking and investment habit is of very slow growth. This is due to illiteracy—first and last.

General elementary education may be the means of getting the people to invest their savings in productive undertakings.

B.—Cheque habit.

Question 1.—The cheque habit is growing in India, but very slowly.

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

Question 3.—A few government officials use cheques in this district.

Question 4.—For Government to pay by cheque compulsorily would be disastrous. But cheques should be accepted in payment of government demands, *e.g.*, payment of revenue. People will soon see how they are saved the risk of carrying money. This is the best means of making cheques popular. Local municipal and district boards should also accept cheques.

Post offices should open cheque accounts; saving banks will become more popular.

Question 5.—There is no means of making it possible for the illiterate to use cheques; remove illiteracy first.

Mr. J. F. SALE, I.C.S., Collector, Cawnpore.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—Agriculturists borrow from village moneylenders usually, and from Government in the shape of *taqavi*.

The purposes for which they borrow, and the proportion of the debt distributed among such purposes are given below :—

For repayment of earlier debts	3 per cent.
,, payment of accumulated interest	4 ,,
,, marriage and other social functions	10 ,,
,, famine and other kinds of distress	10 ,,
,, payment of land revenue or rent	15 ,,
,, seed	30 ,,
,, agricultural implements	3 ,,
,, litigation	3 ,,
,, purchase of plough or other cattle	5 ,,
,, sinking of wells	5 ,,
,, subsistence	20 ,,

Of the total debt about 66 per cent. is borrowed from village moneylenders, and 34 per cent. from Government (*taqavi*), while about 90 per cent. is in cash and 10 per cent. in grain.

Cash debts are generally for long periods; but the grain is borrowed for about six months, *i.e.*, until the next crop is ready.

Question 2.—The rates of interest vary from Rs. 24 to Rs. 37-8 per cent. per annum for cash loans; and from a quarter to half the quantity advanced, for six or seven months, for grain loans.

Compound interest is charged if the amount is not realized in time.

Incidental charges are registration charges and stamp duty on mortgage-deeds in the case of land and house property.

Question 3.—Land mortgage, standing crops, house property and ornaments are the usual securities.

The occupancy tenant is more indebted than the landlord, and the tenant-at-will than the occupancy tenant. Petty *zamindars* who are not *lambardars* are however heavily indebted.

Occupancy tenants and such *zamindars* as are *lambardars* are generally less encumbered than others.

Land mortgage is increasing, but debts secured on ornaments and household property are generally given preference. Debts on standing crops come last.

Question 4.—Payment is generally demanded at the harvest time—failing payment suits are filed.

The cultivator generally borrows grain at a lower rate and repays at rates higher than the prevailing market rates.

Question 5.—The more intelligent cultivators take loans under the Agriculturists Loans Act and the Land Improvement Act, but others do not borrow *taqavi* frequently. No loans are taken for tanks and wells on account of the difficulty of giving security.

The punctual and strict realization of *taqavi* is generally disliked by the cultivators, who on this account prefer loans to *taqavi*.

In abnormal years the demand for *taqavi* is greater than in ordinary years.

The *taqavi* system is not very popular among cultivators as there are a good many practical difficulties and trouble in securing *taqavi*. An indebted cultivator is usually too afraid of his creditor to take *taqavi*, for fear of his oppression.

The distribution of *taqavi* by a special staff with the least possible intervention of *patwaris* and other land records officials would be an improvement.

Question 7.—The cultivators are usually the victims of their village moneylenders. The establishment of co-operative rural banking units available in each tahsil may improve the condition of the cultivators.

Khan Bahadur Munshi MAQSUD ALI KHAN, B.A., Collector, Mainpuri.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—Agriculturists in this district borrow money from village moneylenders, co-operative societies and, in case of famine, from Government.

They borrow for—

(i)	Repayment of earlier debts	10 per cent.
(iii)	Marriage and other social functions ...	10 ,,
(v)	Payment of land revenue or rent ...	12 ,,
(vi)	Seed	12 ,,
(viii)	Expenses of cultivation	8 ,,
(ix)	Agricultural implements	5 ,,
(x)	Litigation	5 ,,
(xi)	Purchase of plough or other cattle	12 ,,
(xii)	Sinking of wells	24 ,,
(xv)	Subsistence	2 ,,

The debt is divided among village moneylenders 85 per cent., and co-operative societies 15 per cent.

Debts incurred in cash and kind are 60 per cent. and 25 per cent. respectively.

Debts incurred for long periods are 75 per cent.; for short periods, 25 per cent.

Question 2.—The rates of interest charged are 2 to 3 per cent. per month on cash loans. On grain loans *sawai* is charged for each harvest, that is 4 per cent. per mensem. Thirty-seven-and-half per cent. is charged for other loans per annum.

The method of calculating the rate of interest ordinarily is by Hindi months, interest for six months being added to the principal.

The rates of interest are exorbitant.

There are no other incidental charges.

Question 3.—Personal security is offered for advances to be recovered in kind or cash at the next harvest; otherwise documents are written mortgaging landed property or ornaments.

Landlords are comparatively more indebted than occupancy tenants.

Zamindars, occupancy tenants and tenants-at-will are indebted to 50 per cent., 30 per cent. and 20 per cent. respectively.

Land mortgages are increasing day by day.

Question 4.—Agriculturists are generally induced to arrange for payment when the crops are ripe by threat of distress of the crops.

The cultivator borrows grain at one anna below the prevailing market rate, and pays one anna above the rate when it is repaid, *i.e.*, the tenant gets less and has to pay more.

Question 5.—Cultivators generally take advantage freely of the facilities provided by both the Agriculturists Loans Act and the Land Improvement Act, but in some cases they use the loans for other purposes than those for which the loans are advanced.

In abnormal years the cultivator borrows 40 per cent. more than in normal years.

The following are the defects in the *taqavi* system :—

(1) It is not given in time.

(2) It is not given according to requirements.

(3) It is collected at any cost within the fixed time.

Panchayats should be formed in each village and *taqavi* distributed according to their recommendations. The rules should also be made more flexible as regards collection, and remissions should be allowed where justified.

KHAN BAHADUR MUNSHI MAQSUD ALI KHAN.

Question 6.—I know of no instances where cultivators combine together to produce particular crops. In my opinion the system is not practicable.

Question 7.—The present system of agricultural borrowing is ruinous to agriculturists in the long run. The only point in its favour is that the village moneylender is often willing to advance money on security which would not stand scrutiny, and is handy whenever occasion arises for borrowing.

The only remedy that I can think of is the expansion of the co-operative credit system. For this the diffusion of general education among the village masses is very necessary.

Legislation for the purpose of putting a limit on the rates of interest charged by the moneylenders will probably not prove effective, but courts should exercise their discretion widely in cutting down exorbitant rates of interest.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The people generally sell the produce to grain-dealers in the villages, or themselves carry the produce to the markets.

Question 2.—Money is not borrowed for marketing crops. Co-operative societies do not help; in my opinion they should.

Question 3.—Cultivators have to pay only the following charges for marketing their crops :—

Commission agent (*arhatia*), one pice per rupee for weighing.

On wholesale, 5 chhattaks per cart to *chaudhari*, etc.

These charges do not vary with different crops.

Question 4.—Cultivators store their grain in *khattis*, *bukharis* and *kothilas*, etc., storing *bhusa* all round the grain kept in *khattis* and *bukharis*.

In markets they store in gunny bags (*boras*).

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

Question 1.—Government gives advances chiefly in times of agricultural distress. Co-operative banks, indigenous bankers, professional moneylenders and grain merchants also give loans for agricultural purposes.

The existing credit facilities are inadequate. More co-operative banks may be opened.

Question 2.—The credit agencies mentioned above do not take part in the marketing of crops.

Question 3.—There is no co-ordination among the various credit agencies. There is scope for improvement, if the tenants co-operate.

Part E.—Land mortgage banks.

Question 1.—Loans obtained by landlords are usually for long periods; by tenants of various kinds for shorter periods.

Long-period loans are available generally on landed security.

Owing to paucity of lenders money is advanced on high compound interest which increases rapidly; debtors cannot pay the debts and consequently lose their lands.

Question 3.—Non-transferability in the case of tenants does act as an impediment to long-term credit.

Question 4.—Occupancy rights do serve as adequate security for long-term credit as compared with non-occupancy tenancy.

I am distinctly against any tenancy rights being made transferable.

Question 5.—Land mortgage banks will be distinctly useful in solving the problem of long-term advances in this province.

Question 6.—One such bank will do.

There should be a government guarantee for at least 50 per cent. of the entire working capital. The rest should be subscribed by members of the classes whom the bank advances in this province

Forty years should be the maximum period of the loans advanced by a land mortgage bank.

KHAN BAHADUR MUNSHI MAQSUD ALI KHAN.

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

Debentures should carry a government guarantee for both principal and interest. If debentures are not taken up by the public within a certain time, Government should take up the balance.

If Government undertake any financial obligations, a margin may be left for the purpose.

Debentures should rank as trustee securities.

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

(i) free issue of certificates of encumbrances by the registration office,

(ii) abolition of stamp duty and registration charges,

(iii) notification of proposed mortgages,

(iv) simplification of the process of foreclosure and sale.

The Collector may be empowered to manage defaulting estates.

Land mortgage banks should be co-ordinated under an all-India central institution, and should be constituted by representatives of the provincial banks.

Question 7.—The value of land should be calculated at 25 times the annual profits. The market value of land generally in this district is estimated at 32 times the net profits.

Part F.—Co-operation.

Question 2.—Co-operative societies have no difficulty in raising short or long-term capital. In fact they have to raise very little short-term capital.

Question 3.—In Mainpuri district sufficient capital is available in financing the co-operative movement.

Question 4.—It is possible to stimulate the growth of the co-operative movement by financial concessions. Such action is desirable.

Part H.—Small urban industries.

Question 1.—Cottage industries require no financing except woodwork, for which money is borrowed from private moneylenders.

The artisans get raw materials and implements locally.

Their wares are sold in local markets as they are not turned out on a large scale. Middlemen and large dealers do not exist here.

Question 5.—An industrial bank will be suitable where cottage industries exist on a large scale. It should be a joint-stock bank.

The bank should issue loans to artisan societies as well as to reliable individual artisans and firms.

Question 6.—Sales associations, dépôts or emporia should be organised and managed by private companies, but government assistance is essential in the initial stages.

II.—Indigenous banking.

A.—Organisation of indigenous banking.

Question 1.—No indigenous banking on a large scale exists in the district. There is private banking on a small scale.

The bankers carry on the moneylending business. Small loans are usually advanced on securities, or without securities at all, at high rates of interest ranging from 25 per cent. to 37½ per cent.

Indigenous bankers often combine other business, such as dealing in grain, cloth, etc., with moneylending.

Question 2.—The principal part played by indigenous banks is in financing agriculture.

Khan Bahadur Munshi Maqsud Ali Khan.

Question 3.—The capital in the case of the average village *bania* is Rs. 500 to Rs. 2,000. Their business is limited to their own village, sometimes to a few neighbouring villages.

The average net return is estimated at 15 per cent. of the capital.

Question 5.—Indigenous bankers mostly do not keep regular accounts.

Mr. C. L. WALLACE, M.C., I.C.S., Deputy Commissioner, Hardoi.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—(*a*) I have myself framed an estimate which I have arrived at by closely investigating the circumstances of a typical village named Tateura in the Hardoi district, and by consulting the records of the sale officer, the assistant registrars, and execution of decree files of various revenue courts. The circumstances of *mauza* Tateura are particularly illuminating, and in answer to question no. 1(*d*), I show particulars of its financial affairs. I may say that the result of the enquiry in this village shows the existing indebtedness of the agricultural classes in Hardoi district to be 60 per cent. In this village, with an area of 3,000 bighas and maintaining a population of 1,600 souls, there is a debt of Rs. 54,201 upon the agriculturists and the landowning classes. The creditors are nearly all moneylenders. This shows that the area of 3,000 bighas is passing rapidly to the hands of moneylenders who are themselves not efficient farmers.

The figures of mortgages and sales* in the district extracted from the registration offices for recent years are as follows :—

Year,	Mortgages,	Sales.
	Rs.	Rs.
1923	15,23,866	9,60,928
1924	17,04,351	8,05,351
1925	15,02,043	10,35,292
1926	16,90,771	8,87,858
1927	16,05,592	10,68,720
1928	20,77,431	11,08 676
Total for six years ..	1,01,04,057	58,66,825

Thus the yearly average is Rs. 16,84,009 for mortgages and Rs. 9,77,804 for sales. The figures for sales in the sale office relating to ancestral properties during the last three years are as follows :—

	Rs.
1925-26	4,00,000
1926-27	8,00,000
1927-28	12,50,000
The average per year is	8,16,667

**Note.*—These figures relate to all kinds of immoveable property, *i.e.*, land as well as houses and house-property of every kind.

Agricultural loans have been granted during the last three years as follows :—

	Act XII.	*Act XIX.*
	Rs.	Rs.
1926-27	1,31,666	56,257
1927-28	931	3,505
1928-29	1,74,319	7,250
Total ..	3,06,916	67,012

The average per year under both Acts is Rs. 1,24,642.

Thus the total amount of encumbrances upon the people of Hardoi district as calculated roughly from the above sources would be Rs. 36,03,122, the population being 1,048,000 and the total area being 1,484,591 bighas.

Besides these figures, there is a very large amount of *dastgardan* loans and loans on pronotes. For example, in a small village like Tateura, which has only a population of 1,600 souls and an area of 3,000 bighas, such loans amount to roughly Rs. 4,000. Over the total area of the district and on the total population such amounts would roughly come to between 20 to 25 lakhs.

Figures like these, not being exactly accurate, do not indicate any exact conclusions beyond that indebtedness is increasing rapidly and that the majority of landowners and agriculturists are in debt.

(*b*) The manner in which the estimate has been framed for the indebtedness of the agricultural classes is to ascertain the total number of tenants in a particular village; then to ascertain the number of tenants who are in debt through the medium of the *patwaris* and other sources in the village. The percentage of indebtedness by these means was found to be 60 per cent.

(*c*) By the same agency details of indebtedness were found to be—

(i) (*a*) Registered mortgages	26 per cent,
(*b*) Unregistered mortgages	37 ,,
(ii) For houses, etc.	37 ,,
Total ...	100

(*d*) I have framed an estimate for *mauza* Tateura in the Hardoi district which is a typical one. This village consists of 360 houses with a population of 1,600 souls. Out of this population 500 are members of the landowning classes and 1,100 belong to the agricultural classes. The total area of the village is 3,000 bighas out of which 2,000 are cultivated. There are 125 families belonging to the landowning classes and 300 families of agriculturists. Of the 125 landowning families 67 are in debt. Out of the 300 agriculturists 189 are in debt. This gives a ratio of 60 per cent. roughly.

The amount of debt of these two classes in the village is as follows :—

Number of families.	Total amount of debt.	*Taqavi.*	Co-operative societies.	Bankers.	Details of bankers.			
					Registered.	Unregistered.	*Enamli.*	*Dastgardan.*
	Rs. a.	Rs. a.	Rs. a. p.	Rs. a. p.	Rs. a.	Rs.	Rs. a. p.	Rs. a.
189	12,907 2	563 12	840 7 6	11,497 14 6	2,856 4	5,142	113 2 6	3,360 8 26 0
67	41,294 0	1,404 4	823 0 0	39,066 12 0	35,069 12	1,099	2,444 0 0	454 0

The causes of debt among the landowning classes have been ascertained as—

(1) bad crops,
(2) ancestral debts,
(3) marriage expenses, and
(4) litigation.

Eight of the landowning families have within recent years completely disappeared for these reasons and have been merged in the pauper class. The debts of the agriculturists are due to (1) bad crops and consequent failure to pay the rent, (2) to marriage expenses, and (3) to litigation.

Question 2.—(*a*) The principal creditors and the amount of debt due to each class are :—

Government	5 per cent.
Co-operative societies	7 ,,
Professional moneylenders	68 ,,
Grain dealers	10 ,,
Richer agriculturists	10 ,,

Question 3.—(*a*) I do think that as the result of the enforced payment of debt, land and the rights in land are passing into the hands of people who are not efficient farmers. Forty per cent. of the landed property in Hardoi district has already changed hands and the rest is rapidly passing into the hands of non-agricultural classes who, in this district, are not efficient farmers.

(*b*) The above process is having a very bad economic effect and causing marked apathy in the cultivators There is no desire to produce efficient crops, partly because of the rapid transfers of property, and partly from the encouragement by the law of small proprietors who come into existence through excessive partition and rack-rent the cultivators. The facilities for carrying out ejectment—and, what is more important, the threat of ejectment—contribute also to producing a negligence and apathy in agriculture among the cultivators.

Question 4.—I estimate 50 per cent. of the landowning classes at least to be in debt in the Hardoi district.

Question 5.—The causes of the indebtedness of the landowning classes and the proportion due to each cause are roughly one-tenth for social ceremonies, one-tenth for payment of ancestral debts, one-fourth for payment of land revenue, one-fourth for litigation and the rest for agricultural improvement.

Question 6.—In secured debts the rate of interest is from Re. 1 to Re. 1-8 per cent. monthly; while in unsecured debts the rate is from Rs. 2 to Rs. 3-2 per cent. monthly. Agriculturists generally borrow Rs. 10 and pay back Rs. 12 in the year. Roughly the rate of interest may be said to be 45 per cent. per annum.

Part F.—Co-operation.

Question 1.—(*a*) There are no relations between local co-operative banks and joint stock banks. Indigenous banks do not exist in Hardoi district.

Question 2.—Co-operative societies experience great difficulties in raising any sort of capital at all. Capital is generally secured by pressure being brought on prominent persons to buy shares, *e.g.*, pressure by appealing to their patriotism. The special difficulty is psychological. No person with capital to invest has any trust or confidence in the integrity of his fellow inhabitants in the district. If no dividends are declared after the first year's working, the depositors demand their money back, and it becomes impossible to sell any further shares. Small societies raise capital by borrowing from the central district bank which continues to lend until its funds are exhausted and co-operation then comes to an end. Co-operative societies can only flourish in specially selected areas where men of integrity can be found to conduct their business for them.

Question 3.—There is more than sufficient capital available for financing co-operative movements; but, as I have pointed out above, this capital is not invested because the depositors have no confidence at all in the integrity of the staff of the banks.

MR. C. L. WALLACE.

Question 4.—(*a*) I do not believe it possible to stimulate growth by financial concessions. The success of the co-operative movement depends entirely upon the personality and integrity of the persons supervising. The members of co-operative societies are not sufficiently advanced in sense of citizenship to act with foresight or understand the meaning of the co-operative movement. Success at present therefore depends not upon financial concessions, but upon the personal administration of some prominent person who is universally respected.

Question 5.—I do not believe that the establishment of any provincial bank would stimulate the movement at present. Financial assistance would never be refused, but at present obligations to repay loans are generally evaded and liquidation is resorted to. There are undoubtedly societies which would benefit by entering into relations with a provincial bank; but I am unable to say that there are sufficient societies of this nature to make the establishment of a provincial bank profitable. As I have pointed out in answer to question no. 4, the success of any small district co-operative bank or society is at present merely a temporary phenomenon dependent on the personality of some person of integrity and high standing who devotes all his time and interest in furtherance of the society. If that man is removed the society generally falls at once into neglect and the co-operative movement comes into disrepute. Such psychological factors would have to be taken into consideration by a provincial bank and their existence would much hamper business.

Part G.—Small industries allied to agriculture.

Question 1.—In Hardoi district there are small industries such as *gur*-making, sugar-refining, spinning of country cloth, manufacture of thumb-mirrors and small metal pots and the making of wooden agricultural implements, doors, boxes and such articles as are wanted locally. All these industries are unorganised and practically cottage industries for the supply of some local market. The most organised subsidiary industry is *gur*-making since there is a market named Madhoganj which gives facilities for the disposal of *gur* and its export to other parts of India.

Question 2.—These industries being entirely local, can only be improved by improvement in the conduct of the markets. Want of education and literacy makes it impossible for the producer to get in communication not only with other districts, but even with other parts of his own district. The main reason is psychological. Owing to mental and physical deficiency the producer is apathetic and has no desire to extend his business. At present the middleman has local trade entirely in his hands; and as the producer is often in his debt for purposes of marriage expenses, payment of rent, etc., he is unable to free himself from the middleman.

Question 3.—(*a*) The construction of the Sarda canal, the extension consequently of cane cultivation, affords some hope in the future that sugar-refining business will increase. It would certainly pay a farmer to establish sugar-refining plant to be used in conjunction with his agricultural operations.

(*b*) At present farmers look exclusively to Government for securing working capital in the shape of a loan under Act XIX. This is not because they have no capital of their own, but because the rate of interest is so favourable and the long period in which repayment can be made is so advantageous that the farmer can spend his capital on some other purpose. I am of opinion that capital does exist in sufficient quantities; but out of an instinctive distrust of banks and all forms of business investment, the farmer prefers either to bury his money or spend it in buying land or jewellery.

Part J.—Internal remittance and negotiable instruments.

Question 1.—(*a*) In Hardoi district there are no banks or bankers in the proper sense of the term. The public obtain cash through the medium of big merchants in the bazar in the shape of *hundis* and government currency notes.

(*b*) The system works satisfactorily from the local point of view. I have no suggestions for improving it.

Question 2.—As far as I know *hundis* are generally used everywhere.

MR. C. L. WALLACE.

Question 3.—Supply bills are not used in backward districts like Hardoi. It would be a substantial gain to trade if supply bills were made acceptable and capable of issue at all sub-treasuries. The premium might also be reduced, for a period at least, in order to popularize their use.

Question 4.—The establishment of a branch of an exchange bank would facilitate the use of bills of exchange, particularly if the duty on them is reduced for a period at least.

Question 6.—(*a*) In backward districts like Hardoi, which are chiefly agricultural in character and where trade is not much developed, *hundis* on demand are used. These *hundis* are called *darshani*.

(*c*) *Hundis* are held by merchants and also by commission agents. They do not pass from hand to hand so freely as government currency notes; but their circulation is easy enough for all practical purposes.

(*d*) They are discounted anywhere in the district as well as outside it according to the needs of the holders. On enquiry I find that there is no special centre or place where discounting is done.

(For oral evidence see pages 58—66.).

ORAL EVIDENCE.

Lucknow, February 4, 1930.

Present :

Mr. E. A. H. Blunt, c.i.e., o.b.e., i.c.s., m.l.c.	*Chairman.*
Dr. Radhakamal Mukerjee, m.a., ph.d.	*Members.*
Rai Bahadur Pandit G. S. Upadhya, b.a.	
Mr. Mohan Lal Sah, m.a., ll.b.	
Rai Bahadur Babu Mohan Lal, m.a., ll.b., m.l.c.	
Mr. Lakshmi Das, b.a.	
Dr. L. C. Jain, m.a., ll.b., ph.d.	*Secretary.*

(*Witness* : Mr. C. L. Wallace, m.c., i.c.s., *Deputy Commissioner, Hardoi.*)

The Chairman : This table of mortgages and sales on the first page of your written evidence relates to all kinds of rural property, house property as well as land?—Yes.

As a matter of fact, that is the same with all the figures. I am getting the Registration department to divide them out to see a rough proportion between the two so that we shall be able to get an estimate of the figures for land by themselves. Who was it who did these Tateura figures?—My treasury officer and I.

I think since then we have received the figures of that village in another form*?—Yes.

You arrived at the figure of 60 per cent. indebted?—Yes, for agriculturists.

That includes landholders as well as tenants?—Yes.

In the other districts it worked out to about 50 per cent. indebted under tenants alone. Of course, that is not the same thing. The moment you bring in your proprietors you send the proportion up at once, and also your figures were taken a year later, when things were worse than at the time when those figures were taken. Do landlords lend at all?—Yes.

Mr. Sah : Are landlord moneylenders included among professional moneylenders?—Yes.

And can you further sub-divide this amongst landlords, moneylenders and *mahajans*?

The Chairman : It has been done in the other form I expect.—Witness, Yes, although I have not made a special class for landlords.

Dr. Radhakamal Mukerjee : Do you include them among professional moneylenders, or the richer agriculturists?—The richer agriculturists will be the best place for them, because they call it *taqavi*.

Mr. Sah : Would not the 10 per cent. figures in that case be rather too low?—I have not inquired into the extent of loan transactions, but they would not lend at such a high rate as professional moneylenders for reasons of sentiment, and the agriculturist usually borrows grain. That is what he wants.

Rai Bahadur Babu Mohan Lal : Have you satisfied yourself on this point that the *zamindar* moneylenders or agriculturist moneylenders advance money on easier terms than ordinary *mahajans*?—Yes, much easier. The grain dealer though, who lends grain, is very exorbitant indeed; in fact he lays a crushing burden on the agriculturist.

Mr. Sah : Well, is this due to the fact that the *zamindar* moneylender has a hold on the tenant class? The professional moneylender has no hold on him.—(*Witness*) Yes, I think that would be so.

*Not printed.

So that this security which the professional moneylender has for these loans is much less than that in the hands of the *zamindar* moneylender?—Yes. He is in a much stronger position as landlord.

Then, in the second place, as landlord he gets part repayment in service and by means of other dues as well?—He would get his dues on the threshing floor.

What I mean to say is this. Supposing the interest is 6, 7 or 8 per cent., in addition to the interest the *zamindar* moneylender is given certain services, *begar*?—That is not the way in which I have found that these transactions take place. It is much simpler than that. If there is any scarcity, and the tenants complain a great deal, they will come to the landlord first to get their rents remitted if they can. If they cannot get that, then they will borrow from him in some way, and, if he is sympathetic, he will make an arrangement with them, not on a professional basis like a professional moneylender. I don't think he will mention interest at all. There will be no terms settled. When the time comes for repayment some sort of arrangement would be made when the grain is spread out on the threshing floor. He would say I have advanced you so many maunds of seed, and I will take back, say, an extra seer per rupee. Something like that. Nothing on paper and no payment fixed.

What is the amount of interest that he generally earns in this way?—I have not found that out.

Rai Bahadur Babu Mohan Lal: Have you come across any cases in your experience as an executive officer that some *zamindars* lend money on harder terms than the ordinary moneylenders?—No, I have not come across such cases.

Mr. Sah: Then, of course, I think there is one custom prevailing among the *zamindars*, and it is this, that supposing he lent a rupee, he will ask the borrower to repay in kind and at a much higher rate than the prevailing market rate. If the market rate of *ghi* is 12 chhattaks, they will ask the tenant to pay a seer of *ghi*?—Yes, they call that *oop*, extra payment. That is done by grain dealers too.

The Chairman: But I take it that, generally speaking, in Hardoi the landlord's money transactions with his tenants are more or less of a friendly kind. That is to say, it is not a question of pronotes and usury and all the rest, but it is simply that you are in a bad way and you have been given some money to go on with and you will pay it back later. The terms will be settled later. They call it *taqavi*.

Rai Bahadur Babu Mohan Lal: These moneylenders do not generally lend money to their tenants, but only in times of scarcity or famine?—No, not as a business.

The Chairman: It is definitely a case of assistance?—Yes. The agriculturist will try him first. Then he will try Government. *Taqavi* is a great favourite. In 1928 when we had scarcity I totalled up the amount of applications from agriculturists in the district; the amount that they were asking for came to about 16 lakhs. It shows that it is a favourite system of borrowing to try Government first.

As a matter of fact I imagine that whether *taqavi* is popular or unpopular, it varies a great deal with districts. Of course, in many districts it is thoroughly unpopular. It appears to be popular in Hardoi.—(*Witness*) Yes, the advantages of *taqavi* are low rate of interest, repayment spread over a long period, and recovery in instalments.

Do you find any complaint that, though recoverable in instalments, the repayment has not been made? There is a lot of evidence we have received to the effect that where *taqavi* is not liked, the main reason is that they have to repay on a fixed date instead of more or less as they please, as they can with the moneylender.—(*Witness*) No, I have not come across that objection.

Mr. Sah: One great objection against *taqavi* is that the instalments are fixed at such a time when their condition has not improved; as soon as the area is declared free from famine the *taqavi* is recovered.

The Chairman: Yes, that is another objection. The general theory is that when famine is over everything is all over, the crops are coming up and you should start making recovery of all dues, whatever they might be. And the complaint is that the condition does not improve quite so fast as that: in other words, that we ought to wait six months after the famine, properly so called, is over before we start making recoveries so as to allow them to pull round a bit.—(*Witness*) Yes, that is to say, at present we recover at a fixed time—usually when they are cutting the harvest. Directly they start reaping the harvest the recoveries will commence, because there is the reason that if Government does not

recover the money, the money will be spent on marriages; and the *rabi* season starts with the marriage season.

Mr. Sah : Have you had any complaints from *zamindars* to the effect that they cannot realize their rents?—Yes, a great many of such objections are made, and very strong objections too.

The Chairman : Have you much trouble in recovering your *taqavi*?—Yes.

Rai Bahadur Babu Mohan Lal : In this connection I want to know if it is in your experience that the entire money that is allowed to be given to a certain tenant does not reach him, that something goes to the *patwari* and other officers?—Undoubtedly.

The Chairman : The only cure for that is to put a tahsildar on guard on every tenant.

Rai Bahadur Babu Mohan Lal : Can you suggest any remedy for this evil?—No. The trouble is that it is not asked for, but it is given without even being asked for. It is not the asker who is to be stopped, but the giver.

Dr. Radhakamal Mukerjee : You should put one or two *patwaris* into jail.—It is important to put in the giver too.

The Chairman : Offering a bribe is just as much an offence as taking one. I see here you give us the proportion of indebtedness as over 50 per cent.—Sixty-seven out of 125 families are in debt amongst landlords and 189 out of 300 amongst tenants. Are these figures taken recently?—Yes, these were ascertained in the village.

Do you agree that if those figures had been taken, say, about May or June when they repay their loan, the probability is that a certain number of the agriculturists would have been either out of debt or at all events less in debt, because they would have repaid a lot of their short-term loans?—No. We did not take those figures from that point of view.

I know you are not classifying it. What I am getting at is this : the total amount of debt would generally be smaller in May and June than it would be, say, in February and March?—For the cultivator.

And that would also disturb the proportion amongst the various types of debts?—Yes.

I just wanted your view on that because this matter does affect the light in which we could look at our own figures.—(*Witness*) It would vary.

You give here the causes of debt amongst the landowning classes. Marriage expenses and litigation, of course, will vary from time to time. I imagine, as a matter of fact, the ancestral debt is really part of the other three which has passed into the ancestral debt. The original cause of debt is probably one of the other three?—The special reason why we put ancestral debt is that if you ask a landholder if he is in debt he will take it as meaning himself and he will say "no;" whereas in reality he may have very heavy ancestral debts; he does not count them as *his* debt. That is the main point of view. The ancestral debts are not considered to be personal debts, and I know many landholders whose ancestral debts are Rs. 50,000, and if they are asked if they are in debt they will say "no" quite conscientiously.

Mr. Sah : Don't you think that one of the causes of indebtedness amongst the landowning classes is extravagance?—Yes.

How much would you ascribe to that? What percentage?—That is a very difficult question. Of course, it varies in different districts. It is far more in Hardoi because of the proximity of Lucknow, which is an inducement to extravagance. I have not made a special class for extravagance.

I think it would be about 25 per cent. of the total.—(*Witness*) Not more than that.

A good deal might come under marriage expenses, not only amongst his own family, but giving presents to others.

The Chairman : Do you think that other social functions cause much debt besides marriage, for instance *shradh*?—I think they are very heavy among Muhammadans, not among Hindus. Muhammadan landholders are far more extravagant in their social ceremonies.

Mr. Sah : And then this one-fourth for payment of land revenue. Of course, this debt should be repaid as soon as rents are realized?—Yes, but Hardoi does not. It is a feature of Hardoi that many landholders borrow conscientiously every year just to pay their land revenue, and on pronotes which they never meet.

Is this prevalent in other districts as well as in Oudh?—Not so much in Rohilkhand.

The Chairman : Of course, the system varies very much. In some districts the process consists in the tenant or landlord paying off his debt straightaway, and then borrowing money to repay his revenue or rent.—(*Witness*) In any case, he is not wanted to repay his debt, but renew his pronote at a high rate of interest so that for a vast majority of these debts the interest is changed.

Mr. Sah : And so far as I believe, they are never realized without litigation, and they generally turn into mortgage-deeds being written and then the property being sold?—Yes.

And this is the reason why the interest is so high—Rs. 3-2-0 per cent. in their case?—That is so.

Because without litigation no money can be recovered?

The Chairman : The moneylender having lent the money knows perfectly well that he will never see that money back and does his best to get as much as he can in the shape of higher interest.

Mr. Sah : Is interest ever repaid fully or only in part to the moneylender?—My limited experience is that it is not fully repaid.

Rai Bahadur Babu Mohan Lal : In this connection I want to know one thing. You have spoken of *zamindars* who lend money in times of famine or scarcity, but have you come across moneylenders who lend money as a business?—Yes, I have.

Can you say that in the case of such *zamindars* who do this moneylending as a business their terms are not as heavy as the terms of the ordinary moneylenders?—Well, they keep their moneylending business entirely separate. They do not lend to tenants.

And their terms are as strict as those of ordinary moneylenders?—That I cannot say, but I should imagine that their terms are like those of a professional moneylender. There are such cases because the *mahajans* or professional moneylenders wish to become landowners, and a great deal of land passes into their hands.

The Chairman : Do you find that many of the tenants who are better off, reasonably well-to-do, like Kurmis or Kachhis, go in for moneylending on a small scale?—Yes.

Mr. Sah : And their aim is to extend their property rather than earn interest on moneylending?—Yes.

The Chairman : Then it is a somewhat complicated form of investment in land?—The lending of money on land is increasing every year.

And there is a definite habit that by fair means or foul they get hold of it?—Yes.

That, of course, applies mainly to a tenant who hopes to buy up land for himself?—The land will eventually be mortgaged with possession to him; he will just get mutation and become a landowner.

Rai Bahadur Babu Mohan Lal : In this connection I want to know one thing. In the first page of your written evidence you have said : "This shows that the area of 3,000 *bighas* is passing rapidly into the hands of moneylenders who are themselves not efficient farmers." Now, if the land goes from one proprietor to another, and if he himself does not cultivate, he lets it to the tenants. Then I want to know in what way does the efficiency of farming get disturbed if transfer is made in the case of a man who does not cultivate?—Of course, the moneylender will not reside on the property. He will give the property to a *thekadar;* he will lease the property out to him.

I may bring to your notice that in your district there are persons who, though they do not reside in the village itself, yet they are much better farmers than the ordinary *zamindars*.—(*Witness*) Yes.

Mr. Sah : Is it a fact that most of the village moneylenders have some land and they do some sort of farming?

The Chairman : Of course, a good many of the small men are definitely agriculturists?—Yes, they all have some land.

So that it cannot be said that they are not all farmers?—No.

Dr. Radhakamal Mukerjee : You have yourself said in answer to question no. 3 of Part C that 40 per cent. of the landed property in Hardoi district has already changed hands and the rest is rapidly passing into the hands of non-agriculturist classes, who in this district are not efficient farmers; and you go on remarking that this has a very

bad economic effect leading to negligence and apathy in agriculture?—Yes, that is a general statement. There are many exceptions, but, generally speaking, that is my view.

The Chairman : But you are talking here of the proprietor, not the actual cultivator?—Yes.

What you mean is that a non-agricultural proprietor is not a good farmer?—Yes. I know many who have never seen their property and have never been round it and do not wish to see it.

Dr. Radhakamal Mukerjee : In the circumstances will you please explain and elucidate how the cultivation suffers?—What I mean is that if he belonged to a class dependent solely on agriculture, the farming might be more efficient. He would see that it improved, but if he has not that dependence the village remains just as it is. It may actually deteriorate in the hands of a lessee, because a lessee notoriously will rack-rent the tenant. He has got to pay for his lease and get a bit over and above for himself.

There is not merely rack-renting, but also the fear of ejectment which would lead to negligence?—Yes.

The Chairman : But that is ejectment by the lessee?—That is a general statement, not only by a lessee but by any landholder.

Rai Bahadur Babu Mohan Lal : In this connection I want to know one thing. Suppose the *zamindar* who has acquired property and who takes interest in the property sees these villages with his own eyes, but does not reside in the village. Are the tenants in the *zamindari* more prosperous than the tenants of such *zamindars* who reside in the village and take *begar*?—That I cannot say. That depends entirely on the landholder.

The Chairman : It comes to this. You may have an ordinary non-agricultural landlord who has bought up land who will make quite a good master. You have got to distinguish all the time between the actual cultivation of the field and the behaviour of the landlord to his tenant.

Dr. Radhakamal Mukerjee : In your district, are these landed properties small or big estates?—They are mostly small. We have not got large *taluqdaris*.

In the circumstances do you think it is desirable, in the interest of efficient farming, to restrict this transfer of holdings of proprietors?—I think it would be very dangerous. It would possibly have a disturbing effect. No, I do not think it would be advisable.

In which way would it disturb?—It would lead to a sense of general insecurity to interfere with transfer of property.

But is not there a sense of unsettlement that as much as, say, 50 per cent. of the landed property would be going into the hands of the non-cultivating classes within a generation?—Yes.

How will you correct that situation?—You can only correct it by raising the standard of living and the general economic condition of the people. If the standard of living rose, the rapid transfer of property would also stop, because borrowing might also stop.

Rai Bahadur Babu Mohan Lal : You have said in your answer to question 3 of Part C that the facilities for carrying out ejectment, and what is more important the threat of ejectment, contribute to producing negligence and apathy in agriculture among cultivators. Are the facilities provided under the Rent Act?—That is what I mean: the facilities given by law.

The only facility that is given by law is that in case he does not pay the rent he will be ejected, otherwise he will not be ejected.—(*Witness*) Also there is section 30A of the Rent Act.

Dr. Radhakamal Mukerjee : But you have also mentioned that the threat of ejectment is having an effect on negligence?—Yes. I have personally come across such cases.

You have also emphasized that the sub-division of holdings of the smaller proprietors has been an evil.—(*Witness*) Yes, that is a great evil.

May we have an opinion as to how this can be checked?—There again, it might mean a change of law. The proper way to check it would be to make it expensive. At present it is very cheap.

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If the evil is great we have to change the law?—Litigation on the whole is cheap.

Mr. Sah : It would make the people still more poor?—In certain cases only to discourage people. That is the only way so far as I can see.

But how can you take away a man's right?

The Chairman : Partition at the present moment is a comparatively cheap business. If you are going to raise the cost of litigation by four times, people will think twice before they do it.—(*Witness*) If during the course of partition cases an applicant for partition wishes certain work to be done—a survey, for example,—you assess the cost of survey and order him to pay. It is my experience that he will give up the partition altogether rather than incur that expenditure.

Dr. Radhakamal Mukerjee : There is a law in Gujerat which prevents holdings being sub-divided below a certain size. It is a indirect method there through disallowing registration in case of excessive sub-division. Do you think that a plan like this would succeed here?—We already have a limit.

What is your limit?—We cannot make a *mahal* of less than five acres. If the *mahal* is to be very small, partition is disallowed.

Rai Bahadur Babu Mohan Lal : In this connection, supposing the holding of a tenant by a partition goes into the *patti* of several co-sharers, how does it affect the holding itself?—In this way, a private partition takes place. That is the trouble. It is the private partition which makes the trouble.

Mr. Sah : But how would you restrict the private partition? As a matter of fact in the case of partition through a court you can restrict it by making it more expensive, but in the case of a private partition you cannot?—We cannot stop that.

Dr. Radhakamal Mukerjee : If scattered plots of land lead to inefficient cultivation, we want consolidation in some form or other in the interest of efficient cultivation itself. Unless the law is changed it does not help us out of the difficulty.—(*Witness*) The difficulty does not arise from that. The economic difficulty arises from the partition of the tenant. In the main it is the tenants who are partitioned. One proprietor—I have had actual cases—may get one and a half tenants and will live on the rent, and as he himself is the proprietor class he will do no work. He will not necessarily do any cultivation, but he will live entirely on the rent of one tenant and half the rent of another tenant, and he will actually sue them in court.

You have also said that such sub-division indirectly leads to rack-renting.—Because a man cannot live on that; he takes extra amounts.

Mr. Sah : So that a tenant has to pay *nazrana* to four persons instead of to one person?—Yes, that is what happens.

Dr. Radhakamal Mukerjee : How would you check this?—You can only check it by making private partitions absolutely illegal.

The Chairman : You mean partition amongst the tenants or landlords?—Partition by landlords of tenants. It involves ultimately partition of fields. The anomaly is that we do not recognize that partition by law, but if there is a suit for recovery of rent and the *patwari* says that there has been a private partition of land and this proprietor is entitled to sue for the rent of this particular tenant, we allow it. Although really all the private partitions are not recorded by the *patwari* and are illegal, yet they are allowed in this way.

Dr. Radhakamal Mukerjee : So if you disallow them, then that evil might be checked to some extent?—Yes, there would then be no object in the partition of tenants at all. If you have not the right to sue for your arrears of rent it is no good having a partition.

Rai Bahadur Babu Mohan Lal : But in what way does private partition affect this question at all?—I have enquired from tenants, and this was their answer : "After partition the more I produce the more is taken. This is the result, and so it is not worth my improving my field and producing a good crop."

Mr. Sah : So what is required is to regulate the relations between the *zamindar* and the tenant rather than restrict the holding?—Yes. Ultimately the same effect may be produced. But this excessive partition of tenants and ultimately of holdings I have

not seen elsewhere except in Hardoi. It may be a feature of Oudh. I have not served in any other district of Oudh. But I have not come across it so largely in Rohilkhand or other districts.

Dr. Radhakamal Mukerjee: You say that rent sometimes has to be divided among several persons?—In some cases the tenants has to pay rent proportionately to four persons.

The Chairman: For the same field?—Yes, one-fourth to each person.

Dr. Radhakamal Mukerjee: What about sub-letting? Does it prevail to a large extent in your district?—Yes.

The Chairman: The point is this. A person borrows money from a moneylender, and in lieu of that he sub-lets his field to the moneylender for three years. Is that type of sub-letting very common?—I think so.

Is it common among the tenants or landlords?—It is among both.

Dr. Radhakamal Mukerjee: Do you think that this kind of fictitious mortgage affects the condition of cultivation?—I do not think there is any effect on the standard of farming.

Rai Bahadur Babu Mohan Lal: You say that that kind of sub-letting is very common. Is it so among the occupancy tenants or statutory tenants? I mean to say that they borrow, say, Rs. 500, and, instead of executing a regular mortgage deed, they sub-let the land for three years?—In Hardoi this is common among both occupancy and statutory tenants. There are also many petty proprietors who mortgage their *khudkasht*.

Do you mean proprietary rights?—Yes.

Mr. Sah: What my friend wanted to know was whether occupancy tenants mortgaged their occupany rights?—That I have come across.

The Chairman: What you are talking of is really the mortgage of proprietary right in a particular field or fields and not sub-letting in lieu of money borrowed?—There are many petty proprietors who are practically agriculturists. They mortgage their *khudkasht*, which is 7 or 8 or 10 bighas. They are practically indistinguishable from tenants. Their land revenue is as small as Re. 1-8-0 or Rs. 2. There is a very large number of them.

I see what you really mean. You are, as a matter of fact, in a district of peasant proprietors?—Yes, you might say that.

Then at once your problem becomes a landlord problem?—Yes, petty proprietors.

Dr. Radhakamal Mukerjee: You say that 50 per cent. of these small proprietors are in debt, and that 40 per cent. of the property has already changed hands. You think that the law should be improved in an indirect manner so as to restrict further sub-division of the property. Do you think it will meet the situation if we are able to prevent excessive partition of the holdings?—The partition of tenants is the chief trouble.

This means that there are two evils. First, there is the partition of tenants and then there is the partition of the property?—The partition of properties produced petty proprietors in the end undoubtedly.

You suggest some measure to tackle the question of partition of tenants. What do you propose to prevent partition of properties?—You can only do it, as I have already said, by making partition more expensive. The partition arises from two causes. In one case it is the joint Hindu family which wants to spilt up. That, of course, is not objectionable, and you cannot stop that by any rule or law even if it is considered desirable to do so; whereas in the other case you have a *mahal* of 50 petty proprietors, who are divided into two parties on account of enmity with each other and they want to split up merely out of grudge. The partition is so cheap that they invariably want to have their property partitioned.

Mr. Sah: There are two kinds of partition, one through the civil court and the other through the revenue court. Which of them is cheaper?—I imagine that family partition is usually done by compromise in the end. I have no experience of that.

But in the case of family partition you have to pay a duty of eight annas per cent. *ad valorem*.

Rai Bahadur Babu Mohan Lal: Only a stamp of Rs. 10.

Mr. Sah : That is only in the beginning, but we have to pay *ad valorem* stamp duty.

Rai Bahadur Babu Mohan Lal : Yes.

Mr. Sah : Is not that sufficiently expensive?

Rai Bahadur Pandit G. S. Upadhya : Partition may be very cheap, but in any case it is very troublesome.

Mr. Sah : Yes, both for the judge and the parties.

Rai Bahadur Pandit G. S. Upadhya : Perhaps the question is more psychological; we have to improve their mentality.

Rai Bahadur Babu Mohan Lal : You say that the co-operative movement is carried on mostly by some influential men in whom people have got confidence?—No, not carried on. What I say is that it is mostly successful in cases where you have influential people.

I am of opinion that, so far as agriculturists are concerned, the co-operative movement is the only medium through which they can obtain cheap credit and other agricultural facilities, provided it is properly organised and properly worked. Can you suggest any better method of dealing with these agriculturists in the matter of cheap credit?—No. I think the co-operative society and Government are the only two sources from which the agriculturist can obtain cheap money. Government charges only 7½ per cent. as interest.

Mr. Sah : In view of the fact that it is not possible either for the Government or the co-operative societies to finance agricultural operations in the whole of the province, can you suggest any way in which we may be able to give cheaper credit to the agriculturists at the present time?—No, I cannot suggest any way. I do not think that a land mortgage bank will be able to work in a district like Hardoi.

Supposing we licence some village moneylenders and give them the same facilities as are given to the co-operative societies for the realization of their debts as well as some facilities for raising capital—of course, fixing the maximum rate of interest and making it obligatory on them to show their accounts to the *tahsildar* or the *naib-tahsildar*—do you think that this system or something like that would be successful in meeting the present requirements?—No, I do not think it is necessary.

So you think that agriculturists do not need any better rates of interest or cheap credit?—No, not that. I do think that by registering moneylenders and forcing them to charge only a certain rate of interest some good might be done.

Do you want that registration to be compulsory or optional?

The Chairman : I think in that case moneylending will only be allowed on previous registration.

The Witness: My experience is that cultivators generally know what the prevailing market rates are, and, in spite of that, they are willing to borrow at higher rates. The prevailing rates of interest do not appear to be of much importance to them.

Mr. Sah : Do you mean to say that they do not appreciate the cheaper rates of interest that are charged by Government and the co-operative societies?—I think they do, but it is very difficult to say exactly whether they do or not.

Can you say why they go to the village moneylender, being fully aware of the fact that they are paying higher rates of interest?—That is the problem. I cannot say why they go to them.

Rai Bahadur Pandit G. S. Upadhya : Probably they cannot get sufficient money from co-operative societies and Government, and therefore they go to the moneylender. There can be another reason. Suppose they want seed promptly; it is possible the co-operative society may delay a little; they go to the village moneylender and get it at once; in fact, they never bother to inquire about the rate of interest.

The Witness : There are also certain villages where there are no co-operative societies.

The Chairman : So it comes to this : With the moneylender they have better facilities for obtaining money.

Mr. Sah : So far as this reason is concerned, if we license certain moneylenders allowing them the same facilities for realizing their dues as we give to the co-operative

societies and fixing the maximum rate of interest, do you not think that they will serve the same purpose as co-operative societies do in the matter of providing cheap credit to the agriculturist?—No, I do not think so. It does not appeal to me.

Rai Bahadur Pandit G. S. Upadhya: If an individual is licensed in this manner, it is possible that he may abuse his positon, but this contingency does not arise in the case of co-operative societies.

Rai Bahadur Babu Mohan Lal: Has there been any tendency of the rates of interest falling during this decade?—That I cannot say.

Mr. Sah: Now I shall take up those three questions that were sent to you. The first question was: "In view of the fact that balances at treasuries and sub-treasuries fluctuate, how should the issue of supply bills be regulated so as not to impose any undue pressure on their balances?—I do not think it is necessary to impose any restrictions on the issue of supply bills in Hardoi. In a good year we sell up to ten lakhs and go on selling them until the Controller stops their further sale.

It is not the question of supply bills sold by the treasury, but of those issued on the Hardoi treasury.—(*Witness*) Yes, we continue payments until it is stopped by the Controller. The present rules about the issue of supply bills are these. The Hardoi treasury can issue bills on any centre where there is Currency Office without the sanction of the Deputy Controller of Currency. But if it wants to issue these bills on places where there is no Currency Office, *viz.*, Bareilly and Lucknow, it will have to obtain the sanction of the Deputy Controller of Currency before issuing the bills. The object of these rules is to avoid cases in which bills may be issued on a treasury for an amount larger than it can pay.

The Chairman: When you are allowing a concession to private persons for their own convenience you have a right to regulate the amount of accommodation you can give them. Suppose you want me to pay you Rs. 10,000 in Bareilly, but I have not got Rs. 10,000 in Bareilly; I have to say "no."

Mr. Sah: Supposing we limit the amount of supply bills that would be issued to, say, Rs. 20,000, Rs. 10,000, or Rs. 5,000; will there be any objection to that?—No. There will be no objection in a small place like Hardoi where there is very little industry. There might be objections in a bigger place.

But supply bills are not drawn to a large extent on these treasuries?—In a sub-treasury we can keep up to a lakh of rupees.

The Chairman: I think supply bills within the district may be an easier business than between different districts.

Mr. Sah: The second question sent to you was: "You recommend that the establishment of a branch of an "exchange bank" would facilitate the use of bills of exchange in your district. Will you give some idea as to the volume of such business available, and whether the branch of the bank could work profitably?"—As to this we have no need for an "exchange bank" now, because since I wrote to you about the "exchange bank," the Allahabad Bank has opened a pay office there, which does away with the necessity for an "exchange bank." This will also affect the number of supply bills. Possibly the bank premium is cheaper than that of the treasuries.

Banks charge 4 annas per cent., whereas treasuries charge only 2 annas per cent. The third question sent to you was: "Are you aware that money is borrowed by grain merchants in Hardoi on the security of grain pledged to banks at Lucknow who keep their godown-keepers at Hardoi to watch the security? If licensed warehouses were to be established at Hardoi which could take charge of grain and issue certificates of storage, would it not be easier for borrowers to arrange credit on the security of such warehouse warrants?"—Here, again, the Allahabad Bank keeps its own godown. The amount of business is between one and four lakhs a year. This is not sufficient to require a licensed warehouse. Then the Central Bank has also a godown. I, therefore, do not think that there is any need for a licensed warehouse.

The Chairman: Of course, Hardoi is a quaint district. They may be necessary in other districts.

(The Chairman thanked the witness, who withdrew.)

MR. C. L. WALLACE.

Khan Bahadur MUNSHI MUHAMMAD SHAFI KHAN, B.A., Deputy Commissioner, Bara Banki.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The cultivator borrows from Government, co-operative societies, big *taluqdars* and *zamindars*, and local moneylenders.

The purposes for which he borrows and the proportion of the debt due to each object are shown below—

(i)	repayment of earlier debts	2 per cent.
(ii)	payment of accumulated interest	2 ,,
(iii)	marriage and other social functions	10 ,,
(iv)	famine and other kind of distress	20 ,,
(v)	payment of land revenue and rent	25 ,,
(vi)	seed	5 ,,
(vii)	expenses of cultivation, *e.g.*, wages of labourers ...	10 ,,
(viii)	litigation	10 ,,
(ix)	purchase of plough or other cattle	5 ,,
(x)	sinking of wells	5 ,,
(xi)	subsistence	4 ,,
(xii)	*nazrana* to *zamindars*	2 ,,

The debt is divided between Government, 20 per cent., co-operative societies, 10 per cent., *taluqdars* and *zamindars*, 10 per cent., and village moneylenders, 60 per cent.

Of the total debt 75 per cent. is incurred in cash and 25 per cent. in grain. Debt taken in cash is incurred for long periods, while that in grain is taken for short periods.

Question 2.—The rates charged for interest are—by Government on *taqavi* loans, 7½ per cent. per annum; by co-operative societies, 15 per cent. per annum; and by moneylenders from 9 to 36 per cent., according to the necessity of the borrower.

The rate of interest for loans in kind, is *sawai* (1¼) and *deorhi* (1½) of the quantity of seed advanced, *i.e.*, 25 and 50 per cent. of the seed advanced.

For the first year interest is calculated at simple interest and afterwards at compound interest for cash debts only.

The rates of interest are exorbitant.

An incidental charge is brokerage in cases of big loans.

Question 3.—The kinds of security usually given are land mortgage, pawning ornaments, and mortgaging house property and groves.

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

The comparative extent of indebtedness is *taluqdars* and *zamindars*, 50 per cent., occupancy tenants, 30 per cent., other tenants, 20 per cent.

The amount of debt secured on land mortgage is increasing. Debt secured on land mortgage bears a proportion of 75 : 25 unsecured or otherwise secured.

Question 4.—The usual method of enforcing payment of debt from agriculturists is by attachment of harvested crops through courts.

Generally the cultivator receives 8 chhattaks less than the prevailing market rate of grain when borrowing, and has to give back 8 chhattaks more than the market rate when repaying.

KHAN BAHADUR MUNSHI MUHAMMAD SHAFI KHAN.

Both the cultivator and the loan-giver can easily ascertain the market rates from *banias* and other people going to markets.

Question 5.—The cultivators take full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act in times of widespread scarcity and local calamity, but in normal conditions they would not like to disconnect themselves from their local moneylenders. The *taqavi* for building tanks or wells is generally taken by *zamindars* and big tenants who can afford to do so and they freely obtain money from Government if necessary.

In abnormal years the cultivator borrows 50 per cent. more than in ordinary years under the Agriculturists Loans Act.

There are no defects in the present *taqavi* system.

Question 6.—Cultivators do not combine together to grow particular crops but such combination is desirable. It is possible only in *pattidari* villages, and not in *taluqdari* villages where tenants are generally not allowed to build *pakka* wells. The inducement which may bring them together can be by advancement of *taqavi* for wells on their joint responsibility.

Question 7.—The only defect in the present system of agricultural borrowing is that exorbitant rates of interest are charged by moneylenders from the agriculturists who, on account of poverty and having no other means of getting loans, have to accept it. This can be remedied by fixing the rate of interest through legislation or starting village banks and co-operative societies which would give facilities to borrowers in obtaining money promptly at a cheaper rate of interest for all purposes mentioned in reply to question 1 above, and not for seed, cattle and wells alone.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—Crops are brought to market direct by the tenants, or come through middle-traders who purchase from villages.

The crop used for domestic consumption is purchased by middle-traders from villagers who take the corn to the market and sell it to consumers. The crop to be exported is taken direct to *arhatias* at *baras* (agents' houses).

Question 2.—Money to finance the marketing of crops is obtained from grain merchants and exporting firms. They do not charge any interest for one month, and the borrowers are bound to sell their corn to the lenders alone.

There is a co-operative society in my district, but the people generally do not borrow from it for the marketing of crops.

Question 3.—The cultivator ordinarily pays in the case of marketing his crop three or four chhattaks per rupee more than the prevailing market rates to the *bania* and, on a cart load of grain (25 maunds to 30 maunds) the following :—

10 seers to the *arhatia*.
5 seers to the weighman.
2½ seers to the coolie.
1¼ seer for charity.
1¼ seer for conservancy.

Total : 20 seers.

On a cart load of *gur* he has to pay Rs. 3-2 in cash to the *arhatia* and 5 seers in kind for miscellaneous charges.

Cartage, bazar tax, octroi duty, etc., are other incidental charges.

Question 4.—The cultivator stores his grain in earthen vessels called *dehri* which are made of clay and dried in the sun, round in shape, 3 or 4 feet high, with a mouth above and a hole below, a little above the base. Some erect a *kachcha* wall enclosure one or two yards high inside their house and put their corn in it and then cover it with straw (*bhusa*). Some dig a deep square pit or a round well, like a hole in the floor, called *khattis* or *khaun*, and store the grain. In view of the poverty of the agriculturists in general no improvement is possible. But well-to-do cultivators might make their pits *pakka* though they would seldom care to do so.

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At Bhitaria grain market and other grain markets the grain is stored in gunny bags, placed one upon the other in large compartments of the shop. Some people store it in heaps in rooms specially set apart for the purpose and cover it with straw. It would be well if the grain in the market were stored in *pakka khattas* or big iron vessels.

Question 6.—The American system of licensed warehouses seems very sound, and it may be possible to work it in India.

There would be need of Government assistance in the beginning.

Question 7.—I am not aware of any instance where cultivators combine together to market particular crops. The combination would be very desirable, but it does not seem to be possible at this stage on account of illiteracy and ignorance of the cultivators of the advantages of co-operation.

Question 8.—The system of weighment is satisfactory in the markets.

Question 9.—Exporting firms and companies do speculate in agricultural produce and have the upper hand in the matter of prices, which rise whenever a large quantity of grain is purchased for export, and fall when it is not so required.

The cultivator's profit is often affected to some extent when their agents, on receiving wires about high rates, go to villages and purchase a large stock at cheaper rates.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—Sixty per cent. of the agricultural classes are in debt in this district. Village Banki near the railway station of Bara Banki, to which the Appendix to this evidence relates, may be taken as a typical village—

Debt secured on land mortgages—		
Registered	20	per cent.
Unregistered	10	,,
Debt incurred on other assets—		
House property	5	,,
Ornaments	30	,,
Pronotes	10	,,
Crops	20	,,
Otherwise	5	,,

Question 2.—The creditors of the agriculturists are—

Government	10	per cent.
Co-operative societies	20	,,
Professional moneylenders	30	,,
Grain dealers	20	,,
Zamindars and rich people	5	,,
Cultivators	15	,,

Question 3.—As the result of the enforced payment of debt, except in the case of *zamindars* and rich cultivators, land and the rights in land are passing from the possession of people who are efficient farmers into the hands of creditors who are not themselves efficient farmers; and this adversely affects production, as the non-agriculturist cares for the rent and not for the improvement of the land.

Question 3A.—The question does not concern this district, but with my experience of Bundelkhand, it has unduly restricted the agriculturists' credit, as, under the Land Alienation Act, a non-agriculturist cannot acquire land from an agriculturist.

Question 4.—Eighty to 90 per cent. of the land-owning classes in my district are indebted.

Question 5.—The causes for this indebtedness are—

(i) extravagance and mismanagement	20	per cent.
(ii) litigation	50	,,
(iii) marriage and social functions	10	,,
(iv) high prices of articles	20	,,

Question 6.—The landowning classes do not have to pay special charges or rates of interest except when they are hard pressed.

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

Question 1.—Professional moneylenders and grain merchants advance loans in cash and also give corn on the *sawai* system for seed and irrigation expenses. The other agencies are practically nil.

The present credit facilities are inadequate and defective. I would suggest that the number of co-operative banks should be increased to meet the needs of the tenantry, and Government should also give *taqavi* for this purpose liberally and not only in times of distress.

Professional moneylenders and grain merchants charge exorbitant rates of interest. I would suggest that seed depôts should be opened in large numbers and the number of co-operative banks increased.

Question 2.—Professional moneylenders and grain merchants of the neighbourhood purchase the produce of the peasants to whom they had advanced money or seed. Other peasants also sell their produce to them in order to save the worry of going to the *mandi*, cartage, etc. *Banias* and petty grain dealers buy from the cultivators and bring into the *mandi* and sell to the big grain merchants, who in their turn export to Cawnpore or Calcutta.

Part E.—Land mortgage banks.

Question 1.—Loans are obtainable for long periods to any amount according to the security offered. Landlords obtain to the extent of 70 per cent., under-proprietors and occupancy tenants to 20 per cent., and statutory tenants to 10 per cent.

Question 2.—Long-period advances are available on the security of land in which one has a transferable right.

The special difficulties of long-period borrowers are—the period of repayment is not long enough; the instalments are heavier, and the rate of interest is exorbitant; and, moreover, compound interest is also charged for failure to pay any instalment at the fixed time.

Question 3.—Non-transferability in the case of tenants acts as an impediment to long-term credit, and the rate of interest charged from tenants is higher than that from the landlords.

Question 4.—The occupancy right does not serve as an adequate security for long-term credit as moneylenders do not generally cultivate the land themselves, and the lands cannot, under the present law, be sublet for more than three years.

I do not suggest any modification of the law, as the tenants would get into the bad habits of luxury and extravagance. They feel happy if they are able to pay up sooner whatever little loan they had taken.

Question 5.—I think that the establishment of a land mortgage bank would solve the problem of long-term advances, but the bank will have to face many difficulties in the realization of money by sale of the *zamindari* property, and the bids offered by purchasers are sometimes far less than the amount advanced.

Question 7.—The value of land should be calculated at 25 times the amount of rental after deducting the land revenue paid for the land.

The value of land per acre differs according to the crops grown on it. Further, fields far from the *abadi* or having inferior soil or little source of water-supply near them and not well situated, fetch less value.

The proportion of the annual net yield of average quality land to its market value under normal conditions is 1 : 5, that is to say, if the annual net yield of an area of average quality land may be taken as Rs. 20, then the rent will be Rs. 10 and after deducting Rs. 6 land revenue, the profit comes to Rs. 4 and the market value of the land is Rs. 100.

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

Question 1.—Tenants prepare *gur* and grow tobacco for local use. There is no other industry allied or supplemental to agriculture in this district.

Question 3.—All castes living in a village, such as blacksmith, carpenter, tailor, weaver, barber, oil presser, grain parcher, etc., do their own occupation when they find time from agricultural work. The higher castes do no industry.

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APPENDIX.

VILLAGE BANKI, DISTRICT BARA BANKI, JANUARY 19, 1930.

Sheikh Wazir-ud-din, Sheikh Yusuf Ali, Sheikh Nur Karim, *zamindars*, and Babu Din Dayal, Kurmi, *mahajan*, stated that in village Banki small loans in cash, *i.e.*, Rs. 50, Rs. 30, Rs. 100, etc., are advanced on promissory notes and unregistered bonds, while larger sums are advanced on registered bonds, say, above Rs. 500. The petty loans given to tenants having one or two ploughs are from Rs. 50 to Rs. 100, according to the capacity of each tenant. Poor cultivators are given Rs. 10, Rs. 20 and Rs. 30 on *bahikhata*. Big loans secured on land given on registered bonds are 5 or 6 per cent., small loans on unregistered bonds 20 per cent., on house property 2 or 3 per cent., on ornaments 5 per cent., on pronotes 50 per cent., crops 2 per cent., owing to fear of the *zamindar*, and on *bahikhata* 10 or 15 per cent. because great difficulty arises in civil courts in suing on *bahikhata* entries. Pronotes are, therefore, the best and safest way of advancing money for small amounts.

The principal creditors of the agriculturists are local moneylenders as they are lenient in recovering money, while Government is hard and the amount taken from Government has to be paid anyhow at the fixed time. If the tenant is, for any reason, unable to pay up his loan to the *mahajan*, he simply takes interest and allows another half-year and also further time, but with Government *taqavi* the case is not so as it is realized on the fixed date, and in that case the tenant has to go to the *mahajan* to borrow money who hesitates to lend, and if he agrees he charges exorbitant interest.

People of this village very seldom or never take *taqavi* from Government owing to difficulty in giving security, then in its verification. Much time is lost in applying for *taqavi*, attending courts, furnishing security, and then after many days they get the *taqavi*; and over and above this its recovery is very painful. So they prefer to pay heavy interest to the *mahajan* than to take at cheaper interest from Government.

The co-operative society is somewhat better, but the *sarpanches* tend to dishonesty. Some 10 per cent. of the people who can give joint security take money from the society.

Well-to-do cultivators also advance to 10 per cent. of the poor tenants.

Zamindars never give any loan to the tenants. The only favour they show to good tenants is that they often postpone realization of rent for some time.

The *Rastogi mahajans* of Lucknow advance to tenants on the *ugahi* system, *i.e.*, they give Rs. 10 and take Rs. 12 after a year.

There are nearly 25 or 30 *zamindars* in Banki, some of whom are residents while others are of outside places. All of them are more or less indebted. Ninety-five per cent. of the *zamindars* are in debt.

The causes of indebtedness are heavy expenses, mode of living, mismanagement of household affairs, marriage and social functions, and the dearness of all articles.

Agriculturists borrow for the following purposes :—

(i) Repayment of earlier debts, like *taqavi* or *mahajan's* debt, 2 per cent.

(ii) Payment of accumulated interest, 5 per cent.

(iii) Marriages and other social functions, 10 per cent.

(iv) Distress, 20 per cent.

(v) Payment of land revenue and rent, 20 per cent.

(vi) Seed, 5 per cent.

(vii) Expenses of cultivation, 5 per cent.

(viii) Litigation, 25 per cent.

(ix) Purchase of plough bullocks and implements of husbandry, 5 per cent.

(x) Subsistence, 3 per cent.

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ORAL EVIDENCE.

Lucknow, January 28, 1930.

Present:

MR. E. A. H. BLUNT, C.I.E., C.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. ... ... } *Members.*
RAI BAHADUR BABU MOHAN LAL, M.A., LL.B., M.L.C., ... } *Members.*
DR. L. C. JAIN, M.A., LL.B., PH.D., ... *Secretary.*

(*Witness*: KHAN BAHADUR MUNSHI MUHAMMAD SHAFI KHAN, B.A., *Deputy Commissioner, Bara Banki.*)

Dr. Radha Kamal Mukerjee: The first question that I would like to put to you is how you reached these figures of indebtedness?—These are from general information.

How is it that your unproductive debt is smaller and productive larger?—As a matter of fact the tenant requires something for subsistence. There are certain products in the two harvests that he uses, but they are rarely enough to tide him over the whole period unless he gets his new crop. In the interval he has to borrow. For instance, from *kharif* crop he keeps something for his subsistence and the rest he sends to the market. But this is rarely sufficient to carry him on till the *rabi* crop. In the interval he has to borrow money. Similarly in *rabi*. They keep a certain amount of *bajra*, gram and wheat for consumption.

The Chairman: Generally Bara Banki is rather a favourable district so far as indebtedness is concerned?—Landlords are indebted, but the tenants are not. They are indebted, but as compared to others nothing abnormal.

What are your views about *taqavi*?—Government *taqavi* in my opinion requires a little more elasticity. The rate of interest should not be 7½ per cent. It should not be more than 6 per cent.; and in the second place the rigidity with which it is collected immediately after six months should be relaxed to some extent. For instance, last year on account of a bad harvest we advanced *taqavi*. Owing to failure of the *rabi* the collection was postponed. In my opinion the *taqavi* should be made realizable within a period of two years.

Dr. Radha Kamal Mukerjee: Would you lengthen the period if you have a series of calamities from six months to three years?—In that case the period should at least be three years.

Will you tell us whether there is anything wrong with the system of marketing?—I have come to the general conclusion that there is not very much wrong with the system of marketing. There is a certain amount of money which the cultivator does lose. He loses time on his actual marketing. He has to do it. He goes to sell it. He takes his products to his *arhatia*. He has to sell it, and he cannot wait for the rise in prices. He has to pay something to the middleman, but the facilities which he gets compensate him for that.

Do you think that any improvement in the supply of seeds is required?—I would like a seed depôt within a radius of five miles, because a tenant requires more facilities in this direction. For instance, last year after it had rained in the first week of October wheat should have been sown. The tenant required seed immediately. He would not go to long distances if a depôt were near at hand; that would relieve him of the anxiety and he would get good seed. People are complaining that the Agricultural department charges are very high. I think that last year the seed supplied by the Agricultural

department did not germinate. The reason was that the house was leaking and the whole thing got wet. It is not only the loss of seed but it affects the reputation of the Agricultural department.

You are opposed to the transfer of occupancy rights?—I am opposed to it.

If you want to provide long-term credit to the tenants you must give transferable occupancy rights to them?—They should not be transferable. They are handicapped and we should keep them handicapped so that they may not be extravagant.

The Chairman : You do not seem to have any small industries there?—I have got some industries. I have the silk industry which is in a very good condition. We have got an industrial school which is working all right.

Have you got tobacco cultivation?—Tobacco cultivation is not on a large scale.

That tobacco is only for local use?—Yes.

Dr. Radha Kamal Mukerjee : You have said in your reply to question no. 3A of Part I-C of the questionnaire that land cannot pass from the hands of the agriculturists to the hands of the non-agriculturists?—It is about Bundelkhand.

What about your own district?—The Land Alienation Act is not in force there. The non-agriculturist in the Bundelkhand division cannot buy from the agriculturist. They have proved themselves to be inferior farmers. There may be better men, but generally they are not of the required type.

The Chairman : Is there much lending business between *zamindars* and tenants?—I do not think so.

Zamindars as a matter of fact would be more rigid about payment of interest?—I know that they are very dangerous.

Dr. Radha Kamal Mukerjee : Does one tenant lend to another tenant?—Bigger tenants lend to smaller tenants. In my district Kurmis are very well off.

They lend money to poorer tenants?—Yes.

You have stated that the *Rastogis* of Lucknow are advancing money to the *zamindars*?—Yes.

Not to the cultivators?—No.

The Chairman : Lucknow *Rastogis* lend money in half a dozen districts round Lucknow, I hear. They lend money in Rae Bareli, Partabgarh and Bara Banki.

Dr. Radha Kamal Mukerjee : In those villages where Kurmis do not dominate the professional moneylender has got a strong foothold?—I do not think that the moneylender is different from any other moneylender in any other village. They have got fixed rates. For instance, if they advance grain they will take *sawai*. If there is a new-comer whom he does not know he will advance on the *deorhi* system. If he does not pay at the promised time the rate is increased. The advanced rate of interest is from 25 to 30 per cent. For instance, if you borrow Rs. 100 he will give you Rs. 82, and he will keep the rest, and then you will have to pay Rs. 12 per month.

So the rate of interest varies according to the circumstances?—Yes. According to the security.

(The Chairman thanked the witness, who withdrew.)

Mr. KRISHNA PRASADA, I.C.S., Collector, Bulandshahr.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist borrows mostly from the village moneylender, moneylenders living in towns where towns are not far from villages, and dealers in grain. He also borrows from the Government, but only in the form of *taqavi*, and that, too, not frequently. Where village co-operative societies exist, loans are also taken from them. In some villages the big moneylender living in a town doles out loans on the *kist* system. Usually Rs. 10 are given to be repaid within a year in twelve monthly instalments of Re. 1 each. This *kist* system is greatly popular amongst the tenantry. The tenant does not realize the enormous amount of interest which he pays owing to the fact that he has to pay only Re. 1 at the end of the month, which he can well afford to do.

The agriculturist borrows for all the purposes mentioned in the questionnaire, but rarely for manure, expenses of cultivation, building of tanks and agricultural improvements.

The bulk of the debt is incurred for seed, subsistence, repayment of earlier debts, famine, payment of land revenue and litigation. Next to this is the debt incurred for marriage and other social purposes, agricultural implements and purchase of ploughs and cattle, and only a small amount is borrowed for permanent improvements like sinking of wells, building of tanks, etc.

The bulk of the debt comes from the moneylender, either local or of a neighbouring town. Next to him come the local or the town grain dealer and the *zamindar*, and, lastly, the Government. This holds true where co-operative societies do not exist. But where they do, they occupy the third place, the fourth being relegated to Government.

Roughly speaking, about 75 per cent. and 25 per cent. of the debt are incurred in cash and grain, respectively.

The bulk of the loan is taken for short periods, *i.e.*, six months. Almost all the debt in kind is for six months' duration. The debts incurred for subsistence, litigation, famine, payment of land revenue and some special functions, and for the purpose of plough and cattle, are generally paid back at the next harvest. Only a small portion of the debt is incurred for longer periods. It is only for marriages, sinking of *pakka* wells, permanent improvement of farms, repayment of small debts and litigation that long-term debts are incurred.

Question 2.—Usually, the rate of interest varies between 25 per cent. and 40 per cent. For *kist* Rs. 12 have to be paid in twelve monthly instalments for Rs. 10 lent in the beginning. For other cash advances the rate varies according to place, persons and amount. In some cases cash is lent at two pice per rupee per month; in others at Rs. 3-2 per cent. per month. Where ornaments are pawned the rate is one pice per rupee per month. Where bigger amounts are lent on the security of land mortgage the rate is much lower.

Grain for purpose of seed is borrowed on the *siwai* system, *i.e.*, for 100 maunds of grain borrowed at the time of sowing, 125 maunds have to be returned at harvest.

For other loans in kind, the usual rate is also *siwai*. But it gets higher where either the credit of the borrower is not good or where his need is very urgent.

All rates above 25 per cent. are exorbitant. The Indian agriculturist is extremely poor, and the return which he gets from his land is hardly enough to keep his body and soul together. So when he has to pay more than 25 per cent. interest, he only cuts the

family rations. If he effects a permanent improvement in his holding, he hardly gets a return of 25 per cent., and this accounts for meagre borrowings for permanent improvements.

From the point of view of the moneylender, such a rate is not altogether unjustified. He has to bear considerable risk in lending money to the Indian agriculturist, who has no credit, and he has to face considerable difficulties in recovering the loan.

Moneylenders do not now, as they used to do before, charge a seemingly high interest, because of the powers given to courts to go behind such contracts and reduce the rate of interest. The moneylender usually gets a receipt for a larger amount than actually lent. Where grain is borrowed the cultivator has to accept a higher rate when he takes than when he repays the loan. He has further to meet the weighment charges at both the times.

Question 3.—Land mortgage is the only kind of security accepted in the case of long-term loans. For short-term loans, the security of standing crops, agricultural implements and cattle are most commonly given and accepted. Ornaments are pawned for both short and long-term loans. They are generally pledged for loans in connexion with marriages and social functions.

The better the title the more can a person borrow; and he does generally borrow up to his utmost limit. The *zamindars* are generally more indebted than occupancy tenants, whose indebtedness exceeds that of tenants-at-will.

Question 4.—When harvests are good and the condition of the agriculturist prosperous, he usually has no difficulty in paying off the debt. In bad years, the payment has to be enforced. In some cases threat is used, and in others, where the moneylender happens to be the *zamindar* or a strong man of the village, pressure is brought to bear upon the agriculturist. If the borrower is a poor man or of a low caste, he is also sometimes beaten. Civil courts are approached as a last resort.

The cultivator well knows the prevailing rate in the market, but it is the man who lends out the money that dictates the rate at which the former is to borrow and repay. If wheat is selling at eight seers to the rupee, the borrower gets it at the rate of only seven seers, and has to pay it back at the rate of nine.

Question 5.—The cultivator does not take full advantage of the facilities provided for *taqavi*, because he has an inherent dread of taking loans from the Government. He fears that he will have to grease the palms of functionaries, from the *patwari* upwards. Also, the collection of *taqavi* loans is more rigorous. As the Linlithgow Commission remarked: "No system of Government loans can ever be so elastic as that of the moneylender." In times of drought and other calamities, the cultivator, however, borrows freely from the Government.

It happens very frequently that the person who takes the *taqavi* spends the money for domestic ends, such as marriages. Instead of being given money for seed, he should be given improved seed from depôts which ought to be opened at convenient centres. The Agricultural department is not able to supply as much improved seed as is needed. It will, therefore, have to improvise means for greater supply in the future.

A *rahat* drawn by a camel is able to supply as much water as three or four *charsas* working at the same time. The camel costs less initially, and its maintenance does not cost more than Rs. 5 a month, if even that much. So, instead of money being frittered away on wells worked by *charsa*, I am of opinion that *taqavi* for wells ought to be given to such cultivators who agree to put *rahats* into them. The money for *rahats* should not be paid to the tenants, but to some firm which makes *rahats*. It should be possible for district officers to give the monopoly for the whole district to a certain firm, and thus obtain *rahats* at concession rates.

So my practical suggestion is that, as far as possible, the person wanting the *taqavi* should not be given the cash, but the commodity that he needs. Of course, it will be impossible to do this in a year of drought or when abnormal conditions prevail and the demand for *taqavi* is excessive.

Question 6.—Cultivators do not, as a rule, combine to produce crops. In the case of sugarcane and cotton, some do combine; but what they actually do is to combine only the labour, plough and the oxen. They maintain separate fields, keep separate accounts of seed and the produce. They again combine at harvesting time, after which they separate for selling the grain. Combinations are not common because of fragmentation

of holdings, and also because agriculturists do not keep any accounts, and combinations are liable to give rise to disputes.

Combinations assume a certain degree of literacy and a sense of co-operation which is lacking in the Indian peasantry. They are certainly desirable in the interests of production of commercial crops. It would solve the difficulty of equalisation of labour and capital. Some cultivators may possess capital, while others a big family. Combination will be to the advantage of both, and should lead to increased production. Besides this, co-operative societies and the Government will be able to advance money more readily to such combinations. Cultivators who unite also score in the marketing of crops.

Question 7.—The greater portion of the funds required by the Indian cultivator is provided by the local or town moneylender. This moneylender is a very clumsy necessity. His resources are extremely limited; and he follows no rules except those dictated by his elastic conscience. His ledger admits of no audit, and his rate of interest is regulated more by the urgency of the borrower's need than by the value of the security offered.

It is this moneylender who has to be replaced. The most desirable agency is the co-operative credit society. For the provision of short-term credit this institution approaches the ideal. But the movement has not really caught on in the country. Much has certainly been done to popularise it, but still there is much to be done.

The central banks should be more effectively linked with high finances. One of the difficulties is the complete dissociation of co-operative finances from the sphere of high finances. Securities of co-operative banks are not marketable nor are promissory notes executed by them negotiable by joint-stock banks or the Imperial Bank. Thus adequate financial accommodation is denied them.

Part F.—Co-operation.

Question 1.—Co-operative banks stand on their own legs and have no connexion with other banks. This is due to the nature of work to which the operations of the co-operative banks are restricted by co-operative laws, *i.e.*, they do not undertake any banking operations in the most usual sense of the word. Also an individual central or district co-operative bank is a very small and humble institution, which does not command the confidence of big joint-stock banks.

There is no competition between big joint-stock banks and co-operative banks. In fact the latter cannot compete with the former under the present state of affairs.

Question 2.—In the ordinary course of events, co-operative banks have little difficulty in raising capital, but their needs are so limited that they are not always ready to accept deposits. There is no elasticity in their finances; and unexpected or abnormal calls for deposits or abnormal demands from societies upset their finances. In some cases maturing deposits of big depositors, who are unable to communicate their decisions of withdrawing their money sufficiently in advance, place the bank in an awkward position. Similarly, unusual demands from societies, as in years of famine, are a severe test to co-operative banks.

Question 3.—As noted above, the capital required for co-operative societies in ordinary years is sufficient. What is needed is to make its finances more elastic.

Question 4.—The exemption from income-tax of genuine co-operative societies, and the inclusion of the debentures of provincial co-operative banks in the list of trustee securities would certainly be a help to the movement, and both are desirable.

Question 5.—The difficulty of inelasticity of the finances of co-operative societies would be met by the establishment of provincial co-operative banks, and its linking up with the sphere of high finances.

Rai Bahadur Babu BRIJ LAL, B.A., Director of Land Records and Inspector General of Registration, United Provinces.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—The question of the existing indebtedness of the agricultural classes is one beyond the scope of the Departments of Land Records or Registration. A statement culled from the figures given in the annual reports of the Registration department is however enclosed, giving for the last twelve years the total number of mortgage deeds registered in the entire province and the amount of consideration. It will show that about a hundred thousand mortgage deeds for an aggregate consideration of seven crores of rupees per annum on an average, are registered every year. But the figures comprise mortgages executed both by the agricultural and non-agricultural classes and separate figures are not available. Similar figures by registration districts are given in the annual notes or reports of the Registration department.

I can suggest that valuable information can be collected from the following records :—

(1) *Mutation register.*—All mortgages with possession of proprietary rights in land, as well as redemption of such mortgages, in every village in each tahsil, can be ascertained from this register which is kept in each tahsil.

(2) *Totalling register and pargana register.*—These give the totals of areas alienated and of the amounts of consideration for each year over a series of years since the last settlement in a village and *pargana*, respectively. These are also kept in the tahsil.

(3) *Certain settlement records.*—Some enquiries, rather of a general nature, are made into the indebtedness of *zamindars* and tenants of a district during settlement. Results of these inquiries are given in rent-rate reports. There must also be the records of the recent enquiries of this nature in the settlement office or the district officer's office, which will give more or less complete figures for the villages, on the detailed enquiries of which the settlement officer or assistant settlement officer has based his conclusions.

(4) *Books I and IV.*—Much valuable information can be collected from Book I and to a slight extent from Book IV kept in registration offices.

Question 3.—It is difficult to make a general statement as to whether land is passing into the hands of creditors who are not efficient farmers for the province as a whole; but much useful information is given on this subject in the rent-rate reports about each *pargana* or tahsil recently settled.

Part E.—Land mortgage banks.

Question 1.—As a rule loans are available to landlords for long periods, but not so to tenants who hold no transferable rights in their holdings.

Question 2.—Long-period advances are available on the security of land, houses, trees or other immoveable property.

The main defect is that the longer the term the lesser the advance available on a given security.

Question 3.—Tenants without transferable rights can hardly get long credit at all.

Question 4.—The occupancy right does not serve as an adequate security for long-term credit. The value of the right as a security for debts can be increased by making

the right transferable; but it will, I consider, be a mistake to make it transferable, as this will increase the indebtedness of tenants and make their condition worse. Facilities should be given to a tenant to acquire proprietary rights in the land of his tenancy by long-term advances on the security of that land.

Question 6.—Only the questions whether the certificates of encumbrances should be issued either free or at a nominal charge by the registration offices, and whether the registration charges of documents should be either abolished or reduced, concern me. I confess that I am not conversant with the problem of "land mortgage banks" in all its bearings. From the point of view of the Registration department it would be undesirable to issue certificates of encumbrances free or at a nominal charge. If the number of such certificates issued by an office is at all large; it will throw very heavy work on the offices and may necessitate the increase of the staff, and reduce the income. Similarly, the abolition or reduction of registration charges will adversely affect the income of the department, and the sacrifice should not be made unless it is unavoidable. If, however, the national interest demand that the sacrifice be made, the Registration department should in my opinion be glad to make it, specially as its income far exceeds its expenses.

Statement showing the number and consideration of mortgaged deeds relating to immoveable property registered in the United Provinces.

Serial number.	Year.	Total number of mortgages registered during the year.	Aggregate value (or mortgage money).	Remarks.
		Rs.	Rs.	
1	1917	1,02,843	5,61,61,139	
2	1918	98,742	5,34,81,649	
3	1919	1,35,736	7,60,93,718	
4	1920	1,09,284	6,70,27,882	
5	1921	1,13,720	7,02,13,672	
6	1922	1,03,910	7,69,61,323	
7	1923	1,02,855	7,20,96,432	
8	1924	93,046	7,78,96,880	
9	1925	1,03,966	7,67,06,004	
10	1926	1,08,574	7,82,75,913	
11	1927	97,332	7,25,27,522	
12	1928	1,03,038	7,26,61,690	
	Total ..	12,73,046	85,00,13,824	
	Average of twelve years ..	1,06,087	7,08,41,985	

Mr. E. H. H. EDYE, M.B.E., I.C.S., Collector, Meerut.

Memorandum on agricultural borrowing.

THE *taqavi* system is popular, and I do not see how it could be improved. It has, however, one serious weakness. There is no practical method of ensuring that the advance will be spent for the purpose for which it is given. The sanction provided is to recover the whole advance in one sum. After it has been spent, however, this cannot be done without ruining the debtor. The possessions of the ordinary peasant are limited to essential capital—a little land; a pair of bullocks, seed for the next crop, and bare necessities—an unsaleable house, the clothes he stands up in, a store of home-grown food, and the utensils required to cook it in.

2. The same difficulty, in the ultimate analysis, compels the *bania* to charge exorbitant rates of interest. At ordinary times 99 per cent. of the borrowing done is for unproductive expenditure—ceremonies, litigation, or the staving off of a previous creditor. Prospects of easy and punctual recovery are, therefore, poor enough. And there is the added consideration that any device—and the law provides many—for defeating a creditor is considered fair, and that in India little discredit attaches to a man who applies to be declared a bankrupt.

3. In ordinary agriculture, lending for productive expenditure is of two kinds—

(1) Of seed—the advance and recovery being both in kind. Usually a maund and a quarter is taken at harvest for a maund advanced at sowing, *i.e.*, the rate is about 50 per cent. per annum.

(2) Of plough cattle—these are sold on the instalment system. Roughly a Rs. 50 bullock is sold for Rs. 70 to be recovered in four half-yearly instalments, the first on delivery.

This system has been interfered with in Hindu districts by caste *panchayats*. The business is largely in the hands of butchers, and it has been found that if the purchaser fails to pay an instalment he is often induced to surrender his milch cattle instead, and these find their way to the slaughter-house.

4. Co-operative methods have taken no hold whatever in this district. They are entirely opposed to the instincts of the predominant Jat peasantry, whose virtue and vice are a sturdy independence.

Mr. T. B. W. BISHOP, I.C.S., Deputy Commissioner, Fyzabad.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist borrows from Government, co-operative societies, village moneylenders, *zamindars* and seed dépôts.

The purposes for which he borrows and the distribution amongst such purposes are as follows :—

(i) For repayment of earlier debts	5 to 15 per cent.
(ii) Payment of accumulated interest	1 to 2 ,,
(iii) Marriage and other social functions	5 to 15 ,,
(iv) Famine and other kinds of distress	5 to 10 ,,
(v) Payment of land revenue or rent	10 to 33 ,,
(vi) Seed	7 to 40 ,,
(vii) Agricultural implements	1 to 10 ,,
(viii) Litigation	20 to 25 ,,
(ix) Purchase of plough and other cattle	5 to 10 ,,
(x) Sinkings of wells	1 to 5 ,,
(xi) Other agricultural improvements	2 to 5 ,,
(xii) Subsistence	5 to 15 ,,

The debt is divided amongst lending agencies as follows :—

Government	4 to 12 per cent.
Co-operative societies	1 to 10 ,,
Moneylenders	60 to 95 per cent.

Thirty-three to 85 per cent. of the debt is incurred in cash and 15 to 67 per cent. in kind

Sixty per cent. of the debt is incurred for short periods and 40 per cent. for long periods.

Question 2.—For cash advances the rates of interest are—

25 per cent. by moneylenders.
7½ per cent. *taqavi* by Government.
15 per cent. co-operative societies.

For loans in kind for seed, the *sawai* or *deorhi* system, i.e., one-fourth or one-half in excess of the quantity of grain lent, is adopted by local dealers.

For other loans in kind, the *sawai* rate is generally charged.

Interest for cash loans is calculated according to the ordinary method, *i.e.*, simple, in the case of *taqavi* advanced by Government; in all other cases both simple and compound. Interest is half yearly at the harvest time in the case of loans on the *sawai* and *deorhi* system.

In the case of moneylenders certainly the rates of interest are exorbitant, though the frequently highly doubtful nature of the security for the debt must be taken into account. Further, with payments in kind, it has to be remembered that the price of grain just after harvest is usually considerably lower than at the time when it was borrowed as seed.

There are no incidental charges on small loans, but on big loans the moneylenders' agents or *mukhtar-i-ams* charge some percentage on the money borrowed, which varies from 1 to 5 per cent.

Question 3.—The kinds of security usually given are land mortgage, standing crops, house property, ornaments, trees, joint responsibility, pronotes; sometimes loans are arranged without any security, only on word of honour.

It is a fact that the better the title to land the greater the amount of indebtedness.

The comparative extent of indebtedness is: tenants and sub-tenants in the proportion of 1 to 4; *zamindars* and *taluqdars* 12 to 16 per cent.

The amount of debt secured on land mortgage is increasing. The proportion secured on land mortgage varies from 20 to 40 per cent.

Question 4.—The usual methods of enforcing payment of debt from agriculturists are constant demands through agents and, lastly, recourse to courts of law.

Question 5.—The cultivator does not take full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act. This is due to ignorance and because he is habituated to resort elsewhere.

In abnormal times applications are invited on behalf of Government, and the people from villages which are badly affected pour in with applications for the grant of loans, while in ordinary times there are practically no applications.

These replies apply both to the Agriculturists Loans Act (XII of 1884) and to the Land Improvement Act (XIX of 1883), but applications under the former are, of course, immensely more numerous.

There are no particularly obvious and avoidable defects in the *taqavi* system.

Question 6.—I know of no instances where cultivators combine to produce particular crops. Such combination is desirable, but not possible.

Question 7.—There are defects in the present system of agricultural borrowing. But the suggestion of remedies that will be successful in practice is very difficult. Village banks are good in theory, but human nature and local character and custom have first to be mastered.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—Ponies, bullock carts, bullocks, camels and buffaloes are generally employed for means of conveyance of crops to market. Poor tenants in need of cash often bring the crop themselves to the market.

Question 2.—There is no direct system in vogue of financing the marketing of crops, but, generally, money is obtained from grain merchants. The terms are that the produce will be sold to them at a cheaper rate than the prevailing rate.

I do not think co-operative societies should assist in the marketing of crops unless and until the administration of the societies is improved.

Question 3.—In the case of marketing his crop, the cultivator generally pays nothing to the local moneylender. He pays the commission agent Re. 1 or 12 annas per cent. on the sale-proceeds of the grain marketed, with two seers of grain per cartload.

There are no brokers in this district.

Incidental charges are cartage, octroi duty, tax for *paraos*, weighing charges, contribution towards religious funds, and for labour.

Question 4.—The cultivator stores his grain in granaries and *dehris* (big mud pits) made for the purpose. I have no practical suggestions to offer for improving storage.

In markets grain is generally stored in bags. There are obvious defects, but it is difficult to suggest feasible improvements.

Question 5.—The practice of using grain stored in the market as security for obtaining credit does not prevail here.

Question 6.—It is very doubtful whether any system of licensed warehouses on the lines of the American system is possible here at present.

Question 7.—I know of no instances here where cultivators combine to market particular crops. Such combination is desirable but not possible.

Question 8.—The system of weighment is satisfactory in the localities where standard measures are the basis of weighment, but not where different measures are used.

Question 9.—There are no big companies or exporting firms here; such local firms as there are do not indulge in speculative dealings.

MR. T. B. W. BISHOP.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—An approximate estimate of the existing indebtedness of the agricultural classes for any particular area can be framed only by having recourse to inspection of the records of—

(1) Registration offices,
(2) Registrar kanungos' offices in tahsils,
(3) Moneylenders' accounts,
(4) Agricultural seed dépôts,
(5) Co-operative societies,
(6) The Income-tax department, and to
(7) Local enquiries.

It would be a big task. Enquiries could best be made through revenue officials.

Question 2.—The principal creditors of the agriculturists are Government, co-operative societies, indigenous bankers and professional moneylenders.

The richer agriculturists do not as a rule like to lend money to the poorer tenants except on very disadvantageous terms.

Question 3.—Without collecting figures for the last fifteen or twenty years, it cannot be said definitely whether, as the result of the enforced payment of debt, land is passing from the possession of efficient farmers into the hands of creditors who are not themselves efficient farmers; but probably this is not happening as generally land remains under cultivation even if sold to a non-agriculturist.

Part G.—Small industries allied to agriculture.

Question 1.—Out of the four tahsils in this district, in three there are no industries allied to agriculture, but in the Sadr (Fyzabad) tahsil there are some on a comparatively large scale, *viz.*, (1) *gur*-making and *rab*-making at Masodha Government Agricultural Farm; (2) oil-pressing and rice-husking mill at Deokali; and (3) plant and flower-growing at Gulab Bari. The first and third are under official supervision, while the second is owned by a local *rais*.

Question 2.—As the above industries are being run on modern scientific lines, no suggestions for improvement can be made.

III.—Investment habit and attraction of capital.

A.—Encouragement of saving and investment habit.

Question 1.—In rural areas the existing banking resources are moneylenders, big *mahajans* and co-operative societies; in the city the Imperial Bank of India, Allahabad Bank, Oudh Commercial Bank and Ajodhia Bank.

It is difficult to form an opinion as to the adequacy or inadequacy of these resources.

Question 2.—The existing means for encouraging the habits of saving and investment are post office savings banks, banks, postal and other life insurance companies, cash certificates and the provident funds system.

These provide fully for the present demand. But the demand is not nearly wide enough.

Question 3.—The only investment of the people is in the form of ornaments, and this too is rather dying out.

Question 4.—Postal cash certificates are popular, but mostly in towns.

The following suggestions are made to encourage their popularity :—

(i) They should be made available at all sub and branch offices even in the village.

(ii) They should be transferable just like government securities without restrictions and permission of the postmaster.

Question 4-A.—Something similar to the national savings movement in England is probably posible in India after a good deal of education and organisation in the same way as co-operative credit societies are possible; but similar difficulties for similar reasons will be encountered

Question 5.—Post office savings banks do not at present afford adequate facilities to the investing public. I would suggest extension of facilities to all branch offices.

The classes which at present take advantage of the various facilities for investment offered by the post office, are the educated and professional people.

Opening of savings bank accounts in all branch offices and propaganda explaining to the villagers the benefit of investment, *e.g.*, teaching in schools, would attract those classes that do not resort to this type of investment.

Question 6.—To a certain extent the rates of interest on postal cash certificates and treasury bills do create competition between Government and banks in attracting money.

I regard such competition as healthy to prevent a monopoly.

Question 8.—It would probably not promote the savings habit if public bodies were to afford savings bank facilities as few of these bodies command the confidence of the people.

Question 11.—The middle classes have practically no surplus money. What they have is turned into ornaments. Agriculturists do not get money in excess of their requirements. Well-to-do people invest their money in the purchase of landed property.

They keep any surplus money they have with themselves, *e.g.*, bury it under the earth, deposit it in iron safes, and so on. Some deposit in banks and savings banks.

They use it for marriages, building of houses, lending, purchase of agricultural implements, and purchasing land or taking it on mortgage.

Question 12.—Farmers invest their surplus funds in purchase of cattle, ornaments, etc., and on religious and other ceremonies.

They lend to fellow-agriculturists, but on good rates of interest only.

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

This is due chiefly to local character and tradition—that probably have their foundation in the country's history, religion, climate and geographical position—the net result of which anyhow is a condition of fatalistic apathy, poverty, ignorance and mutual mistrust, which unfortunately is only too often justified.

To educate the people to invest their savings in productive undertakings I suggest teaching in the schools above a certain standard.

Dr. S. S. NEHRU, M.A., Ph.D., I.C.S., Deputy Commissioner, Rae Bareli.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing fo purposes of production.

Question 1.—The agriculturists borrow from Government, co-operative societies *mahajans, rastogis* from Lucknow, Punjabis, Peshawaris, Kabulis, landlords, grain merchants and *inter se.*

They borrow for all purposes mentioned in the questionnaire, excluding manure and other agricultural improvements. The reasons are obvious: manure is available in plenty where the agriculturist has got some cattle, and, if not, it can be obtained on barter, while, as to other improvements, the agriculturist cannot afford the money, for either he is living hand to mouth, or indulging in extravagant habits according as he is poor or rich. I have noticed no case in which money was borrowed as such under this head.

The distribution of debts varies within limits from place to place, person to person, and season to season. A very rough proportion would be as follows :—

(*i*)	For repayment of earlier debts	10—30 per cent.
(*ii*)	,, payment of accumulated interest	5—0 ,,
(*iii*)	,, marriage and other social functions	20 ,,
(*iv*)	,, famine and other kinds of distress	15—23 ,,
(*v*)	,, payment of land revenue or rent	15—10 ,,
(*vi*)	,, s ed	10—6 ,,
(*vii*)	,, expenses of cultivation	5—10 ,,
(*viii*)	,, agricultural imp'ements	0—6 ,,
(*ix*)	,, lit gation	15—10 ,,
(*x*)	,, purchase of plough or other cattle	5—7 ,,
(*xi*)	,, sink ng of we ls	5—3 ,,
(*xii*)	,, building of tanks	5—0 ,,
(*xiii*)	,, subsistence	10—8 ,,

The proportion in which the debt is divided between the above classes fluctuates very powerfully. The reasons are obvious. Roughly, Government's share varies from 10 to 25 and that of the non-Government bodies from 90 to 75 per cent.

Division of the total debt in cash and grain varies very violently from place to place. In a wholly rural area it ranges between 25 to 35 per cent. and 75 to 65 per cent. But in a bazar area the figures are reversed and vary from 75 to 25 per cent.

Forty to 20 per cent. of the debt is incurred for long periods, and 60 to 80 per cent. for short periods; but Government loans are a class apart.

Question 2.—Rates of interest charged for cash advances vary from 12 to 24 per cent., depending on the amount of the loan. Loans in kind for seed vary from 1¼ to 2½ times. For other loans in kind 1¼ times the loan is recovered.

The methods of calculating the rate of interest are—

(1) simple,
(2) compound,
(3) compound recurring, and
(4) composite.

The rates of interest appear exorbitant at first blush, but allowance must be made for the fact that ready money is obtained without difficulty or delay, practically at one's door.

Other incidental charges are 2 to 4 per cent. *nazarana* or commission or premium, especially on big loans, drafting, scribing, verifying or kindred charges on deeds, stamps and *bahi khata*, etc.

Question 3.—The usual kind of security is land mortgage, standing crops, future crops, *batai* and *sawai*, futures, labour, house property, jewellery, but very rarely implements, as such. The reason is obvious : if a tiller were to pledge his tools all means of tilth would disappear.

Question 3.—Title to land and indebtedness do not go together so simply as suggested in the question. The following gives a very sketchy comparative picture of indebtedness of the various classes of landlords and tenants : *talugdars* 17, *zamindars* 20, under-proprietors 23, occupancy tenants 25, non-occupancy tenants 27.

The amount of debt secured on land mortgage tends to increase, but not out of reason. In fact there is a definite drag to it. The ratio of secured to unsecured debt is 25 to 75 per cent., very roughly.

Question 4.—The usual methods of enforcing payment of debts from agriculturists vary from area to area. Rural bazar merchants realise 75 per cent. on oral or written demand, and 25 by litigation, which may or may not take its full course. Peshawaris, Punjabis and Kabulis realise by *force majeure*. Otherwise the ratio is from 70 to 90 per cent. recovery out of court and 30 to 10 in court.

Opinion conflicts very sharply on the question of difference between the rate at which the cultivator borrows grain or repays it and the prevailing market rate. No single *panchayat* showed unanimity. The reason is obvious. This is a matter of individual as well as mass psychology so far as the part of the section goes.

Question 5.—Advantage is taken of Act XII and Act XIX to the extent the limited credits allowed by the moderate credits permitted by Government go. Normally the demand overweighs supplies by five-fold. One reason, as stated, is the paucity of credit. Other reasons are : the government demand has to be paid punctually, while the *bania* can be humoured into allowing time, of course to his own ulterior gain; ignorance of the cultivator; defects and delays in applying for and receiving *taqavi;* the meagreness of *taqavi* received which cannot stop the need to tap alternative sources of supply, etc.

The cultivator borrows more *taqavi* in abnormal than in ordinary years to the extent of *nil* or 100 per cent., according as the abnormal years are fat years or lean. If the former, *taqavi* is unnecessary; if the latter, the local market is dead and *taqavi* is the only stand-by.

The present *taqavi* system is good on the whole, but the defects are obvious. Relief comes very late, or too light; relief is not adequate; it does not throw out alternative channels of pseudo relief; the rate of interest is not low enough; the accounting is too complicated; there is much dissipation of energy in the working of the system.

Many improvements can be suggested, but from the cultivators' point of view the following are essential :—

Quicker disbursement; lower rate of interest; easier recoveries, and last, but not least, adequate response.

Question 6.—The usual instances of cultivators combining together are afforded by the working of the *batai* and *sawai* in agriculture and orchardry. The reasons are many and various. *Sharif* and *razil* will combine together, the former bringing capital and the latter labour, but instances where cultivators of the same standing combine together to produce particular crops are rare. The cultivator is very conservative, and at the core of his conservatism lies his strong individualism. I consider such combination, except in co-operative societies, as not possible. Ground-nut, sugarcane, and tobacco are the three crops for the production of which wholesale combination would be desirable, but, as things are, eventual gain would be dissipated by friction in the working of the process.

Question 7.—All are agreed that the present system of agricultural borrowing can and should be improved, as it has obvious defects. Many suggest bigger grants of *taqavi* at lower rates and recoverable in easier instalments. The co-operative credit societies also need to be developed from village to village and extended in each village, undeterred by lapses or failure. Most of all, a network of land banks for the supply, co-ordination, control, distribution and assessment of rural credit are urgently necessary. They will be explained later.

DR. S. S. NEHRU.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—Usually the principal crops are brought to market in the rural area on buffaloes, ponies, camels, carts and bullocks, but the practice prevailing in Lalganj Bazar is peculiar and scientific. Weighmen bring only samples weighing a chattack or so to market and then the merchants buy according to quotations. The orders are placed with the weighman, who goes to the villager, takes delivery of the produce, brings it to the merchant and delivers it to him. The methods of marketing show no variation with the use to which a crop may eventually be put.

Question 2.—In the rural area marketing is a one-man show,—the villager arranges it himself; but in the bazar area the grain merchants arrange as above.

There are over 100 healthy co-operative societies in this district, but they are only concerned with credit and have nothing to do with distribution or consumption. It is desirable to form consumers' and distributors' societies affiliated with such healthy societies, care being taken not to load them with too much responsibility or work.

Question 3.—In the rural area all the charges total from 3 pies to 9 pies in the rupee. In the bazar area they work out at 3 to 5 seers per 20 maunds of cartload of crop. The latter charges include ¼ seer per cart sweeper's dues, a fraction for charity, such as *Ramlila*, *Dhanushyag*, weighman's dues and the like. These charges apply to sugarcane, not to wheat, in the bazar area. In the rural area they apply to all produce.

Question 4.—Grain is stored in many ways—underground, in *khain* or pits; and overground in sacks, towers, etc. Underground is the most risky, as white-ants and rot cause great damage. But overground storage is more expensive. The practice of lining pits with straw, etc., is not sufficient safeguard against the two pests of white-ants and fungus.

Question 5.—Grain stored in the markets is not generally used as security for obtaining credit.

Question 6.—The American system of licensed warehouses is unworkable in India. There are many reasons. Grain is not stored for long; tenants are poor; stocks are low; ready-money is in great demand; speculation in grain stored or in expectation is not the practice here.

Government can materially assist by granting *taqavi* or loans to the villagers and grain dealers for constructing rat-proof, rat-proof granaries. Hypothecation and speculation in grain may not be furthered at once, but the quality of grain would be maintained intact and so help all dealing in grain for domestic use or sale.

Question 8.—The system of weighing in the rural or bazar area is not quite satisfactory. The reasons are obvious. The most serious objection is that food stuff is exposed to way-side dust, infection, expectoration and putrefaction. As things are, it has a rough and ready simplicity which out weighs all drawbacks. The simplest suggestion would be to introduce and legalise measure by *volume* as against measure by *weight*.

Question 9.—The charge levelled against the leading exporting firm is this that it shatters prices with a travelling load of 10,000 maunds of grain, which is dumped in the area in which prices are steady, to lower them *ad lib.*, and then, after effecting purchase, the prices are forced up again. The well-known evils of cornering and dumping are practised in a novel form. Prices are controlled. But speculation as such is not the object or charge. Evidently the cultivator's profit is very seriously affected. He must deal through an organised body, such as co-operative distributing societies, if he wishes to avoid the above evils. But the difficulty is that the cultivator lives from hand to mouth, wants ready money, and has no time or patience or intelligence to profit by co-operative procedure.

Government could check speculative dealing in grain by imposing maxima and minima for prices. This would mitigate, but would not remove, the evils.

Part C.—Extent and nature of agricultural indebtedness.

This is a section which touches on a most important problem in statistics, which is rationalisation. To show complicated functions such as health or wealth or welfare or indebtedness of any community or area by squared graphs, which show the wholly

meretricious movement of two misjoined variables is open to obvious reproach. A more rational system would exhibit all the variables concerned, be they concerned never so remotely, at a glance and show their delicate movement over a whole clear course of time. To visualise the movement of each variable against the inter-connected movement of all variables over a period of time is to rationalise statistics.

This has been achieved in a way intelligible to the lay mind by the enclosed infant welfare chart* issued by this District Health and Maternity League, which displays the complicated movements of twelve inter-dependent variables during ten months of this year in a visual and impressive manner, and serves as an example to rationalize statistics. The same circular graph can show the inter-linked movement of as many as 180 variables, at a glance. More than this—at a glance it reveals the linkages and laws that govern. With this example in view we turn to the question of preparing an estimate of indebtedness. None such exists, but it would be easy to frame one. It would show not only rural debits, but also credits, as the two movements are conversely inter-linked and expose their growth for any selected period of time.

The easiest and readiest way to prepare such a debit and credit census would be to enquire from the *panches* of village *panchayats*, who represent all conditions and castes of *homo economicus* in their fields. Such an enquiry would include the following special points :—

(1) Inherited debts.
(2) Self-contracted debts.
(3) Paid-off debts.
(4) Renewed debts.
(5) Debts with low rate of interest.
(6) Debts with medium rate of interest.
(7) Debts with high rate of interest.
(8) Debts with usurious rate of interest.
(9) Oral debts.
(10) Written debts.
(11) Debts secured on land.
(12) Debts secured on jewellery.
(13) Debts secured on crops.
(14) Debts secured on labour or service.
(15) Debts secured on houses, etc.

Next comes the re-grouping of debts according to the source, *i.e.*, villagers, *mahajans*, moneylenders, Kabulis, Punjabis and Peshawaris, grain merchants, family priests, temples, co-operative societies, banks and Government. Next would come debts incurred on special objects, *i.e.*, husbandry, cattle, festivals, jewellery, litigation, purchase of land, purchase of shares, etc.

Next come the factors on the credit side which would be shown inversely. The total would not exceed 180 the maximum; which can be visualised by the accompanying graph.*

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

Question 1.—The rôles played by the various agencies vary largely with the factors of times, urgency, accessibility, volume, security, etc. The rural producer has access to *Government* in abnormal seasons only when he can get *taqavi* easily but not adequately. The *Imperial* Bank of India is a "thing apart," and its multifarious operations are neither understood, of, nor utilised by, the rural producer. The *joint-stock banks* are inclined, rightly if you will, to be overcautious and do not help to liquify credit, not to the extent they could or should under greater guarantee. *Co-operative banks* are more accessible and feed the rural societies liberally within competence, but the latter are too few and this channel of relief is liable to speedy exhaustion. *Country bankers* are much more accessible and allow rapid credit, but it does not extend long enough, certainly not to the borrower's profit, when cut-throat terms are enforced under the heel of necessity. *Professional moneylenders*, such as Peshawaris, Punjabis and their ilk, bring credit right to the threshold of the rural fellow, but they will not hesitate to rob him of his cerements, so drastic are the methods of *force majeure* they employ to recover their loans. *Grain merchants* in the bazar area have a very short-sighted policy and actually do not look farther than their noses in lending money for rural production. Firms trading in

* Not printed.

fertilizers' tools, etc.,—no philanthropists by any means,—undoubtedly realise the need to help the rural producer, if he is to be a consumer from their point of view, and pursue intelligent methods, but their efforts are condemned to abortion, because the producer has not the necessary time, money, energy or skill to deal with them. For evidently every rural producer cannot invest in up-to-date apparatus, handled by these superior firms, be their methods never so attractive, such as hire-purchase, instalment system, easy recoveries, transfers, etc.

Existing facilities for credit are hence *inadequate*. Suggestions to increase them follow at the end.

The causes of the above defects are many—ignorance, poverty, suspicion, hostility, conservatism and the like on the one hand, stand face to face with inelasticity, inadaptability, unsuitability in the systems in vogue on the other.

Question 2.—The above credit agencies play no sustained or certain part in the cycle of *production* and still less in that of *distribution*, exception being naturally made in favour of the *taqavi* department and the local banker, whose limitations in regard to amount and time of relief are patent.

Existing credit facilities are therefore inadequate. Suggestions to increase them are made later.

Question 3.—There is no conscious or intelligent co-ordination or cohesion among the various desparate credit agencies, except in times of stress when *taqavi* and co-operative banks and societies' and *zamindars'* loans are, always within the limits of competence, obtained by the rural producer more easily and *mahajans'* loan *less*.

Question 4.—This is an inland province, a hinterland, which cannot afford credit for overseas trade in the same measure as that for internal commerce. Already it is difficult enough to furnish credit to producer and inland distributor,—the overseas trader can have no chance.

The defects in the existing system of agricultural credit are now considered. The ideal rural or land bank should combine the advantages of all the present systems, eliminate the disadvantages, integrate the benefits of the systems elsewhere, such as those which experience shows the American Land Banks to possess. I consider the latter first. During a rapid tour of the Eastern States of America, where rural exodus and urban congestion are the twin evils that stalk the land, I was much struck as a guest of several American universities with the contacts I received from the rural producer "ON THE TREK TO CULTURE" in the shape of a "college education." Rural credits have enabled him not only to fulfil his primary rôle of production, but also to invest in luxuries which have become necessities and to raise the standard of living and lend ideals to what otherwise would be drab existence. Such banks afford easy, fluid, ample credit regardless of occasional failures, the adverse effects of which are more than equilibrated by the publicity of conspicuous successes achieved. But let the following test cases suffice :—(1) A farmer boy having only a litter of pigs can raise enough money from a paternally-minded directorate in a rural bank to proceed to college for a couple of terms. Unfortunately a "twister" strikes them dead. He hurries back from college to farm; works as labourer; repays the credits; raises more money; and proceeds to college again after obtaining fresh credit on poultry. (2) Another example is furnished by an Indian at a university, who is ordered off to the land in search of health which has broken down. He goes to a land bank; obtains a loan, invests it in culturable land; raises peas and celery; pays off labourers' wages, tool hire, watering charges, and the like with money advanced by the bank term by term. To crown all, he works as labourer himself and stands to gain a bumper crop for his pains. But the vagaries of the weather ruin his cultivation. The crop does not mature and the bank registers a failure. But the Indian has made more than enough money as labourer at *ten dollars* a day. I should like such a universal credit rural bank to be started in India. Suffice it to say that Government should guarantee it to the extent it advances money as *taqavi* at the very least. In fact this *taqavi* business, which is not a paying proposition, should be transferred integrally to such a bank. Facilities should be given to the local *mahajans*, *banias* and *zamindars* to invest their ready cash in such a bank. To avoid cut-throat litigation it should have power to arbitrate between clients in cases affecting credit and such awards, within limits, should be recognised in the same way as decrees of *panchayats*, orders of *zamindar* honorary magistrates, *et hoc genus omne*.

(For oral evidence see pages 89 to 96.)

DR. S. S. NEHRU.

ORAL EVIDENCE.

Lucknow, January 29, 1930.

Present :

Mr. E. A. H. Blunt, c.i.e., o.b.e., i.c.s., m.l.c. ...	...	*Chairman.*
Rai Bahadur Babu Mohan Lal, m.a., ll.b., m.l.c.		
Dr. Radhakamal Mukerjee, m.a., ph.d. ...	...	*Members.*
Rai Bahadur Pandit G. S. Upadhya, b.a. ...	...	
Mr. Mohan Lal Sah, m.a., ll.b.	..	
Dr. L. C. Jain- m.a., ll.b., ph.d.	...	*Secretary.*

(*Witness* : Dr. *S. S.* Nehru, m.a., *ph.d.*, i.c.s., *Deputy Commissioner, Rae Bareli.*)

The Chairman : You say that there are about 180 variables. I should have thought about 360 myself. For instance, you have left out the debt of different types of castes, you have left out the debt according to income, and so on, and before you could prepare your graph at all you would have to get your original figures.—(*Witness*) I don't follow.

The whole point that I am really driving at—I admit the question was not very clearly put—is that it was not so much a question how to prepare the estimate as how to get the figures to do the estimate.—(*Witness*) I have got the figures of 20 villages.

That is, of course, dealing mainly with the causes of debt. The point I wish to make is that in the matter of causes of debt you are never going to get anything that you can call even approximately final. For instance, you yourself have given us two sets of proportions in your replies to part A.—(*Witness*) These figures are really summaries of what I gathered from other witnesses.

As a matter of fact, I have come to the conclusion that it is useless pursuing this kind of enquiry and further, because at the present moment I have got something like 20 lakhs of classified debt from all over the province, and I find that both where I have the original figures and where I have been merely given percentages based on what the particular witness thought was a normal state of affairs, I got the most enormous variations. In the first place, you cannot go on with these fifteen various kinds of debt mentioned in Part A of the questionnaire. I have re-divided them into three, productive, unproductive and, what I call, unavoidable, that is the payment of land revenue and rent or borrowings for subsistence; and what I find is great variations between figures. In the case of unproductive it varies from 3 to 87 per cent. Of course, there are lots of reasons for that. You start in the first place with the great difficulty of ancestral debts. There is no knowing what the ancestral debt is for.—(*Witness*) Mostly for family purposes.

I know, and I had no hesitation in classifying the whole of it as unproductive for that cause. Then again, if you ask a tenant how much he owed or borrowed for any particular purpose, he will not be able to tell you; and if he gives you any figure at all the figure that he has given you is not so much the cause of his borrowing as the actual purpose on which he spent it. Well that, of course, will vary from time to time. One moment he may want manure and actually spend it on seed though he borrowed it for manure. Then suddenly one of his bullocks dies, instead of buying seed he buys a bullock. If I cannot get out a clear proportion on 20 lakhs of debt, well I will not be able to get it out on anything at all. There is another point. Your figures are going to vary a very great deal according to the time of the year. For instance, if you ask somebody what his debt is just after the *rabi*, you will find there is very little short-term debt of any kind. It has all been paid. There is quite a large amount of long-term

debt. If you ask him just before the *rabi* which is higher you will find the less is unproductive and the more productive. So it seems to me there is no real point in pursuing that particular type of enquiry any further, because what we are really driving at is to find out what the true agricultural debt is. You see the debt raised for a social ceremony of any kind is not agricultural debt. It has nothing to do with agriculture. It has come into the classification of agricultural debt, because in this particular case it happens to be the debt of an agriculturist. Your original figures on which you based it—however carefully they may be taken—are bound, for these various reasons, to be variable themselves. You have probably taken them at a time when debt is fairly high. If you had taken them in next June, you should have got totally different results, and you would also get totally different results in another direction, if you take them now in February and March.—(*Witness*) I have got the debts arranged castewise. I started on quite different lines. For instance, there are about 24 villages which were examined. I just picked out five villages to see how the proportions varied. They are very nearly similar. Here are graphs* which I have prepared which will show you the exact position. I will send you copies.

Would you explain the exact method by which you got these? Mr. Turner and other settlement officers got them in some cases through their *kanungos* and *patwaris* checked by themselves and in other cases they got them through assistant settlement officers or through their own personal enquiries. You say you did it all through *panchayats*?—I got hold of the village *panchayat*. I sent for the *panchayat* and I noted down the different castes. There are usually seven members of a *panchayat* of four or five castes. Then there are about 50 to 60 or 30 to 40 non-*panchayat* castes. These five or six or seven came before me. I asked them to fill in these 15 columns—what debt is hereditary, what debt is self-contracted, renewed, paid off, low interest, high interest, and so on. Then I asked how many families they had. I got the number of families for each caste from the *panchayat*, then the number of castes outside the *panchayat* 10, 20, 30, 40, then the number of families outside the *panchayat*. Then I took out a percentage, 10 per cent. for each caste. Suppose there were 30 families of Pasis. I took out three—sometimes more, five, haphazardly. Then I got hold of them myself or sent my *naib-tahsildar* to the village and said "you get hold of five representative Pasis and make enquiries." Well, he began an enquiry on the same lines. He found that out of 15 or 12 persons called, 10 persons had some sort of debt or other. This shows that at least 75 or 80 per cent. are indebted, and that is why I find a very powerful difference from Mr. Turner's figures. I found only 25 per cent. indebted according to his figures. I got it from his own reports.

No, it is about 43 per cent. taking Rae Bareli as a whole.—(*Witness*) I found about 15 to 25 per cent.

That depends upon the time of year you picked out.—(*Witness*) The inherited debt is a constant figure.

Rai Bahadur Pandit G. S. Upadhya: But the village surveys also show the same percentage.—(*Witness*) Let me complete my analysis. I got all the figures for fifteen kinds of debt from ten sources for each caste and I picked out 10 per cent. of families in each caste. Then I got the average for each caste. In reviewing the data of the village I discarded any figures which showed any very wide variation—very low or very high. Then I multiplied the number of families with the correct discriminating average for each caste, and so I got a complete figure, and that has been jotted down there in that graph.

The Chairman: In other words, you based your figure for any particular caste on not less than five members of it, or one-tenth of the total of it?—Five, or sometimes more.

I am grateful to you for all the trouble that you have taken, but the first criticism which suggests itself is this. You have taken 10 per cent. You took that 10 per cent. at random. You selected a particular 10 out of 100, more or less by chance?—By chance.

Well, that 10 per cent. is a small proportion. How are you satisfied that that 10 per cent. taken at random is representative of the true state of affairs. Might it not be that the very high or low represents the truth?—In my graphs I am relying upon ratios and the individual figures may be wrong. The ratios are bound to be correct or

* Not printed.

much nearer the truth than the other figures. The ratio of two incorrect figures may be correct. I am taking figures which do not differ very much.

My point is that if you took as few as 10 per cent., those you have discarded may represent the real normal. After all the real mean is the one where there is most. Is it not so?—Yes. In this method I beg to submit that I am nearer the truth, because I am taking the ratios. The figure I picked here on an intensive enquiry among persons whom I considered representative is nearer the mark than what you will obtain from house to house enquiries by *kanungos* who may not be able to get the whole truth.

Dr. Radhakamal Mukerjee: On the whole we have found that the percentage of indebtedness of a particular caste is naturally the same.—(*Witness*) That argues for its reliability. I have examined 24 villages. I have picked out these five, and you will see they are nearly identical. That is the strongest proof of its reliability.

The Chairman: You have omitted 90 per cent. Might that not very considerably modify these results?—But I am taking the average.

Dr. Radhakamal Mukerjee: In these cases you have taken 10 men from different villages?—Sometimes there are 20.

The Chairman: You say you have taken men, by that you mean family?—The head of the family, the bread-winner.

Well, I will make what use of that I can. It will probably serve as a corrective to the figures we have got by the other method.

The Witness: My figures are castewise and they include every one.

Dr. Radhakamal Mukerjee: Could't you give us such statistical data of indebtedness in relation to tenure and the size of holdings?—I could work that out too, but I find that there is no direct workable conceivable relation between the tenure and the villages. It is most extraordinarily complicated.

The general evidence seems to show that there is some relation between the amount of indebtedness and the size of holdings and also the status of the cultivator.

The Witness: In this form which you issued to the *kanungos* the other day you say in regard to family no. 1 "whether resident or non-resident." On that particular point my enquiry breaks down because there are *taluqdars* who are sometimes not residing there.

The Chairman: That is merely a method of selecting which particular village should be enquired into. But this relates merely to the moneylender. That has got nothing to do with you. Yours is entirely castewise.

Dr. Radhakamal Mukerjee: Can you give us similar data of the amount of indebtedness in relation to the size of holdings and also the status?—It is very simple. I can have one extra line for the size of holdings.

Mr. Sah: As well as the rights in land?—Yes, I can do that too.

The Chairman: I do not know that it is really necessary, because the figures will be totally different.

Dr. Radhakamal Mukerjee: Here we will have an organised debt survey for a particular tract which might be useful.

The Witness: You have got 24 villages all arranged castewise.

The Chairman: That is very useful in itself. My point is this. We have not got that detail for anything but a single district, and I should be very shy in applying the percentage you have taken for Rae Bareli to, say, Meerut. One thing you will see is that in all your figures there are enormous variations between district and district.—(*Witness*) That may depend on the personal equation.

It may not depend on the personal equation. It depends very largely on the caste. Those figures are extremely useful for the particular tract to which they relate, and within limits you may possibly be able to apply them to others.

Rai Bahadur Babu Mohan Lal: Have you got Gujars and Jats?—We have got Gujars.

The Chairman: That is one of the difficulties. It will be very difficult to apply these figures to the whole province. If it is worked out for every district in the province,

no doubt you can get as close as you should. At present the position is that on the basis of Rae Bareli you would have to estimate for the rest of the province.—(*Witness*) Anyhow universal castes should not vary very much from district to district.

Mr. Sah: They do vary according to circumstances.

Rai Bahadur Babu Mohan Lal: For example, in my district there are some Thakurs who are not indebted at all. They are moneylenders. They are big people; they purchase property. In some places Thakurs are heavily indebted. In some places Brahmans are indebted. In some places they are not indebted.

The Chairman: When you come to comparing the figures with other places, the difficulty is that yours were taken in a particular year and at a particular time of year and Mr. Turner's were taken at some other time.

The Witness: For instance, hereditary debt and paid-off debt should not vary.

The Chairman: They pay them off occasionally.

The Witness: I will just read out the form of enquiry which I made. Every one has accepted this. That is another point that argues for the relative accuracy of these figures. Supposing you had Rs. 100 to lend and you took out two castes, Kunjra and Fakir. Would you give it to the Kunjra or Fakir? You would rather give it to the Kunjra. If you give to the Fakir then the thing goes wrong.

Rai Bahadur Babu Mohan Lal: Could you tell me if caste indebtedness would be sufficient for the purposes of enquiry in relation to holdings?

The Chairman: The whole difficulty, I might say, with your figures is that you have taken them at a time when, I suppose, debt was at the worst. It has been going on for years. It is a fact which has, of course, affected our results all through. You are finding that not only in this particular case, but you find it in Mr. Turner's case. Some were taken in 1928 and some in 1929. The same in other districts. The figures taken at the same time as yours would probably all link in with yours, but of course they would show the thing absolutely at its worst.—(*Witness*) As I said there the *kanungos* made enquiries from a few persons, and here I picked out most reliable men.

I don't know about that. The figures I got from other districts amount to about 40,000 individuals.

Dr. Radhakamal Mukerjee: That would not make any change in your estimates?—You mean hereditary and self-contracted? The difference between the two would be about half. Most of the debts are self-contracted.

The Chairman: Well, now can you tell me from this graph without much trouble the comparative proportion of, we will say, hereditary debt *plus* social debt *plus* litigation on the one hand, to seed, cattle, labour-expenses of the profitable kind?—That can be worked out.

Well, I can tell you what the proportions are working out to be roughly. Unprofitable debt of the type I first mentioned is about 50 to the others 25, with a variation in favour of the profitable up to 29 or 30. They are the three kinds.—(*Witness*) I will have to enquire afresh, I am afraid, to find out why they borrowed. I made my enquiries as discreet as possible and as little inquisitorial as possible. If you showed that you were inquisitive the villagers would be shy, and it is very difficult to get things out of villagers when they get shy. I will enquire in one or two villages and give you exact figures, because I should not like to mislead you with my own personal erratic presumptions.

Here are my groups. Could you supply figures in respect of them? [*The Chairman marked a few heads in Part I-A question* 1(*b*) *of the questionnaire.*] Individually and also collectively, they are all tending in one particular direction. To put it in simplest form, the unproductive is varying round 50 per cent. of the whole lot taken together. The other two taken together make the other 50. The tendency is that the productive varies from 25 to 30 with a general tendency to the higher figure.—(*Witness*) I will see what mine works out to.

My Rae Bareli, on Turner's, figures are 51, 20, 29. Then all these intensive surveys have been taken at much the same time as yours and they are spread all over the districts. They vary a great deal in individuals, but they work round 46, 23, 31. Of course Turner's figures are to a certain extent upset by the fact that he came across an enormous amount of litigation debt. In the case of co-operative societies unproductive debt is naturally

small. The figures go the other way—21, 30, 49.—(*Witness*) This percentage I have given is only an abstract of what others have said. They show the range. They usually range between 10 and 30.

Well, you can let that go. I am very grateful to you for all the trouble you have taken. At some time it might be possible to find people who will make more use of this. And what with one set of figures and another set of figures I shall probably be able to get at something. There are so many kinds of moneylenders, Kabulis, Peshawaris, Punjabis, *Rastogis*, *mahajans*, etc. Do not some of them realise their dues by force?—It is only Kabulis annd Peshawaris who resort to force.

Mr. Sah : Do you not think that they should be prohibited?—No, that is free trade.

Rai Bahadur Pandit G. S. Upadhya : So you allow them to commit free belabouring?—We allow free trade and not free belabouring. The debtors may pay them back in their own coin.

The Chairman : Now I come to the general question of agricultural credit. We came to the general conclusion yesterday that we ought to proceed along two lines. You have certain agencies which provide credit facilities. You start with the small moneylender or the small *bania*, who possesses a small capital of, say, Rs. 1,000. He generally deals with tenants. Above that you have the *sahukar*, a big man, with a capital of half a lakh of rupees. He has mostly got to do with trade agriculturists but he also advances money, to a certain extent, directly to agriculturists. Above that you have got the big *mahajan*, who is a banker and a moneylender in a big way. He can do every kind of commercial financing. At the top of that you have the Imperial Bank. Each of those is operating in his own sphere, but at the present moment there is no sort of connection or link between them. On the other hand, you have got modern methods. There is co-operation at the bottom and a joint-stock bank at the top. In between you can conceive of several intermediaries. You have in the first place the private banker—he is not very common in India, but he does exist—like a joint-stock bank with unlimited liability. There are such cases. I know of one not very far from this room. Then there is the land mortgage bank. So, too, there are the provincial co-operative bank, and possibly purely Indian joint-stock bank. It seems to me, circumstances being as they are, what is required on the indigenous side is banking legislation from top to bottom. You want to license your moneylender in order to control him. You have got to work upwards from bottom to top and to erect your superstructure accordingly. Ultimately the two lines will meet, and they will meet at several points. Do you consider—take it in the absolutely broadest aspect, I do not want to go into details at the moment—that this is a possible line of advance? No doubt banking legislation and administrative action will be required. As regards co-operation, it has been going on for the last fifteen years, but it has not shown the expected results. In fact its growth has been stunted, and it has got to be given a fresh start. Therefore, I have no hesitation in saying—I apologise to my friend Mr. Upadhya for this—that we ought to regard the co-operative movement, as I do myself, a thing scarcely existing at the moment.—(*Witness*) You propose legislation to deal with indigenous bankers and develop further the co-operative banking system?

With the hope that they will ultimately merge into one.—(*Witness*) We do not want absolutely to kill the moneylender. What we want to have is a sort of district co-operative bank—I would not call it a bank : that is a matter of detail—to which the village *bania* would be affiliated and in the profits of which he would share. If he can be induced to deposit his money in that bank, you would be taking a right path.

There is another point. Is it possible to have a sort of co-operative society of moneylenders through which all of them may pool their resources? The gentleman who put this suggestion before us was ready with a complete working scheme. He wanted the whole province to be divided into moneylending circles just like *kanungos'* circles, and he suggested that one or two moneylenders might be licensed in each circle, and not allowing them to charge more than the rate of interest prescribed. On top of that they would be provided with capital at a low rate of interest by some method of cheap credit. His idea was that in this way you would be able to pool the resources of all the moneylenders.—(*Witness*) I think that would stifle initiative.

That was exactly the point made by another witness. He said that it would stifle competition. But that is only one side of the question.—(*Witness*) In my opinion the best thing would be to try it in a few places in the first instance. The specific method I have in view is that our organisation should be modelled on the American system of land banks.

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Mr. Sah : Would you call it a land bank?—I would not use the term 'bank' at all, because the psychological aspect is more important in financial matters. I would use the words "Land Office." Take, for example, the American "Express Goods Company." That is a very neutral title. There is nothing to indicate that they have a banking side, but still they carry on banking business. Then we have got a lot of *taqavi* money to be distributed. Many people apply for large amounts of *taqavi* and have to go to the tahsil office. They can as well come to the land office and receive *taqavi*. The land office can look after the business of distribution of *taqavi*, and that will be much more practical and scientific than the present system.

Dr. Radhakamal Mukerjee : But *taqavi* is not granted every year, and your rural office would be only a seasonal office?—We want some sort of organisation for the purpose, and this office will be the only centre in the district. It will do other things also, and, therefore, it need not be only a seasonal office.

Mr. Sah : Will you have only one office in one place?—I would have a provincial rural office and a district office; also a *tahsil* office if necessary.

Will it have the same personal touch with the borrower as the village moneylender has at present?—It may not have that in the beginning, but when the office is distributing *taqavi*, it will be much in touch with the villager and he will come to the office to take money.

Will the bank earn sufficient to pay the establishment?—The establishment will not cost very much. The office will be a distributing agent.

Dr. Radhakamal Mukerjee : Will you link this organisation with the *sahukar*?—Yes, it will be possible to link the *sahukar*.

Mr. Sah : Will the *sahukar* suffer in his business thereby?—He may, but we do not want to make his lot hard.

Is he likely to give up his business?—He may not, but he may be killed out of it.

Will it not be a difficult matter?—If a villager goes to the rural office and gets his *taqavi*, he may not have to go to the *sahukar* at all.

Will he go to the rural office?—He goes to the *tahsil* office to receive his *taqavi*. There is no reason why he cannot go to the rural office.

Is that not because there is no credit available elsewhere and because the village moneylender cannot cater to the needs of all the people?—That is only the case in abnormal seasons, but it is not always abnormal when they want money for seed, bullocks or improvement.

Rai Bahadur Pandit G. S. Upadhya : You have stated in your evidence that the village moneylender brings the money to the borrower's door. That is a great advantage, and you have said that that advantage overweighs the other disadvantages. Will your proposed bank or the co-operative society, whatever it may be, be able to function in this way unless there is decentralisation and the money is given on the spot?—Yes. *Taqavi* is also given on the spot, and the rural office will also distribute the money in that way. Sometimes it happens that a villager has to walk ten or twenty miles from his village to receive *taqavi*, and when the rural office distributes *taqavi* it ought to be quite as feasible for him to go there. Even in the case of a *mahajan*, although he brings money to his door, a villager has to go to his house once or twice and dance attendance on him, though the distance may be five or ten miles.

The Chairman : In any case the rural office could distribute *taqavi* on the spot, and to get back to the point, you want to substitute something of a centralised kind for the present diffused credit of the moneylender?—Not exactly that, but something which will be quite of a regular sort in the district.

What will you do with the moneylender?—You freeze him out if he is a bad sort. If he is of a good sort, he will come in himself.

What about pooling the different sources with Government help? Is it possible to pool all the better *mahajans* and a certain amount of Government money? You want to freeze him out; I say "freeze him in."—(*Witness*) That can be done in the case of good *mahajans*.

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Opinion has frequently been expressed that the moneylender is nothing less than a village Shylock, and that he should be squeezed out. Are you one of those who absolutely dislike and distrust the moneylender?—No, I do not dislike him, I do not distrust him. I shall use him as he is and will try to improve him where possible.

Rai Bahadur Pandit G. S. Upadhya : Is it not your suggestion that he should be reformed on proper lines?—Yes, he must be reformed and improved. We must try to make him modify his ways so as to suit the present requirements.

The Chairman : This is a very important point, and I think all of us will agree on this point.

Dr. Radhakamal Mukerjee : Don't you think the co-operative movement has still a chance of success? Or do you think that a co-operative bank in the village would not serve the same purpose as a rural office?—Unfortunately the objection to the word "bank" applies to this also. The mentality of the villager is that he does not trust it. The rigidity of rules for the repayment of *taqavi* is very much resented, and the whole system has got a bad name through bad debtors. I would, therefore, not use either "bank" or "co-operative bank." On the other hand, I would very much modify the rules and make them much more elastic.

Rai Bahadur Babu Mohan Lal : Do you want these rural offices to meet all the requirements of the agriculturist?—Yes. The rural office should be able to supply improved seed, water, improved implements and cheap credit—in fact, facilities for carrying on all possible functions.

The Chairman : So you want this rural office to be a centre where you may play the energies of half a dozen departments of Government, *viz.*, agricultural stores for seed and improved implements, industrial and credit facilities, and so on?—But in a very simple form.

So you will bring in everything that is helpful to the cultivator?

Rai Bahadur Babu Mohan Lal : Do you think that this rural office will be able to supervise the whole thing, *i.e.*, the proper distribution and realisation of money, etc.?—Oh, yes.

Mr. Sah : Do you think that the *tahsil* office will be able to realise the money?—Yes. When the borrower knows that he is getting *taqavi* in another form he will certainly pay it back more quickly and promptly than the dues of the co-operative society. Then you have got the *tahsil* staff and others to fall back upon.

Dr. Radhakamal Mukerjee : Will you make it a public or government institution?—I will make it a public institution, which can draw upon Government help when necessary. I would not call it a government institution.

Mr. Sah : Will the borrower have the same personal touch with the rural office as he has with the village banker?—The rural office in the *tahsil* would have very great personal touch with the borrower if it provides money cheap.

Will it not be very far from cultivators?—No. It will not be very far when they go in search of it.

Rai Bahadur Pandit G. S. Upadhya : So far as the educative effect of co-operation is concerned, it will be nullified by this arrangement. No doubt there will be personal touch between the rural office and the cultivators, because there will be distribution and collection of money and the cultivators will often go there to receive it, but the best effect of co-operation, which is educative, will all be gone?—(*Witness*) In what way? They will be induced to place their deposits in this rural office, and they can fall back upon it for improved seed and machinery.

The Chairman : How would you take deposits when you are not willing to call it a bank?—When you are freezing out the *sahukar* there will be deposits in the rural office. It is merely giving facilities for that.

Rai Bahadur Pandit G. S. Upadhya : But the educative effect will not be there.—(*Witness*) What do you mean exactly by it? ...

That is, there will be individual borrowing and lending.—(*Witness*) But if it is considered necessary money can be advanced on joint security.

But there will not be societies in the village to manage their own affairs.—(*Witness*) So far as borrowing is concerned, it can be done either on individual or joint

security. There is the possibility of getting a collective touch. As regarding managing their own affairs, do you mean to say that on account of their unlimited joint liability they will come into conflict in any respect?

Not that. What I mean is that there will be distribution of loans from these rural offices to individual villagers.—(*Witness*) Or to groups of persons on joint security?

If there are societies, the co-operative society comes at the bottom, and without it you cannot do.

The Chairman : I think you must get very much further down.

Rai Bahadur Pandit G. S. Upadhya : For instance, take the case of Denmark. You must have been to Denmark and I think you are acquainted with the results of co-operation there?—But in Denmark they are the most highly educated people.

It is so because of the co-operative system adopted there. If you eschew this from the beginning and do not create in him the co-operative spirit, do you think a centralised rural office of this kind will serve the ultimate purpose?—I do not want to eschew it, but the system has been going on for fifteen years, and you know well its achievement.

The system may have been wrong and defective. I therefore suggest for your consideration that you may take this co-operative movement as your basis and improve it where desirable?—Well, the only point is this. The word "co-operative" is rather suspect and distrusted. You may use any other word.

You may use "*panchayat.*"—(*Witness*) Well, I may give an example. This is the case of an Indian student in the University of California. He was ordered off to the land in order to recoup his lost health. He went to a land bank, got money and invested in culturable land; the same office lent him tools, lent him labourers and provided irrigation facilities; in fact he got everything. He raised peas and celery, a most paying crop; he engaged labourers making payment of 500 dollars. Eventually a very good crop was in prospect, but there came a heavy downpour and his crop failed. This shows how a land bank manages there. This is the kind of rural office I would like to start here.

(The Chairman thanked the witness, who withdrew.)

Mr. W. HUSSAIN, I.C.S., Collector, Pilibhit.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

(NOTE.—I take the agriculturist to mean a tenant as distinguished from a landholder. Petty landholders are in the same position as tenants.)

Question 1.—IN Pilibhit the agriculturist borrows from—

(i) village moneylenders, 80 per cent. of the loans;

(ii) *zamindars*, 20 per cent. of the loans.

Last year's agricultural distress has made him borrow from Government. The proportion of Government loan is very small.

In recent years Government agricultural farms have been distributing seed, and consequently the agriculturist is indebted to them to a small, and at present negligible, extent.

The debts are for—

(i) repayment of earlier debts } 10 per cent.
(ii) payment of accumulated interest }

(iii) marriage and other social functions 5 per cent.;

(iv) famine and other kinds of distress—only when the luck turns against him;

(v) payment of rent 10 per cent.;

(vi) seed 25 per cent.;

(vii) agricultural implements; if the sugar-crushing machine is counted among them, and I think it should be, a small amount is borrowed for hiring it,—5 per cent.;

(viii) litigation, normally, 5 per cent.;

(ix) cattle 20 per cent.;

(x) subsistence 20 per cent.

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

Twenty-five per cent. of the debt is incurred for long periods and 75 per cent. for short periods.

Question 2.—The rates of interest are :—

For cash advances, mostly 24 per cent. per annum. The maximum rate is 37½ per cent.

For seed (in kind), mostly 50 per cent., sometimes 25 per cent.

For other loans in kind, 50 per cent.

Simple interest is charged, according to the agreement, for the first six months or a year, at the end of which period the interest must be paid, otherwise compound interest is charged.

The rates of interest are very high.

When the transaction is in cash a bond is generally taken. The debtor pays the price of the stamped paper, the writing charges and the registration expenses, if registered. At the time the loan is repaid he has further to pay for a one-anna stamp for the receipt and its writing charges.

Question 3.—In this district the usual security is in the form of hypothecating the sugarcane crop (but no other standing crop), or of promise to sell sugarcane juice

at a rate settled beforehand. This is nearly in the nature of advance sales. Ornaments are also commonly pawned. Land mortgage, house property and agricultural implements are not given or accepted as security. Half the debts are, however, unsecured.

The nature of title to land has no bearing on the extent of indebtedness. In this district the landlord is less indebted than the tenant; and all tenants, irrespective of the fact whether they are occupancy, statutory or non-occupancy, are heavily indebted to the same extent.

We are here concerned with borrowings for agricultural purposes. No such borrowing is secured by land mortgage.

Question 4.—The most common and effective method for enforcing payment of debt from agriculturists is the employment of a strong agent who makes constant forceful demands, especially when the harvest is gathered. Other methods are by purchasing sugarcane juice and civil suits.

Loans in kind are always repaid in kind and seldom in cash. No question of *nirkh* therefore arises. Cultivators are kept informed of the prevailing rate by the itinerant *bania* and by visits to village markets which are held in every large village, sometimes twice a week.

Question 5.—The cultivator in this district does not take advantage of the Land Improvement Act for the simple reason that he is too petty to go in for any work of improvement. A few *zamindar*-cultivators have lately started farms on modern lines or set up sugar-crushing or sugar-refining plants and have taken advances under the Act. Their number is still very small.

The Agriculturists Loans Act comes into operation only when there is agricultural distress. *Taqavi* does not satisfy their frequent, irregular and miscellaneous needs. In a few cases this year improved varieties of seed have been supplied under this Act, but that has been done more with a view to popularise improved seed than to facilitate agricultural borrowing.

Almost all *taqavi* advances are made during abnormal years.

The question as regards the defects of the *taqavi* system is a large one which can be only inadequately dealt with here.

Question 6.—There is no instance in this district of cultivators combining for the production of any crop. Combination is always desirable; but in the present circumstances it is not easy to effect.

Question 7.—The greatest defect in the present system of agricultural borrowing lies in the fact that the borrowers are illiterate and the creditors literate and crafty. The latter manipulate the accounts, and, to use proper words, cheat the former. In this district one of the most surprising facts is that the cultivators who produce sugarcane, the most valuable crop, are deepest in debt. The reason is that they supply sugarcane juice in payment of the loans. The accounts of the loans and of payments are kept by the moneylender, who always prepares them to his own advantage. It is seldom that he shows any cultivator having fully repaid his debt. The same is the case with other debts. One of the greatest boons to the cultivators will be to compel the moneylenders to submit their accounts annually to the tahsildar or any other officer who may be appointed.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The principal crops in this district are sugarcane, rice, wheat, and hemp.

Sugarcane is either used for making *gur* by the cultivator himself, or is crushed and the juice sold to sugar-refiners or *khandsaris* or (now since the establishment of two large sugar factories at Pilibhit) taken to sugar factories and sold to sugar manufacturers. The *khandsal* system needs a word of explanation. The *khandsaris* are moneylenders who advance loans many months before the sugarcane crop is ripe, and make it a condition that the sugarcane juice (*i.e.*, the costs incurred on crushing being borne by the cultivator) will be sold at a particular rate, settled in advance, which is usually very much lower than the prevailing market rate when the crop is ripe. The advantage thus gained is concealed by the promise on their part that no interest will be charged on the loans.

Hemp is taken by the cultivator to the village market and sold to the small merchants, called *kachcha arhatias*, or to his moneylender in payment of debt. These *arhatias* generally trade on their own private capital. They in their turn sell the goods to the commission agent or *pakka arhatia* who deals with the wholesale merchant either directly or through a broker or *dalal*.

Wheat and rice are largely used for domestic consumption. What is left over after making provision for seed for the next season is sold in small quantities as the need for purchasing power arises. The marketing of these small quantities follows the same lines as the marketing of hemp.

Question 2.—The question of money for financing the marketing of crops arises when the crops pass from the *kachcha* to the *pakka arhatia*. The latter borrows, in this district, from private banking houses like those of the *Sahus* at Pilibhit and Bisalpur. The loan is on the personal security of the *pakka arhatia*, who pays interest at the rate of from 9 to 12 per cent. per annum. Similarly, the *khandsaris* also borrow from these banking houses.

Question 3.—The charges that the cultivator has to pay either to his moneylender or to the *kachcha arhatia* is three pies per rupee for weighing and 6 chataks per maund for miscellaneous charges. He pays nothing to anyone else. The charges are the same for all crops marketed in this district.

Question 4.—It is clear from what has gone before that there is not much marketable grain to store in this district. Whatever the grain the cultivator has he stores in the old type dry mud grain-bins.

There is no arrangement in this district by which large stores are kept before export. The *pakka arhatia* sends the goods direct to the railway station.

Question 7.—There is no instance of combination for marketing among cultivators. Such a combination is both possible and desirable. I worked out a scheme for such a combination and selected three villages to start with, but the scheme was not carried out for lack of funds. The cultivators showed their eagerness to market their produce themselves. A sum of Rs. 6,000 was required to start with. This is a matter in which the Co-operative department can be of real and immense help.

Part C.—Extent and nature of agricultural indebtedness.

Question 2.—Professional moneylenders, grain-dealers, and *zamindars* are the principal creditors of the agriculturists in this district.

The richer agriculturist lends to his poor brethren not in the capacity of an agriculturist, but as a moneylender. There are not many persons working in the dual capacity of agriculturist and moneylender; the loans advanced by such persons will come to 5 per cent. of the whole.

The amount of debt due to each class of creditor is as follows :—

(*i*) Professional moneylenders	50 per cent.
(*ii*) Grain dealers	25 ,,
(*iii*) *Zamindars*	20 ,,

Question 3.—In Pilibhit there is a large class of "new rich" owning large landed property and still acquiring more. This class was never interested in farming, and has not acquired the taste even now. There is no doubt that efficient farmers have lost ground.

I do not know if the average cultivator is very much concerned about one set of landgrabbers giving place to another; but, on the whole, the agricultural interest has suffered.

Question 4.—A guess can be hazarded : the landlords' total indebtedness will be about ten lakhs.

Question 5.—The most indebted community is of Rais and Thakurs. The latter has been ruined by excessive solicitude for "izzat," and the former in trying to gain it by lavish display of wealth. There is one instance in this district of a landlord having spent six lakhs on litigation, much of which was avoidable.

Question 6.—Land-owning classes generally go to large moneylenders and get better terms. The common rate of interest for them is 7½ to 9 per cent. per annum.

Part E.—Land mortgage banks.

Question 1.—Large landed proprietors have no difficulty in obtaining loans from the big private banking houses at Pilibhit and Bisalpur. These bankers do not deal with tenants who generally go to the village moneylender. Long-period loans are not commonly available to tenants.

Question 2.—One of the big moneylenders informs me that security for loans is as much in the form of landed property as of ornaments. The former is at a discount at present due to the new Tenancy Act, and more specially due to the roster operations and commutation of rent proceedings. Ornaments are more welcome as risk of depreciation is smaller and as they are more fluid.

There is no special difficulty for long-period borrowers that I know of except that competition between moneylenders is restricted. The borrowers complain that the number of moneylenders is not large enough.

Question 3.—Tenants do not obtain long-term credits only because their right is non-transferable.

Question 4.—The occupancy right does not serve as an adequate security for long-term credit. The question of an alteration in the law requires careful consideration.

Part G.—Small industries allied to agriculture.

Question 1.—The only important allied industries in this district are *gur*-making and sugar-refining according to the primitive method.

Question 2.—They are both prosperous, and both extremely wasteful. They are, however, prosperous only so long as outside competition is absent or ineffective. Sugar business has felt the effect of competition with Java, and many *khandsaris* have closed down, and many are preparing to follow suit. *Gur* is safe for the present.

The Agricultural department can do much by suggesting economical methods of producing *gur*. The sugar industry can be saved by the combination of small *khandsars* into large sugar factories.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.—Encouragement of saving and investment habit.

Questions 2 *and* 5.—There is no means for encouraging the habit of saving and investment. The only institution is the post office savings bank which gives every facility but attracts only those who are in service or in the professions.

Question 3.—The poorer classes hoard their savings in the form of ornaments. The extent is not known.

Question 4.—Postal cash certificates are not popular. They will gain in popularity if the rate of interest is increased.

Question 8.—There is no surer way of assuring the unpopularity of banking institutions than to allow public bodies like municipalities to establish them.

Question 9.—No facilities for purchase and sale of Government securities are afforded in a rural district. And even if facilities were afforded, I doubt whether the investor would not start moneylending business rather than content himself with the low rate of interest allowed by Government.

Question 11.—Those persons who have saved money generally take to moneylending, grain business and any other trade, or purchasing landed property. Smaller men invest in the post office savings bank or in ornaments.

Question 12.—Farmers invest their surplus in ornaments, purchasing land, or acquiring holdings. They lend to their fellow-agriculturists also, but that they do when they are assured of a constant stream of surplus over normal expenditure. The information regarding the amount of capital at the disposal of the agricultural population cannot be given with any accuracy. It is, however, well known that certain castes, *e.g.*, Kurmis, have a larger capital than others.

Question 13.—I agree that in India the banking and investment habit is of very slow growth. Its causes are historical. Propaganda will achieve much in educating the people to invest; but along with propaganda facilities also must be afforded.

MR. W. HUSSAIN.

B.—Cheque habit.

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

Question 2.—The abolition of stamp duty on cheques has produced no effect. More cheques would have been used and more accounts opened even if the stamp duty was on. (I am talking of a rural district.)

Question 3.—The people using cheques are drawn from among substantial *zamindars*, big moneylenders, high-paid government and other servants, and gentlemen in the professions.

Question 4.—The cheque habit can be promoted, firstly, by opening more banks; and, scondly, by the receipt of cheques in payment of government demands. Post Office "cheque accounts" will be very popular and increase the cheque habit.

Question 5.—I cannot think of any means of making the illiterate use cheques, and I would rather he did not.

Captain R. H. G. JOHNSTON, I.C.S., Collector, Agra.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—My only close experience of agricultural indebtedness has been in Lalitpur, where the iniquitous practices of moneylenders are notorious. In my opinion the chief purposes for which debt is incurred are those mentioned in the early headings of part (*b*) of question no. 1. It has been my experience that once a tenant or a *zamindar* gets into debt, the *bania* takes very good care that he should never get out again, and it would be tedious to recount the various deceitful tricks which are employed to attain this end. I believe, however, that it is a common device to entangle a debtor by pressing him for debts already due at a time when it is known that he cannot pay. An easy solution of the problem is afforded by an offer of a further loan to pay off the old one, and this entangles the debtor still more firmly in debt.

I believe that reckless expenditure on marriages and so forth is the chief weapon in the *bania* armoury and is probably the initial cause of a large proportion of debts incurred.

Famine or distress will often drive people to the moneylender, but I regard this cause as acting intermittently.

Loans for seed, manure, expenses of cultivation and agricultural implements I would regard as genuine loans, which are certainly taken. They are to some extent met by *taqavi* advances. If taken from the *bania* they are seldom repaid in time and the victim becomes the prey of the moneylender.

Litigation. I suspect the debts are often incurred to prolong litigation which started when the litigant was more or less in a solvent position, but I doubt whether this cause is as important as the earlier ones.

Items (*xi*) to (*xv*) in part (*b*) of the question apply occassionally, but I regard these as of less importance.

Question 2.—(*c*) The rates of interest charged are usually scandalous, but against this it must be remembered that a cultivator usually has little or no security to offer, and many of the debts are probably bad. I believe it be no uncommon thing for borrowers to be swindled from the very beginning, advantage being taken of their lack of education. I suspect that they are often made to sign bonds for two or three or even more times the amount that they have asked for, and even then the first month's interest is deducted in advance and a further sum taken by way of commission. Thus a man wanting to borrow Rs. 100 might receive only Rs. 85 or Rs. 90 and sign a bond for Rs. 300 or 400. The evil effect of this is shown in the rapidly spreading influence of the *bania* class over agriculture,—a profession with which they have little or no genuine sympathy or understanding. This process has been checked to some extent in Bundelkhand by the Bundelkhand Land Alienation Act, without which by far the greater portion of Bundelkhand cultivation would be now in the hands of *banias*.

Question 4(*a*).—To enforce payment of debt, the civil court is freely invoked, and I suspect that liberal use is made of forgery and similar kinds of deceit. Bad characters are occasionally employed to beat up refractory debtors, or false charges are lodged against them.

(*b*) The *banias'* invariable rule is to buy cheap and sell dear, and borrowing and repayment of grain provide a convenient opportunity for the exercise of this principle. As regards the cultivator, the prevailing market rate is usually what the *bania* chooses to give him.

Question 5.—I do not think the cultivators take much advantage of local formalities, except to press for *taqavi* when they think they can get it. In any *taqavi* system I

think that a good percentage of the money given out would find its way into the pockets of the *patwari* or the tahsil underlings. Careful attention on recognized lines can reduce this evil, but I do not think anything will abolish it.

Question 7.—The present system of agricultural borrowing is full of defects as outlined above. I suggest as some of the chief causes (*a*) tradition of debt on the part of the people handed down from father to son, (*b*) spendthrift instincts of poor people who have no idea of handling money in anything more than very small quantities, (*c*) combined with (*b*) I think that the tradition which demands that a man spends more than he can afford on marriages is thoroughly bad and should be combated by every possible means, (*d*) dishonesty of *banias*,—I see no solution of this problem, (*e*) lack of education among debtors, such as would enable them to realize the meaning of documents which they are called on to sign, (*f*) the confirmed tradition of *dasturi* which ensures that the amount given for a loan by Government shall always be greater than the amount received by the borrower, (*g*) the over-powering nature of the impulse to take a loan whenever a loan is to be had. I suspect that many cultivators do not borrow from co-operative banks instead of from the *bania* but promptly have resort to both. Cash in hand is regarded as outweighing future payments of interest to the bank and to the *bania*. The above remarks have reference particularly to Lalitpur and would probably need much modifications to be applied elsewhere.

Khan Bahadur SAIYID AMIR HUSAIN, B.A., Deputy Commissioner, Sitapur.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—Agriculturists borrow from all classes wherever they can get money. Usually there are some people in almost every village who do moneylending on a small scale but on high interest, but agriculturists generally prefer to go to them than to co-operative societies where terms are more defined.

The agriculturist borrows for all the purposes mentioned in the questionnaire.

It is very difficult to lay down fixed percentage of the debt as distributed amongst the various purposes but they are mostly raised for repayment of debts and marriages, etc.

The bulk of the debt is incurred in cash, and grain loan is taken mostly at sowing time or for feeding purposes in times of distress.

For short periods grain loan is generally advanced on *sawai* system or 25 per cent. more than the amount advanced.

Question 2.—The rates of interest vary from Rs. 2 to Rs. 3-2 per cent. on small sums and 10 annas to Re. 1 on large cash loans.

For grain loan and seed it is generally on *sawai* system or 25 per cent. more than the amount advanced.

For other loans in kind, 30 per cent. is reported for this district.

Interest is calculated at ½ anna per rupee per month for small cash loans. It is generally accepted in rural areas, but it is certainly exorbitant and such loans are rarely paid in full.

The rates of interest are exorbitant.

At the time of grant of loan Re. 1 per cent. is taken as *tipawan*. No charges at the time of repayment are made, and in case of full payment it is not unusual to remit small fractions.

Question 3.—Small sums are generally given in credit, but if the loan is reduced to writing and the bond is registered, all kind of properties are hypothecated with the exception of agricultural implements.

Small landholders are generally more indebted than occupancy tenants whose number is comparatively very small in this district, but, those with superior rights in land are often more indebted as these people generally spend more and earn less than the ordinary tenants who work with their hands.

(*c*) The figures of the comparative extent of indebtedness reported for this district are—

Taluqdars, 80 per cent.
Zamindars, 60 per cent.
Under-proprietors, 40 per cent.
Occupancy tenants, 40 per cent.
Tenants-at-will, 50 per cent.

The figures cannot be said to be exactly correct but they are very likely approximately so. The higher indebtedness in the case of ordinary tenants is that they get the land often at a high premium and this leads to their indebtedness for most of the time.

Land mortgage security is considered the best and is resorted to much more than other securities which are of lesser stability.

Question 4.—The usual methods of enforcing payment of debt from agriculturists are by distraint of crops, by means of court decrees, and by means of arbitration.

KHAN BAHADUR SAIYID AMIR HUSAIN.

At sowing time the agriculturist gets grain at a higher price than is usual at other times. A cultivator always knows the rate of selling in the bazar.

Question 5.—Whenever there is money available for *taqavi*, the cultivators in their distress not only resort to it freely but there is keen demand for it.

In abnormal years of stress the cultivator depends more on *taqavi* than upon anything else, and his demand at such times becomes very acute.

The only defect in the *taqavi* system is that it is generally advanced in time of calamities and not on the conditions of finance of a particular class or in any particular area at all times. This is perhaps unavoidable unless there are savings under that head always.

The only improvement suggested is that money should be spared as far as possible for *taqavi* loans to deserving tenants at all times, of course on proper security and, if possible, on a co-operative basis.

The co-operative spirit is very weak in this district and it is probably absent amongst the poor class of tenant. The better ones do not take it up readily and the suggestion although good is not very practicable.

Question 7.—The present defects in agricultural borrowing are that with limited moneylenders the needy persons are first to pay high rates of interest and most of them suffer from indebtedness during the greater part of their lives. The remedy lies in popularizing the co-operative system and in pressing its utility by personal talk and contact by the officials of the department.

Part B.—Agricultural borrowing for purposes of marketing.

Question 2.—For marketing of crops loans are taken from moneylenders or from co-operative societies in this district. There are no other agencies.

The co-operative society assists in the marketing of crops.

Question 3.—In marketing the crops, the broker is paid usually almost a rupee per cent. of the sale price and a pice per rupee is paid to weighmen. A little more is sometimes taken in the name of charity.

Incidental charges are octroi duties and *tahbazari* dues.

Question 4.—Grain is either stocked in *khattis* or stored inside the house. The storage can be improved by making the receptacles *pakka* and proof against rats, etc.

In the bazar, too, it is stocked in *khattis* or in houses. These can also be improved in the same manner.

Question 5.—Grain stored in markets is freely used as security for raising loans by grain merchants.

Question 6.—The system of licensed warehouses will take a long time to become popular with the people who are generally conservative in their ideas and take long in taking to essential things.

Few improvements can be achieved without government assistance, and if it is forthcoming it will be taken up with greatest readiness.

Question 7.—There is very little of the practice of cultivators combining together to market particular crops in this district although it is desirable and should lead to beneficial results.

Part C.—Extent and nature of agricultural indebtedness.

Question 2.—Professional moneylenders and grain-dealers in this district are the principal creditors of the agriculturists.

The number of richer agriculturists who lend to the poorer is very small in this district, as, with the exception of the under-proprietors, other tenants do not thrive well generally, and inter-borrowing amongst them is the exception rather than the rule.

Question 3.—The tendency of land passing from farmers to the moneylending class is very marked.

This does not affect the standard of agriculture as a farmer who did little cultivation in times of prosperity did more of it in times of adversity. But all the time he knows the principle of agriculture as practiced by the people generally.

KHAN BAHADUR SAIYID AMIR HUSAIN.

Question 5.—The main cause of the indebtedness of the land-owning classes is their apathy in improving either by agitation or by adopting better methods of managing their property or even their agriculture. Division of property in increased families with reducing expenditure leads to their eventual disintegration.

Marriages are mostly the cause of indebtedness amongst the old and high-class land-owners, and the percentage to that cause we easily put at 50 per cent.

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

Question 1.—The professional moneylending class play the most important part in providing agricultural credit, other agencies not being so accessible.

The existing credit facilities are not adequate and the remedy lies in extending the co-operative credit system.

Question 3.—There is no co-ordination among the various credit agencies, and there is very little scope for improvement in this direction at present.

Part E.—Land mortgage banks.

Question 1.—Landlords can generally obtain loans for long periods. The utmost for tenants is generally two years.

Question 2.—The security for such loans is landed or house property generally.

The special difficulty for long-period borrowers is their great need. Otherwise, long-period loans are generally welcome to the moneylending classes.

Question 3.—Non-transferability in the case of tenants acts as an impediment to long-term credit.

Question 4.—There is very little occupancy right in this district, but it is generally accepted for long-term loans. This right should be made transferable increasing the value of such security.

Question 5.—A land mortgage bank if properly run should help to solve the problem of long-term advances in this province.

Question 6.—The institution of such a bank is worth trying.

Two would work better, one for farmers and small land-owners, and the other for big land-owners.

Co-operation between these two banks is not very necessary.

Government guarantee is essential to ensure their credit and prosperity. The amount of such guarantee should vary according to the needs.

The share capital should be made open to the public.

If the share capital is not taken up by the public and Government take the obligation of subscribing the balance, it will lead to increase the credit as well as the popularity of such a bank and the scheme will pay in the end.

The banks could be managed on the basis of the co-operative banks, but government control is essential.

The maximum period of the loans should not be more than ten years, and the margin between the amount of loan and the value of the mortgage should be such as should be sufficient for the realization of the accumulated loan after ten years.

Land mortgage banks should obtain their working capital from deposits, debentures and a central institution.

Debentures should carry a government guarantee for both principal and interest, and if debentures are not taken up by the public within a certain time, Government should take up the balance.

Debentures should rank as trustee securities.

Government can only be safeguarded by full enquiry about the need of a land mortgage bank before starting such a bank.

All the changes enumerated in the question in favour of land mortgage banks should be adopted in the beginning to make the scheme popular for a period of at least ten years.

Provincial land mortgage banks should better be co-ordinated under an all-India central institution in the beginning. These could be separated to work independently if found successful.

KHAN BAHADUR SAIYID AMIR HUSAIN.

Question 7.—The value of land can be calculated according to the profits yielded by it. The value differs according to the quality of crops grown on it as the income depends upon the quality of such crops. The chief factors governing such value are the income derived and sometimes other advantages of proximity or advantages in management.

There is some difference between the prices of land as so much depends upon the latitude which a debtor and the creditor can have in arranging for a sale. In the case of government loans and court decrees such a latitude is a restricted one, but it is not so in private negotiations. Consequently better prices are often obtained by private negotiation than otherwise.

The proportion of the annual net yield of average quality land to its market value under normal conditions is generally five times.

Part F.—Co-operation.

Question 1.—The exact relations between the co-operative banks and other banks are not known, but no complaints have been heard of any friction in this district.

No competition exists in this district between the co-operative banks and the joint-stock banks.

Question 2.—Co-operative societies have some difficulties in raising either short or long-term capital.

Question 3.—The amount of capital available for financing the co-operative movement is not sufficient.

The additional demand required cannot be suggested without detailed enquiry. Ten lakhs are reported for Unao and the same should be for this district.

Question 4.—To a certain extent it is possible to stimulate the growth of the co-operative movement by financial concessions, but I do not think it is desirable.

Question 5.—The establishment of a provincial co-operative bank would stimulate the co-operative movement in the province.

Part G.—Small industries allied to agriculture.

Question 1.—Dairy farming, *gur*-making, cotton-ginning, hand-spinning, poultry-farming, manufacture of tobacco, vegetable-growing are subsidiary industries carried on in this district, but not on an extensive scale. They are mostly individual efforts and are not organised.

Question 2.—They are not very flourishing, and, unless they are worked on a large and commercial basis, it is not possible to get better returns of the produce.

Question 3.—These industries can be supplemented by rearing of silk worms, brick-making, tanning and the egg industry which will find a ready market in Lucknow, not very far off.

The best way to secure working capital for such enterprises would be the co-operative banks.

II.—INDIGENOUS BANKING.

A.—Organisation of indigenous banking.

Question 1.—Indigenous bankers are generally of one class in this district who do moneylending either on a large or a small scale, and sometimes advance grain also.

Other indigenous bankers, whose principal business is moneylending, do some subsidiary business also.

Question 2.—There is very little in the way of industry, but money is advanced on agriculture and trade and upon their security and preferably, if possible, on compound interest.

Question 3.—The capital of one indigenous banker in the district is generally believed to be about Rs. 50,00,000. The others are believed to own 30 lakhs and 20 lakhs respectively.

KHAN BAHADUR SAIYID AMIR HUSAIN.

C.—Advances by indigenous bankers.

Question 1.—Indigenous bankers lend out money on security, preferably of landed property.

The terms vary: in some cases, compound interest is charged six-monthly and sometimes yearly; sometimes there is a promise of return of hypothecated property only if payment is made within a certain period; in other cases the hypothecated property lapses to the banker if payment is not made within the fixed period. In others, a banker realises his debts by a *patantan* system within the period agreed upon and then releases the property.

Landed property is generally the security accepted in large loans; for smaller loans, ornaments, houses and other such security are often accepted. And in rural areas personal security is not uncommon.

Rates of interest vary according to the amount of loan, class of the borrower, and his credit. It varies from 40 per cent. to 7½ per cent. per annum.

Question 2.—Rates of interest paid by agriculturists to their bankers are generally 24 per cent. on cash loans and 25 per cent. on loans in kind.

It is possible to improve the organisation of banking in such a way as to reduce the present rates of interest.

Such reduction would certainly benefit the agricultural community.

Question 3.—At present there are no facilities for the clients of bankers in inspecting their accounts with them, and the agricultural client is much too ignorant to inspect such an account.

E.—Defects of indigenous banking.

Question 1.—The indigenous banker is never a popular figure: he is always a convenient evil.

Question 2.—It is impossible to evade some legal difficulty in banking business.

Question 3.—Indigenous bankers are sufficiently protected by law.

Question 4.—The defects in the dealings of indigenous bankers with their clientèle are too many. The most obvious are that the actual money advanced is often concealed in order to increase the rate of interest, and a ready client often falls a victim. Sometimes too rigid conditions are made about payment. There are various ways of avoiding legal restrictions if imposed, but perhaps the best remedy lies in enforcing the publication of accounts of the bankers.

G.—Consolidation of indigenous banks.

Question 1.—Indigenous bankers are too conservative, and it is best that they should adapt themselves to modern conditions and improve their methods. Their pace will be accelerated by opening of other banking agencies in competition with them and for facilities to the public.

Question 2.—Government recognition of indigenous banks would increase their clientèle on account of their greater faith due to better supervision.

The conditions of such recognition should be better supervision of their business matters.

Question 3.—Indigenous bankers would not like the introduction of measures designed to regulate their operations and enforce the publication of their balance sheets.

Question 5.—The indigenous banking system in my district is not connected to a great extent with the principal money markets. It is desirable to create such a connexion for the better organisation of it, but it is not easily possible. The best way of doing it is the amalgamation of the business of the local indigenous bankers into a joint-stock bank owned and controlled by those local indigenous bankers.

It is essential that a Central Reserve Bank be established to create a bond of connexion between all the elements of the banking system.

The indigenous banks should be linked directly with the Central Reserve Bank as more intelligible and for the simple working of the scheme.

KHAN BAHADUR SAIYID AMIR HUSAIN.

III.—Investment habit and attraction of capital.

A.—Encouragement of saving and investment habit.

Question 1.—The existing banking resources in my district are—the Imperial Bank, the Allahabad Bank, postal savings bank, co-operative bank, and Seth Jai Narain's Savings Bank (unregistered).

In a *taluqdari* district great demand for large sums exists, and these resources are inadequate. Additional capital up to 50 lakhs can be utilised.

Question 3.—Investment in gold or silver is very common in rural areas and also with people with small capital in towns as well.

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

Greater publication of their existence, changes to facilitate their issue and revision of their rate of interest would encourage their popularity.

Question 5.—Post office savings banks afford adequate facilities to those who know about them, but very many people do not know about them and no attempt is being made to attract the rural public to them.

Opening of more post office savings banks and active propaganda to spread information about them in rural areas through postal peons, and other such simple agencies which can easily reach the ears of, and are intelligible to, the rural public, will attract those classes that do not resort to this type of investment.

Mostly government servants who know about them, village *panchayats* and municipal boards take advantage of the various facilities for investment offered by the post office.

Question 6.—Cash certificates are purchased by people with small capital and excite but little competition with banks.

Question 7.—Experience alone could show if the issue of gold cash certificates will accelerate the savings and investment habit, but the experiment is worth trying.

Question 9.—With people who have the sense of having surplus money after their normal expenditure the general habit is to increase it by investment. Much, however, depends on the amount of it and the private needs of the individuals. For instance, the traders generally prefer to invest in the extension of their business; *taluqdars* generally to increase their landed property; and paid servants to invest in insurance policies or provident funds or postal cash certificates or other stock companies. The agriculturist hoards up his small wealth in his house; and some do moneylending also within their own sphere. Marriages, religious ceremonies and ornaments for their women are not neglected by any of the above classes; and the extent to which they are resorted to depends upon individual tastes and environments now a days.

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

Conservatism, lack of knowledge and of facilities to invest are the chief causes for this.

Propaganda of government servants and other public bodies in all villages where capital is available can help a good deal in educating the public to invest their savings in productive undertakings.

B.—Cheque habit.

Question 1.—The cheque habit is growing among government servants.

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

Question 3.—Mostly government servants use cheques.

Question 4.—The payment of government servants and bank employees by cheques should help in promoting the cheque habit.

C.—Vernacular script in banking.

Question 2.—The *sarafi* is known to a few. Nagri and Persian scripts should be much more helpful.

Khan Bahadur Saiyid Amir Husain.

D.—Imperial Bank of India.

The opening in recent years of new branches of the Imperial Bank of India has encouraged the investment habit. It has also promoted internal trade, but not so much industry.

It has also helped the encouragement and consolidation of the indigenous banking system.

It has not increased facilities for agricultural credit, but it has helped in the reduction of the general price of money.

Mr. W. F. G. BROWNE, I.C.S., Collector, Jalaun.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 3.—It is correct to say that the better the title to land the greater the amount of indebtedness : the less the security of tenure, the less is the likelihood of the loan being repaid.

Question 4.—Repayment of small loans is enforced on the spot when the crop is harvested. For larger loans, recourse is had to the civil courts in ordinary cases, and to the revenue staff in cases of loans by the co-operative bank.

Question 5.—Advantage is taken of *taqavi* for purchase of seed only. The reasons for not taking advantage of loans for (1) cattle and implements, and (ii) tanks or wells are—

(i) Cattle—cost of upkeep of superior plough cattle is too high.
Implements—the local cattle are not strong enough to work the heavier "improved" ploughs, etc.

(ii) Tanks—rainfall is generally deficient in the district and canal water cannot be spared for filling tanks.
Well irrigation is rare here (probably owing to the low water-level).

The cultivator borrows more *taqavi* in times of scarcity, firstly, because he finds it harder to get credit from *banias*, and secondly, because he very often "eats" the money instead of spending it on seed, etc.

The chief defect in the present *taqavi* system is the dishonesty of *qanungos* and *patwaris*. For this I see no remedy as such cases are difficult to detect, and the victims are most reluctant to give evidence.

Part C.—Extent and nature of agricultural indebtedness.

Question 3.—I do think that land and the rights in land are passing into the hands of people who are not efficient farmers, but this is not adversely affecting production to any great extent. The majority of the mortgagees are *banias* in any case.

Mr. H. E. BARLOW, I.C.S., Collector, Jhansi.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part J.—Internal remittance and negotiable instruments.

Question 1.—The facilities available to the public for obtaining cash are supply bills, telegraphic transfers, bankers' drafts, cheques, postal money-orders, *hundis* and government currency notes under insured covers.

The present charges for internal remitances shouldt be reduced to encourage banking. In the case of joint-stock banks, free transfers to all treasuries or sub-treasuries should be made available, and only a small charge should be made for smaller concerns.

Question 2.—Negotiable instruments obviate the internal transport of cash and serve for accommodation purposes in the period between the purchase and sale of crops.

Question 3.—Supply bills are not popular as previous sanction has to be obtained for the issue of the supply bills and the amount must be in a multiple of Rs. 1,000. A modification of supply bills on the same lines as salt credits is strongly recommended. Either treasury bills or government securities should be deposited as security, or, if cash is deposited as security, something less than the bank rate should be allowed. This rate should be notified from time to time.

Question 4.—No useful purpose will be served by reducing the duty on bills of exchange as these bills are already in such general use.

Question 5.—I do not approve of the extension, cheapening and improvement of post office agency for handling internal remittances. The main point is to encourage banking and not to transform the post office to serve the purpose which could be served by banks and for which post offices are inadequately equipped.

Question 6.—Two classes of *hundis* are prevalent in the Indian system : one form is payable on demand and the other form is payable after a specified period. In Jhansi there is only one form of *hundis* which is payable on demand (*darshani hundi*).

It is suggested that summary diligence should be obtainable from the court as is the practice in England. In a number of places notaries public are required.

Hundis pass freely from hand to hand in Jhansi district. For the most part they are discounted at the district headquarters.

Question 7.—On railway receipts to good parties in respect of readily marketable commodities, advances can be obtained from the banks up to 75 per cent. of the value of the goods. Local *mahajans* give increased facilities and make advances up to 90 per cent. For this reason most of this business goes to the local *mahajans*. Railway receipts, bills of lading, etc., are included among these instruments.

The only difficulty in using such instruments in this manner is when the borrower is not well known or does not enjoy a good reputation.

II.—Indigenous banking.

A.—Organisation of indigenous banking.

[Note.—The definition of indigenous banking in the United Provinces questionnaire differs from the definition in the Bengal and Bihar questionnaire. The United Provinces' questionnaire is the same as the questionnaire, as published in the "*Pioneer*," of the Central Committee.]

Question 1.—If indigenous banking is to include any individual or private firm receiving deposits, dealing with *hundis* or lending money, then the following classes should be included in the list of the indigenous bankers to be found in the district :—

(1) Army bankers, who deal with the military only and offer full facilities.

(2) *Sahukars* or *mahajans*, who generally advance money against landed property and grant long-term loans on registered documents to borrowers of good means.

(3) Commission agents, who advance money against pledge of food grains, oil-seeds, piece-goods, yarns and other commodities.

(4) Village *banias*, who advance money mainly to the cultivators for purchase of grain, cattle, etc., on the security of the cultivator's crops. In Jhansi there are also a number of Punjabis (Khans) who deal mostly with the railway employees.

Indigenous bankers generally have many irons in the fire and their principal business depends upon the trade at the time.

Question 2.—The agriculturist is mostly assisted by the village *banias* and by local *zamindars* who lend grain on the *sawai* system.

Trade is financed by the *sahukars* and commission agents.

The only private industries in Jhansi are cement pipe works, ice factory and a cotton-ginning mill and some minor concerns. These industries are not financed by the indigenous bankers.

Question 3.—It is difficult to arrive at an accurate estimate of the resources of the indigenous bankers in my district. The Income-tax department is probably in the best position to make an estimate. A conservative estimate for the Jhansi district is Rs. 60 lakhs.

Loans, etc., are mostly for a longish period and the capital is not turned over more than twice in the year. In the case of commission agents the volume of business is considerably increased.

Expenses vary from practically nothing in the case of petty moneylenders, who do their own work, to a very large proportion of the capital in the case of moneylenders who have to go to court in order to secure repayment of their loans. The Vaish moneylenders who are not *zamindars* have the largest expenses of all. Expenses vary so enormously that it is not possible to give a definite percentage as being the usual expenses incurred.

In the same way as the expenses vary enormously, so also the average net return varies enormously, and it is not possible to give anything like an accurate estimate.

Question 4.—There is not sufficient trade for financial houses to deal solely in the purchase and sale of *hundis* and other bills of exchange, and there are none in Jhansi.

Question 5.—In towns, where the indigenous bankers keep up-to-date accounts, they follow the accountancy system, but in villages the bankers do not keep up-to-date accounts. They keep only a ledger book in which the personal accounts of the debtors appear, and this ledger book may continue for some years. No corresponding cash book is maintained. There are others who do not keep any accounts. They settle the accounts of the debtors with the help of pronotes or documents.

B.—Raising of funds by indigenous bankers.

Question 1.—Only *hundis* payable on demand are granted in this district.

Question 2.—Indigenous bankers provide themselves with additional funds from other bankers who have a surplus, or from the joint-stock banks or the Imperial Bank of India. In Jhansi there is no discount on *hundis*.

Increased competition in banking would lead to increased facilities.

Question 3.—Deposits are not received from the public generally, and as a rule they are only received from members of the family, to whom interest varying from 6 to 9 per cent. is given.

MR. H. E. BARLOW.

C.—Advances by indigenous bankers.

Question 1.—Indigenous bankers grant loans and allow cash credits on securities such as jewellery, and seasonal accommodation, etc., on mortgages and hypothecation. Loans are also advanced on joint personal securities.

The ordinary business rate of interest varies from 7½ to 9 per cent. and even up to 12 per cent. in the busy season. The ordinary rate on mortgages is from 12 to 15 per cent., and on personal securities the rate of interest is anything up to 240 per cent. It is a well-known saying in the villages that "once a debtor always a debtor." It is very difficult for a family ever to get out of debt once a loan has been taken. Salaried persons can obtain loans on an interest up to 37½ per cent. which is the usual rate of interest charged from subordinate officials.

Question 2.—The agriculturist has to pay to the indigenous banker in money 24 per cent. and upwards as interest. The rates are particularly high in the Lalitpur subdivision.

Nominally, 25 per cent. is the rate paid in kind, but when the advance is made, one to two seers per maund are generally deducted and the same amount has to be repaid in excess. Thus the rate of interest is more than 25 per cent.

By co-operative banking and by increasing banking facilities the organisation of banking may be improved so as to reduce the present rates of interest.

Question 3.—There are no facilities for inspecting accounts, and the borrower has very little idea of the amount of his indebtedness.

D.—Exchange and money market.

Question 1.—The only money market is for the dealing in *hundis*.

Question 2.— There are dalals for each kind of business such as sugar, moneylending, grain, cloth, bullion, etc.

Question 3.—*Hundis* are purchased and sold according to market rates which vary from one anna premium to four annas discount. The rate goes up when the export of grain, etc., increases. The alterations in the Imperial Bank of India rate do not have any immediate effect on the bazar rate, but are felt after some time.

E.—Defects of indigenous banking.

Question 1.—Indigenous bankers are not greatly appreciated, though regarded as necessary.

Question 2.—The Bundelkhand Land Alienation Act and the Insolvency Act present difficulties to the indigenous bankers. In this district there are a great number of insolvency suits.

Question 3.—More speedy disposal of suits would benefit the indigenous bankers. Village *panchayats* do not help them much.

Question 4.—There are many difficulties in the dealings of indigenous bankers with their clientèle, mainly due to the illiteracy of the borrowers and the inadequate security, they can offer. One of the main remedies is to allow borrowers to inspect their accounts, and in fact something in the nature of pass-books is required.

Question 5.—Acceptable demands may not be accommodated by one banker, but in most cases some other bank can be found.

The resources of indigenous bankers can be extended only by co-operative working.

F.—Co-ordination.

Question 1.—There is very little competition between indigenous bankers of the same class, and as a general rule they work amicably together.

Indigenous bankers of different classes rarely come in contact with each other.

Ordinary business relations exist between indigenous bankers and other banks.

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

Question 2.—There is very little co-ordination between indigenous bankers and other banks.

The establishment of a provincial bankers' association would probably assist to obtain better co-ordination.

Question 3.—Very few cheques are handed over for collection here, but there has been no difficulty in collecting those which have been presented.

G.—Consolidation of indigenous banks.

Question 1.—As the indigenous bankers are as at present constituted, they are not likely to be able to extend their activities. There is very little hope of effecting any union between the indigenous banks as their field of activity is very circumscribed.

Question 2.—Recognition by Government should entail an audit and publication of accounts, and there are very few indigenous bankers who would like to have their accounts audited.

Question 3.—The majority of indigenous bankers would certainly oppose the introduction of measures designed to regulate their operations and enforce the publication of their balance sheets.

Question 4.—For three months in the rainy season money lies idle in the hands of the indigenous bankers. The extent varies. There is a tendency for it to be concentrated in the sea-port towns. For the most part the most remunerative employment is found in the main financial centres.

Question 5.—There is a branch of the Imperial Bank at Jhansi and also a branch of a joint-stock bank which are sufficient to meet the requirements here.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.--Encouragement of saving and investment habit.

Question 1.—The banks in this district which accept deposits on interest are the Imperial Bank of India and the Allahabad Bank. They are adequate for Jhansi.

Question 2.—The existing means for encouraging the habit of saving and investment are bank deposits, government bonds, post office cash certificates and savings banks.

In the banks, savings bank accounts are opened for sums of Rs. 5 and upwards, and in the post office a sum of four annas can be invested. This would seem to provide sufficient facilities for investors.

It is necessary for persons in the districts where there is no post office to go to the nearest post office, or, if they wish to invest money in the bank, to go to the headquarters.

Question 3.—As a general rule the investments are made in gold or silver only, particularly in the case of illiterate persons.

Question 4.—Postal cash certificates are popular in my district. The rate was last revised in August 1929. If the rate of interest is increased, they would doubtless be even more popular than they are at present.

No change is desired in the existing terms of issue.

Question 5.—Post office savings banks afford adequate facilities for small investors, in places where there are sub-post offices. It has been necessary to close down some branch offices quite recently as they were working at a loss. Facilities can be given by increasing the number of sub-post offices, but this would prove expensive to Government.

Middle class literate people and the service class public are the classes who at present take advantage of the various facilities for investment offered by the post office.

Question 6.—Opinions vary on the question whether the rates of interest on postal cash certificates and treasury bills are so favourable as to create competition between Government and banks in attracting money. The present rate of interest obtainable on cash certificates is considerably more than could be obtained by investors who place their money on deposit with the banks. The banks have to make a profit, and cannot afford to give a rate of interest to depositors which cannot be recouped by loans to borrowers. If the margin becomes too small, the extension of the present banks is not likely to proceed quickly. The competition is healthy in some ways and bad in others.

MR. H. E. BARLOW.

Question 8.—It would not promote the savings habit if public bodies were to afford savings bank facilities. Public bodies keep provident funds for their own employees, but even these funds are often in a precarious state.

Question 9.—The Imperial Bank and the local joint-stock bank undertake the purchase and sale of government securities for the public and charge a commission at the rate of ¼ per cent. of the market value of the securities purchased or sold. A depositor in the post office savings bank can obtain government securities by application to the post office. An additional advantage is afforded to purchasers through the post office who can lodge security bonds in the custody of the Accountant-General, and are not liable to pay income-tax on the interest received.

For the most part the small agriculturists are too heavily indebted to invest in government securities and there is no need to offer any special facilities to them.

Question 10.—The local banks have to purchase securities other than government securities through their main office in Bombay or Calcutta. There are no stock exchange brokers in Jhansi.

Question 11.—Educated people prefer to invest their surplus money in bank deposits, post office, post office cash certificates and government and other securities. Illiterate people prefer either to invest their surplus in bullion or ornaments or keep in hoards underground in the shape of silver rupees.

They use the surplus for marriages and other ceremonies, and in case of urgent necessity and emergency.

Question 12.—There are very small surplus funds in Bundelkhand among the farmers of this district. In a good year the money made is mostly used for paying off the debts. Occasionally one agriculturist lends to a fellow-agriculturist and charges the same rate of interest as would be charged by the village moneylenders.

I can give no information regarding the amount of capital in the possession of the agricultural population. Four successive bad harvests have certainly decreased the amount in their hands.

Question 13.—I agree with the view that in India the banking and investment habit is of very slow growth. I attribute this to illiteracy and lack of confidence in the banks.

The people may be taught to invest their savings in productive undertakings through village school masters, friendly societies and possibly boy scouts and similar organisations.

B.—Cheque habit.

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

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

Question 3.—Cheques are used by the superior educated classes and business firms.

Question 4.—Payment of salaries by cheques in the case of employees whose salaries are Rs. 100 or more would certainly encourage the banking habit. Post offices should not open cheque accounts.

Question 5.—Illiterate persons have only to learn to write their names. They can get the cheques written out for them and merely have to affix their signatures.

C.—Vernacular scripts in banking.

Question 1.—The use of Roman figures would improve the keeping of these accounts.

Question 2.—Indigenous bankers use the script best known to them and would doubtlessly oppose any change.

MR. H. E. BARLOW.

D.—Imperial Bank of India.

The results achieved by the Imperial Bank of India are not apparent to the general public. The local agent has not been authorised to give any facts and figures to show what advance has been made. The directors alone are in a position to do this. The main criticism which has been levelled against the Imperial Bank is that their money rates are merely competitive, that is to say, where they are in competition with other banks, they try to undercut them, but where they are not faced with any opposition, as for example in Madras, their rates are as high as the rates charged by other banks elsewhere. The criticism is that there should be some policy applicable at all their branches and should not differ at their different centres. There is no advantage gained if the Imperial Bank merely tries to undercut the branches of other banks when they are in competition with them.

A further criticism is made that some of the new branches opened by the Imperial Bank, under their agreement with Government to open 100 new branches, were opened at places where a joint-stock bank was already established, so that the public did not get full advantage of this development policy. If an extended system of bank is to be the policy of Government, encouragement must be given to banks opening up in new centres. For the first five years a new branch must generally work at a loss. To encourage banks to open up at district headquarters and other centres where there are no good banking facilities at present, Government should provide Rs. 3 lakhs free capital for five years in respect of each branch against a three lakhs' security to be given by the bank.

Mr. B. E. DREYFUS, I.C.S., Collector, Benares.

Memorandum on indebtedness.

CULTIVATORS borrow very little for productive purposes. Most of it is for social purposes, for litigation or the repayment of old debts. This is even more marked in the case of the *zamindars*. In my experience, most *zamindars* get into debt from sheer extravagance or mismanagement. Merely to increase credit facilities will make matters worse. I am not convinced that a case is made out in the present stage of development for improved banking facilities. People must be encouraged to spend less on social ceremonies, and to save. The process is likely to be a long one. The co-operative movement and the rural reconstruction scheme are the most promising methods of advance. At present the co-operative banks have only touched the fringe of the problem. We have in Benares about 62 sound agricultural societies, while the total number of villages is about 2,458. Much expansion is required. Similarly with the rural reconstruction movement which is in its infancy.

To sum up, I consider that indebtedness is largely caused by the present social system. It is not due to economic circumstances. This is, of course, a broad generalisation: numerous instances will be found where economic conditions have caused indebtedness. Owing to ignorance or imprudence people do not spend money to any extent for productive purposes. Habits of thrift and economy must be developed through co-operative and rural reconstruction societies.

Now as regards the present indebtedness, which is reported in one out of two villages in which investigations were made to be increasing so far as debts secured on mortgages is concerned. Some legislation seems to be necessary. People are so imprudent that they make no attempt to repay loans on mortgages with the result that ultimately they are ruined. I have known a case in which a landholder borrowed Rs. 9,000 on landed security, at the usual rate of compound interest. After some years he had to execute a fresh agreement for the original debt, which with the interest amounted to Rs. 30,000. The moneylender has now obtained a decree for one lakh against him, and he will inevitably be sold up. This is a bad case and Government should be directly interested in seeing that the land does not pass from the possession of the hereditary land-owning class to the moneylender. Legislation will be necessary: but having no experience of the working of the Usurious Loans Act, I cannot suggest what form it should take. My idea is that the Bundelkhand Land Alienation Act should be extended at once to the whole province. I thought that it worked well: it restricted borrowing, but as *zamindars* only borrow for unproductive purposes, this was a good thing. It will enable *zamindars* to rid themselves of a crushing burden of debt. There might be a time-limit prescribed for all other loans within which suits to recover the money can be brought—say twenty years from the date from which the money was advanced.

Mr. G. L. VIVIAN, I.C.S., Deputy Commissioner, Naini Tal.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist in this district borrows from (i) Government, (ii) co-operative societies, (iii) *banjaras*, and (iv) village moneylenders.

He generally borrows for the following purposes in the proportion given against each :—

(i) Repayment of earlier debt and payment of accumulated interest ...	3 annas to 4 annas in the rupee.
(ii) Marriage and other social functions ...	2 annas to 4 annas in the rupee.
(iii) Seed	2 annas in the rupee.
(iv) Purchase of plough or other cattle ...	4 annas in the rupee.
(v) Subsistence	2 annas to 4 annas in the rupee.

The debt is mostly taken from village moneylenders. In some places four-fifths of it is borrowed from village moneylenders, and the remaining one-fifth from *banjaras;* in others it may be, roughly, divided in the following proportion :—

(i) Government, 4 annas in the rupee.
(ii) Co-operative societies, 8 annas in the rupee.
(iii) Village moneylenders, 4 annas in the rupee.

The whole of the debt is incurred in cash except a small portion, *viz.*, 2 annas in the rupee, which is taken in grain.

Question 2.—The rates of interest charged in this district for cash advances vary from 12½ per cent. to 37½ per cent. per annum. Government charge 6¼ per cent. per mensem and co-operative societies 15 per cent. per annum. On loans in kind, the interest is 50 per cent. every half year.

The village moneylenders charge compound interest.

The rates charged by the moneylenders are exorbitant.

In the matter of incidental charges, the *banjaras* charge to the extent of 2 *nalis* (4 seers) of grain per rupee.

Question 3.—In borrowing from Government and co-operative societies personal security is offered and accepted. In other cases land mortgage, standing crops, house property, ornaments and cattle are given as security. *Banjaras* give loans on condition of repayment in kind with profit at harvest time and reach the debtor for realisation as soon as the crops are ready.

It is, so far as this district is concerned, not correct to say that the better the title to land the greater the amount of indebtedness, as Government is the landlord in most villages. The tenants no doubt are generally indebted. There is a number of settled villages also, but in them the majority of the *hissadars* are creditors of the tenants.

The number of *zamindars* is small in this district and they are less indebted than the tenants.

Cases of debt secured on land mortgage are increasing, but still the number of such cases is far less than that of debt otherwise secured.

Question 4.—The usual method of enforcing payment of debt from agriculturists is to get repayment in kind at harvest time. The rate at which the cultivator borrows grain or repays it always differs from the prevailing market rate. The difference is always in favour of the landlord. The tenants enquire about the rates when they come to the bazar on market days.

Question 5.—The cultivator takes *taqavi* for seed and cattle. No *taqavi* is advanced in ordinary years: it is generally taken in abnormal years. There are no defects in the present *taqavi* system.

Question 6.—The system of combining together to produce particular crops is not in vogue in this district, though it often happens in a portion of the district that cultivators help one another at the time of sowing and weeding rice. Combination is not possible.

Question 7.—So far as borrowing from co-operative societies is concerned, there is no defect in that system. But borrowing from private moneylenders, who charge usurious rates of interest, is very harmful and ruinous to the agriculturists.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—*Banjaras* and village moneylenders purchase the produce from the agriculturist and they bring it to market for sale when they find the rates favourable. In certain cases the agriculturists also bring their crops in their carts for sale through commission agents.

The methods of marketing are the same for all the crops. The agriculturists keep a portion of their crops for their use and sell the rest.

Question 2.—The money for marketing the crops is obtained from banks, grain merchants and exporting firms. They all charge ordinary rates of interest; the grain merchants lend on condition that the grain is sold to them. There is a co-operative bank in the district, but it does not finance the marketing of crops.

Question 3.—The cultivator, when he brings his crop for marketing, has to pay *karda* ½ seer per bag *dharmada* 1 anna per cent., commission or *arhat* Re. 1 per cent. and *dana* 5 annas per cent. The commission goes to the commission agent and *dana* and *karda* to the purchaser.

The charges vary with different crops.

When the crops are sold in the village, the *padhan* gets Rs. 2 per cent. on the sale-proceeds.

Question 4.—The cultivators in this district store grain in grain bins made of clay and bamboo, and also in *kothas*. If any scheme could be devised to make these fireproof, it will be much appreciated.

In markets grain is stored in *pakka kothas* and bags.

Question 5.—Grain stored in markets is not used as security for obtaining credit.

Question 6.—I think the American system of licensed warehouses is not impossible. There would be need of government assistance in the matter.

Question 7.—There is no combination for marketing particular crops. Such combination is not possible.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—The agricultural classes are heavily in debt.

The following is an estimate of the indebtedness of village Sisai (consisting of 40 ploughs) in tahsil Kitcha, Tarai:—

	Rs.
Borrowed from the co-operative bank	1,002
Sahukars	247
Well-to-do tenants of the village	247
Total ...	1,496

Question 2.—The principal creditors of the agriculturists are Government, the co-operative bank, professional moneylenders, *padhans* and *banjaras*.

The richer agriculturist lends to the poorer to the extent of two annas in the rupee.

The proportion of the debt due to each class of creditor differs. In some places

it is four annas Government, eight annas co-operative society, and four annas professional moneylenders; while in other places the whole debt is secured from *banjaras*, moneylenders, and richer agriculturists, to the extent of five annas each.

Question 3.—Land is passing into the hands of persons who are not efficient farmers except in the government estates.

Question 4.—The majority of the landowning classes is indebted.

Question 5.—Their indebtedness is due to litigation, advances to *sajhis*, luxurious habits, marriages, etc. Roughly, two-fifths of the indebtedness is due to luxurious habits, one-fifth to litigation, and two-fifths to marriages, etc.

Question 6.—The landowning clases do not have to pay special rates of interest unless the borrower is in dire need of money.

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

Question 1.—Government advance *taqavi* for seed and plough cattle in abnormal years. At all other times the agriculturists take loans from the professional moneylenders, *banjaras* and the co-operative bank.

The existing credit facilities are not adequate. Introduction of more co-operative societies is necessary.

The defect in the existing system of agricultural credit is the high rate of interest. The causes are illiteracy and poverty of the agriculturist. Introduction of primary education and of co-operative societies on an extensive scale is suggested as a remedy.

Question 2.—*Padhans*, *banjaras* and moneylenders purchase the crops in lieu of their debts and bring them to market for sale and for export to other places. The existing credit facilities are not satisfactory.

Question 3.—There is no co-ordination among the various credit agencies. There is scope for improvement in this direction.

Question 5.—An estimate of the total amount of capital required for agricultural finance can be framed on the requirements for seed, plough cattle, *sajhis*, marriage and other necessary expenses. Several lakhs would be required for the district.

Part E.—Land mortgage banks.

Question 2.—Long-period advances are obtainable on the security of landed property. The difficulty of long-period borrowers is the high rate of interest.

Question 3.—Non-transferability of tenure does act as an impediment to long-term credit.

Question 4.—Occupancy rights do not serve as adequate security for long-term credit. With a view to increasing the value of such security the tenancy rights may be made transferable.

Part F.—Co-operation.

Question 1.—There is only one co-operative bank in the district, but it has no connection with the Imperial Bank of India. There is no competition between it and other banks.

Question 2.—The co-operative bank finds it difficult to raise capital as people think the Imperial Bank to be more safe.

Question 3.—The amount of capital available for financing the co-operative movement is adequate.

Question 4.—The growth of the co-operative movement would be stimulated by the grant of financial concessions such as exemption from income-tax or the declaration of the debentures of co-operative banks as trustee securities, and I think such action desirable.

Question 5.—The establishment of a provincial co-operative bank would stimulate the co-operative movement in the province.

MR. G. L. VIVIAN.

Part G.—Small industries allied to agriculture.

Question 1.—There are the following small subsidiary industries in this district :—(1) *Gur*-making, (2) cotton-ginning, (3) sugar-refining, (4) hand-spinning, (5) dairy-farming, (6) growth and manufacture of tobacco, (7) vegetable and fruit-growing.

Question 2.—The conditions of these industries is not satisfactory. Credit facilities and demonstration work are suggested for their improvement.

Question 3.—For providing employment to a farmer during the off-season, I suggest hand-spinning and weaving in general and other cottage industries according to the raw material available in the locality. Working capital for such enterprises could be secured through co-operative societies.

Part H.—Small urban industries.

Question 1.—The cottage or art industries of this district are financed by the professional moneylenders.

Owing to the high rate of interest, middlemen make much profit.

Question 5.—An industrial bank would be a suitable method of improving the system of financing small industries.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.—Encouragement of saving and investment habit.

Question 5.—Post Office savings banks afford adequate facilities to the investing public. The people who take advantage of the facilties offered are mostly government servants. Other classes would be attracted by a higher rate of interest.

Question 12.—Farmers generally bury their surplus funds. In exceptional cases the lend to fellow agriculturists, charging interest at six pies to one anna per rupee per month.

Question 13.—The banking and investment habit is of very slow growth in India.

B.—Cheque habit.

Question 4.—To promote the cheque habit, the post office should open cheque accounts.

Mr. TULSIPAT RAM, Deputy Collector, Unao.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist in my district borrows from Government, co-operative societies and village moneylenders. He borrows for all the objects mentioned in the questionnaire, but very seldom for manure, agricultural implements, sinking of wells, building of tanks and other agricultural improvements. The necessity for the last two does not arise generally.

It is difficult to say in what proportion the debt is distributed among the above purposes. I would put down half the amount for repayment of old debts and interest,—this in fact covers everything because the old debts were raised for a variety of purposes; about 30 per cent. for cattle, and the balance for other purposes.

I would put down 70 per cent. of the loan business in the hands of the village moneylender. However, villages close to big cities like Lucknow, Cawnpore, etc., are worked up by city moneylenders on the *ugahi* system. The balance of 30 per cent. is in other hands.

To make an estimate is not an easy thing, but I would put down grain loans at about 65 to 70 per cent. The reason for this figure is that government advances are in cash only. The co-operative societies also make payments in cash only, and, similarly, the city *mahajans* generally give cash.

The loans are expected to be repaid half-yearly, but they never are actually paid in time. All government loans are repayable after more than six months. I would put almost all the loans repayable after six months.

Question 2.—The rate of interest for cash advances is about 30 per cent.

For loans in kind for seed, *sawai* and *deorhi*, i.e., 1¼ or 1½ for each maund generally.

For other loans in kind, between 25 and 30 per cent.

There are various methods of calculating the rates of interest. Half-yearly interest is added to the capital, and in some cases quarterly interest is also added to the principal.

The rates of interest are exorbitant.

When money is lent on *ugahi*, the cost of stamp on the pronote and the charges of a scribe have to be paid by the borrower.

Question 3.—In addition to the personal security of the borrower, land mortgage, standing crops, house property, ornaments and agricultural implements are given and accepted as security.

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

The amount of debt secured on land mortgage is increasing.

Question 4.—The usual method of enforcing payment of debt from agriculturists is by lawsuits.

The difference between the rate at which the cultivator borrows grain or repays and the prevailing rate is not noticeable to any extent. There is no means by which the cultivator can ascertain what the prevailing rate in the market is from time to time.

Question 5.—The cultivator does not take full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act. The realization of *taqavi* at regular intervals, even when the man cannot pay, is a great drawback. No doubt considerations are made for non-payment by the tenants of an affected area, but individual cases are not exempted.

He cannot borrow very much above his requirements as *taqavi* is given on one's status, and this does not vary with requirements. In normal years he does not borrow so far as my experience goes.

Mr. Tulsipat Ram.

Defects have been removed to a considerable extent, and whatever minor points arise are dealt with suitably.

Question 6.—In this district cultivators do not combine together to produce particular crops. It might be desirable to have a large area under sugarcane or cotton in this district on account of two sugar-mills here and close proximity to Cawnpore. This combination would be desirable.

Question 7.—The present system of agricultural borrowing is defective. The rate of interest charged is excessive. Even the rates charged by co-operative societies should be reduced. There ought to be a Loans Act to help the cultivators from the clutches of greedy moneylending village *mahajans*.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The principal crops are brought to market in country carts, on ponies and head loads.

The methods of marketing, according as the crop is one mainly for domestic consumption or one mainly sold in the market do not vary much.

Question 2.—Money is obtained to finance the marketing of crops from all the sources mentioned : banks, grain merchants and exporting firms. Money is lent either on interest or a stipulation is made to purchase the corn at a lower rate than the prices prevailing at harvest time in the markets.

The co-operative bank does nothing to assist in the marketing of crops. It ought to do this.

Question 3.—The cultivator in the case of marketing his crops pays the *bania*, the *arhatia*, the *dalal*, the *beopari* at different rates and these vary for various crops. Rates are so different in the bazars that no correct estimate can be made.

Question 4.—The necessity for the cultivator to store his grain very seldom arises. The amount stored is very small and the methods in vogue are quite adequate. Improvement in this direction is possible.

Owing to the proximity to Cawnpore grain is moved on there. Still, whatever is left is stored in *khattas* and bags.

Question 6.—With certain modifications the system of licensed warehouses in the United States of America can be worked here. The system will be new, but people will become familiar with it in time. Government help in the beginning will be useful.

Question 7.—It would not be desirable for cultivators to combine together to market particular crops.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—No estimate can be given of the existing indebtedness of the agricultural classes, but as a whole they are considerably indebted. The conditions become worse with bad harvests.

Question 2.—The principal creditors of the agriculturists are village bankers and village grain dealers.

The richer agriculturist lends to the poorer sometimes to a small extent.

I cannot exactly estimate the amount of debt due to each class of creditor, but mostly the village *mahajans* and grain dealers are the men who advance to tenants.

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

Question 1.—Government, village bankers, grain merchants and co-operative banks play the largest part in providing agricultural credit in respect of crop production.

The existing credit facilities are not adequate. Extension of the co-operative societies on a large scale would increase the facilities.

The high rate of interest is the defect in the existing system of agricultural credit. It should be stopped by legislation.

Question 3.—There is no co-ordination among the various credit agencies.

Question 4.—There is a greater facility of credit for overseas trade owing to improved organisation than for internal trade.

MR. TULSIPAT RAM.

Part E.—Land mortgage banks.

Question 1.—Loans for long periods are obtainable by landlords and tenants of various kinds for any reasonable amount commensurate with the status of the borrower and the security offered by him.

Question 2.—Such loans are available on the security of land, groves, and sometimes on movables also.

There are no difficulties if the security is adequate.

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

Question 4.—To a certain extent the occupancy right serves as an adequate security for long-term credit.

I would not encourage indebtedness by legislation to increase the value of such security for long-term advances.

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

Question 6.—I would suggest one land mortgage bank with branches all over the province.

The bank should have its own share capital or a government guarantee. Both are good. The amount of capital cannot be given at present.

The share capital should be available for subscription to all tenants and landholders.

With a government guarantee there would not be much difficulty, but if the share capital is not taken up by the public Government ought to subscribe.

The management, etc., of the land mortgage bank should be like that of other banks but subject to Government's right to have a fair number of directors and general supervision and control as regards its administration and policy.

The maximum period of the loans advanced should be about 20 years, and the margin between the amount of loans and the value of mortgage 30 per cent.

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

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

If debentures are not taken up by the public within a certain time, Government should take up the balance, but only as a last resource.

Debentures should rank as trustee securities.

If Government undertake any financial obligations, it should have a first charge on the assets.

The following concessions in favour of land mortgage banks are suggested :—

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

(ii) reduction of stamp duty, registration charges and court-fees to one-fourth of the existing rates, and

(iii) the bank to have power to manage defaulting estates.

I do not think that it is necessary to notify proposed mortgages, and I would not reduce the period of foreclosure or sale formalities.

It would be very cumbersome for provincial land mortgage banks to be co-ordinated under an all-India central institution.

Question 7.—The value of land should be calculated on the basis of profits of the land.

The value of land per acre differs according to the crops grown on it. Various factors affect such value : irrigation, accessibilty, class of land, nature and habits of tenants, etc.

The price of land obtained by sale on a court decree and that obtained by private negotiation depends upon the circumstances of each case. Sometimes one is more profitable than the other, and *vice versâ*.

PANDIT JAGANNATH TRIPATHI, M.Sc., Deputy Collector, Fatehpur.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—Agriculturists borrow from Government and co-operative societies, but mostly from village moneylenders, for :—

(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) litigation,
(viii) purchase of plough or other cattle,
(ix) sinking of wells,
(x) building of tanks, and
(xi) subsistence.

The greater portion of the debt is incurred for marriage and other social functions; next comes litigation; then comes purchase of seed, purchase of cattle, repayment of earlier debts and interest.

About 90 per cent. is borrowed from village moneylenders, 8 per cent. from co-operative societies, and 2 per cent. from Government and of this about 80 per cent. is in cash and 20 per cent. in grain.

Most of the debt is originally borrowed for short periods only, but payments are rarely made within short periods except in the case of debts in kind.

Question 2.—The usual rate of interest for cash loans is 24 per cent. per annum, but it goes up to two pice per rupee per month (37½ per cent.).

For loans in kind the rate of interest charged is *siwai* or four annas per rupee.

In most cases, and especially in the case of loans for short periods, simple interest is charged. In case of bigger loans compound interest is charged, calculated every six months.

These rates are in my opinion exorbitant.

In cases of registration, registration charges have to be paid by the borrower. Where pronotes are executed, their charges are also paid by the borrower.

Question 3.—The usual security offered by persons of ordinary means are ornaments, while, in the case of *zamindars*, *zamindari* is offered in case of bigger loans. A good proportion of the debt is unsecured—about 20 per cent.

The smaller tenants are the persons most in debt.

The amount of debt secured on land mortgage is increasing.

Question 4.—In cases in which money is lent by the *zamindar*, he collects the debt along with the rent. *Bania* moneylenders mostly take the produce in lieu of their debts.

There is no difference between the rate at which the cultivator borrows grain or repays it and the prevailing rate for that grain in the village or market. The rates are mostly ascertained through the weighman (*Baya*).

Question 5.—Full advantage is always taken of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act. The demand is always largely in excess of the amount available for distribution.

In abnormal years there is no limit to the demand for *taqavi*.

The present *taqavi* system is working properly.

Question 6.—In no instance have cultivators joined together to produce particular crops. This is no doubt desirable but does not appear to be possible at present.

Pandit Jagannath Tripathi.

Question 7.—The chief defects in the present system of agricultural borrowing are the high rate of interest and the unproductive nature of the purpose for which the money is borrowed. A great deal of the money is borrowed for marriages and other social functions and is practically wasted. Every one feels the futility of these expenses, but is unable to raise his voice owing to social tyranny. The remedy appears to be to form unions, through co-operative societies, the members of which would know not to spend more than a certain fixed amount on social functions.

Another great drawback is the illiteracy of the masses, on account of which they are unable to keep accounts and have to pay whatever the *mahajan* demands.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—Weekly or bi-weekly bazars are held in all big villages to which the cultivators bring samples. Grain merchants—mostly village *banias*—settle the rates on seeing the samples, and later go to the village and purchase the grain. They transport it to the bigger markets of Fatehpur-Bindki or Cawnpore where it is purchased by the big grain merchants either for storage or transport.

Question 2.—Usually *banias* rely on their own capital. Sometimes they borrow from the bigger grain merchants.

Co-operative societies do not assist in the marketing of crops. They can assist by replacing the village *bania*, thus saving the cultivators from middlemen's profits as well as from cheating owing to low rates and short weights.

Question 3.—There are no fixed charges for the marketing of crops. It is all a question of bargaining. The *bania* makes a profit of about one anna in the rupee (6¼ per cent.).

Question 4.—Mostly cultivators keep their grain in big earthen pots and sometimes in holes dug in the ground. For men of small means no other system appears possible.

In markets the grain is stored mostly in *khattis*. The grain kept in *khattis* deteriorates in quality and is liable to become rotten. Masonry elevators would keep the grain in better condition.

Question 5.—Sometimes village *banias*, instead of selling the grain at once, keep it in the *khattis* of the grain merchants in the towns and take loans on the security of the grain. But such transactions are not many.

Question 6.—The idea of having licensed warehouses is a very good one and can be worked successfully in the bigger places. There would be no need for government assistance in the matter.

Question 7.—There are no instances of cultivators combining together to market particular crops, nor is it possible at present since the produce varies largely in quality.

Question 8.—The system of weighment is not at all satisfactory and is one of the chief reasons why cultivators cannot sell their crops to the best advantage. In this district, specially, the system is most complicated, and even educated persons find it difficult to calculate prices. Here the "seer" is fixed at 80 tolas—but the *panseri* varies from village to village In some villages it is of 6 seers, in some it is 6½ seers, in some it is 6 seers 1½ paos, in some it is 6 seers 2½ paos. Thus, if a certain article is sold, say, at 7 seers to the rupee, one has to calculate how much these 7 seers amount to according to standard. If the *panseri* is of 6 seers and 1½ or 2½ paos, then the calculation is most complicated and people are content to leave it to the *baya* (weighman).

Question 9.—No instances of exporting firms and companies being guilty of speculative dealings have taken place in this district. But when there are chances of a poor crop, the grain merchants increase the price. It has however no effect on the cultivator.

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

Question 1.—Government advances money as *taqavi*, but this is to a small extent only. Professional moneylenders, indigenous bankers and co-operative banks are the chief persons who provide agricultural credit.

The existing credit facilities are adequate, but the rates charged are ruinous.

PANDIT JAGANNATH TRIPATHI.

Question 2.—No credit is at present required for marketing crops.

Question 3.—There is no co-ordination among the various credit agencies.

The co-operative system should be increased and the village moneylenders should be encouraged to deposit their surplus money in such societies.

Question 4.—None of the persons consulted have been able to say anything about credit facilities between internal and over-seas trade.

Question 5.—Only a rough estimate can be formed based on the number of families in the district. In my opinion a sum of ten lakhs would be required for agricultural finance for this district.

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

Question 1.—Dairy farming, gur-making, cotton ginning, sericulture, tanning, and the other industries mentioned in this question are found in the district, but to a very small extent, except *gur*-making.

Question 2.—The condition of these industries is not good. Poultry farming and hand-spinning are the two industries in which much progress can be achieved. As regards the former some impetus has been given by the forming of the Poultry Association and the holding of exhibitions. As regards hand-spinning, much progress can be made if suitable arrangements are made for the sale of the yarn.

Question 3.—Hand-spining appears to be the best industry which may give employment to a farmer during the off-season, and no capital is required for this.

II.—INDIGENOUS BANKING.

A.—Organisation of indigenous banking.

Question 1.—The classes of indigenous bankers in my district are village *banias*, *mahajans* and *zamindars*.

They lend money on all sorts of securities. There is no special distinction.

They are mostly merchants or *zamindars*, and moneylending is a subsidiary business.

Question 2.—Indigenous bankers lend money for special functions, litigation, etc. There is no difference in their methods of working.

Question 3.—The total capital of indigenous bankers in the district would be in the neighbourhood of 20 lakhs. Practically, the whole of their money is engaged. Expenses are practically *nil*, and only a few moneylenders engage a peon to collect debts.

The net return is about 12 per cent. per annum.

Question 5.—Ordinarily, only a single *bahi* is kept in which entries are made when the money is lent. When the money is being returned, the interest is calculated and paid but no formal entries are made in the *bahi*. Big moneylenders keep a cash book and ledger.

PANDIT JAGANNATH TRIPATHI.

Mr. A. D. BANERJI, B.A., Deputy Collector, Aligarh.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

The agriculturists in this district generally borrow either from the co-operative societies or from Government or from the moneylenders. Almost all the cultivators have got some kind of monetary dealings with their landlords who are thus able to dominate over their tenantry. The moneylenders and the *zamindars* advance money on simple bonds when no security is available. The *zamindars* generally get a bond executed and the whole amount is not paid up immediately. The agriculturist takes the loan in cash or in seed according to his immediate need and then accounts are settled annually. The security for the co-operative society is of course the joint liability of the members and the standing crops and cattle of the borrowers. The loan is generally taken for repayment of earlier debts, then for expenses of cultivation or for purchase of bullocks, seed or agricultural implements. The village moneylender and the co-operative societies generally advance money for seed and cattle. The loans are also taken for payment of rents. Loans for litigation are not very frequent. The co-operative societies are able to advance loans up to one lakh and the district is well under the grip of moneylenders.

The cultivators are entirely at the mercy of village moneylenders who can manipulate accounts as they like and always try to swallow up the whole of the produce of the land of a cultivator.

There is always some difference between the rate at which a cultivator borrows grain and the rate of its repayment. I think 60 seers are repaid for 40 seers of grain borrowed. The illiterate cultivator does not care for the market rate and pays the money at the village rate. The moneylender does not give any breathing time to a cultivator for any kind of bargain.

As far as I could ascertain it is not correct to say that the better the title to the land the greater the amount of indebtedness. But leaving aside a few exceptions most of the *zamindars* of the district are in debt.

The *taqavi* system should not be made too attractive for all and sundry to receive it, but the needy should not go disappointed. There are certain difficulties in receiving *taqavi*, but the smooth way in which lakhs of money have been distributed this year has made me think that all the hardships could be mitigated by the tact and modes of payments of the revenue officer.

Part B.—Agricultural borrowing for purposes of marketing.

The middlemen and *dalals* are the bane of the agriculturists. These people swarm round the agriculturists in their villages or meet them halfway on the road before the grain arrives at the market, and by various kinds of inducements they strike up a bargain which is always disadvantageous to the cultivator. Even if the commodity reaches the market place the *beoparis* are more than a match for the illiterate producers. I think this work of marketing needs the attention of the co-operative societies and a beginning might well be made for purchasing direct from the cultivators for institutions like the jail or the hospital. Aligarh Jail consumes about 4,000 maunds of wheat, 365 maunds of *dal* and about 600 maunds of gram every year. If possible, licensed warehouses may be opened for storage at tahsil headquarters.

Part E.—Land mortgage banks.

At present the cultivator can get two kinds of loan, *viz.*, a short loan, say from a co-operative society, which is repayable within the course of the year, and, secondly, by

taqavi, which is repayable within the course of three or five years. But there is no long-term loan for liquidation of long indebtedness or for permanent improvement of land or for acquisition of new lands. Inauguration of land mortgage banks might supply this want. There are no doubt difficulties attending default and proper supervision and need of a large capital. Hence the experiment may at first be tried in a few selected areas. These banks should at first deal with farmers and small landowners. The big landowners may, for the time being, be left alone. The maximum period for the loans advanced should be thirty years. It should get all necessary State help like purchase of debentures and exemptions from stamp duties, income-tax and duties for registrars' certificates, etc.

Note on banks and co-operation.

I TAKE the liberty of making a few suggestions for the removal of the "pernicious financial anaemia" with which the countryside is suffering. Sir Daniel Hamilton, while recently presiding at the Bihar and Orissa Provincial Co-operative Conference, said: "There is a closer connection between finance and the burning *ghât* and the burial-ground than people imagine!" This, in my opinion, puts in a nutshell the importance and value of the inquiry of rural finance. India is pre-eminently an agricultural country where one-sixth of the world's population lives in villages; 92 per cent. of its population are illiterate, 72·5 per cent. have agriculture and pasture as their main source of income. Yet the yield per acre in India is one-third of Egypt and one-fourth of Japan. Five agricultural families in India produce food for eight or nine families, while in Western Europe and North America, they feed 50 families. The death-rate in India per thousand is 33·4; in the United Provinces 25·01, and in the United Kingdom 14·6. Fever is more prevalent in the villages than in the towns. The villagers are so ignorant that even the simple use of quinine for malaria is not known to most of them. Fatalistic lethargy is another cause which prevents the villagers from acquisition of new ideas regarding disease, health and food. Other reasons for the high death-rate are wretched housing conditions, impurity of drinking water, and the custom of early marriages. The economic side of the agriculturists is very backward, and they are generally debtors to village moneylenders. Much of the debt is due to the system of early marriages and useless expenditure on certain social functions. The structure of Indian education is ill-balanced. The villagers are overwhelmingly illiterate. The farmer must get a proper price for his produce, and to have this, middlemen must be eliminated. As far back as 1916—18 the Indian Industrial Commission had observed: "A better market system, a co-operative selling, and education are the most promising remedies."

The task now is to remove all these drawbacks. There is great necessity of rural reconstruction by liquidation of debts, by improvement in agriculture, sanitation and general welfare. I think under such circumstances, the introduction of co-operative principles is the only remedy for the disease. All the work will have to be done on a co-operative basis. Co-operators, by necessity, will be the vanguard of future reformation.

On any general survey of the existing educational position it would appear that the idea that the education imparted to the higher classes of society would filter down to the lower masses has entirely failed. "The social conditions of the country discourage men of trained intellect from returning to the mofussil and from influencing the masses in the direction of education. It is difficult to imagine how the rural education of the West would have progressed had it not been for the help of the parson, the doctor and the squire" ("India in 1924-25," page 273). Non-officials alone can achieve but little without State help because they have no definite idea or programme to offer. There are so many castes, creeds and vested interests that a clash of ideals will take place amongst individuals and hinder progress. Besides this, without active control of the State, the progress movement in villages will not be able to maintain its pace of unity, uniformity and continuity, and there is the danger of Indian villages lapsing to old conditions.

It thus falls on the State to take up this task of improving rural economy. The State can work only through the agency of the Co-operative Department. To improve village finance the Co-operative Department will have to tackle all the village needs as a whole, and I agree with Mr. Brayne of Gurgaon that piecemeal work is of little value for village reconstruction. The work of the Co-operative Department would be great and they may have to take a higher type of subordinate official and more co-operation with district officials. Propagation of co-operative principles amongst officials and non-officials is also essential. At present the knowledge of co-operation amongst educated classes is very poor.

A co-operator's aim would be to free a farmer from his debt and discourage him from incurring debts with *mahajans*. He (the co-operator) will have to do propaganda

work to curtail items of useless expenditure of a farmer, and he should be helped to take to improved methods of cultivation. This can easily be done if the co-operator remains in touch with individuals in villages. He will also have to interest himself with the investigation of definite problems connected with the aims, methods, and products of education of the rural community. He should also familiarize himself with village handicrafts and village agricultural industry and might suggest improvements. A co-operator will have to help to change the *mood* of the village. The task is, no doubt, great; but the reward of satisfaction of having done a service is greater.

ORAL EVIDENCE.

Lucknow, February 1, 1930.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C. ... ... *Chairman.*
MR. MOHAN LAL SAH, M.A., LL.B. ... ... *Member.*
DR. L. C. JAIN, M.A., LL.B., PH.D. ... ... *Secretary.*

(*Witness* : MR. A. D. BANERJI, *Deputy Collector, Aligarh.*)

The Chairman : Do you come from Aligarh?—Yes, Sir.

Mr. Sah : What security should the tenant give to the land mortgage bank for their borrowings?—I think the joint liability on which we give money from co-operative societies will be sufficient for tenants.

Will that be a sufficient security for long-term loans?—Why not for the tenants? You will not advance much money to them.

As a matter of fact it would be necessary to advance them for the repayment of their present debts. The period might be 25 years or more. (*Witness*) In my written statement my idea was to keep land mortgage banks for small proprietors. I do not think tenants require much money except for the improvement of the land and that the co-operative societies should give.

The Chairman : What about the redemption of their present debts?—The amount is not high. It may be 200 or 300 rupees and they can get it from co-operative societies.

Mr. Sah : Do you think that they can get a sufficient amount of long-term loan from the co-operative societies?—Of course not long-term. They generally do not pay early. It takes them from five to six years and it is sufficient for the tenants.

Even this period is too long for co-operative societies?—Yes it is. I find from experience that a loan is not paid up for four or five years. They take a loan and they cannot pay it and then they get extensions.

And that is why it increases the burden of debts in their case?—It does increase the burden. But in new loans, it lessens their rate of interest because a new transaction is effected.

I think it is safer to realize money and give them fresh loans. Would it not be difficult for small land mortgage banks to command confidence in its debentures and deposits and also to keep close touch with the stock markets of the country?—As regards confidence, if Government guarantees a certain amount of assistance there will be sufficient confidence.

Supposing that there is a land mortgage bank in each district or tahsil. Would it not command more confidence, if there be a provincial bank with branches in important districts?—I do not think so.

Will the district land mortgage bank in a tahsil also be able to get itself in touch with the stock markets of the country?—I think so. The Imperial Bank will help. Whenever I require a quotation for securities I take help from the Imperial Bank of India.

You will rely on the Imperial Bank?—That will be good enough.

As a matter of fact, knowledge of markets is required in floating debentures as well, and then, of course, the land mortgage bank will be more helpful.—(*Witness*) It may be.

Do you think that a district mortgage bank will be able to have good directors?—There may be some difficulty about many directors.

What particular objection would you have to a provincial land mortgage bank with branches?—The provincial land mortgage bank will not be able to know the local situation so well as the district bank.

So that it will not be so much in touch with the borrowers as a local bank?—That is my idea.

The Chairman : I notice from this note* that you gave me just now that you are a canviced co-operator.—(*Witness*) I was thinking whether we can help tenants in any way.

That is, your line of helping them is through co-operation?—Yes.

I just wanted a statement of your line of attack. If you had to improve the general finances and economic condition of India, you will do it through co-operation?—Yes, I would.

The point I want to put to you in that connection is this. Again and again people say that Government must do this, that Government must do that. All these things that they want Government to do means money. After all the amount of money that Government has got is limited. Do not you think that at all events a part of Government's efforts should be directed to inducing other people to do a part of the work themselves? Co-operation theoretically is not Government's duty. Of course Government has got to do a certain amount but you would not expect Government to do the whole?—Not the whole, certainly not. But Government's help is necessary.

Is Government's pocket equally necessary?—Certainly. Also there should be one or two officials in the co-operative societies. There is a majority of non-officials at Aligarh.

The question is whether Government's intervention should be larger than what it is at present?—Government supervision is necessary.

In this note you have distinctly run down the moneylender. You have not actually stated that they are blood-suckers, but that is what it comes to. Don't you think that a great deal of his indebtedness and his poor economic condition is due to the cultivator himself?—It is his fault.

Mr. Sah : He is not thrifty?

The Chairman : Another thing is that he is illiterate?—Yes.

He is not thrifty in this sense, that at harvest he never thinks of the future. He is not wise too.

To put it plainly, he does not know the value of money?—Yes.

That surely accounts in part for the heavy weight of debt and it also accounts for high rates of interest. The moneylender knows that he is not going to get back his principal and charges a high rate of interest.

Mr. Sah : Suppose you lend him Rs. 10 and that you know that you will not get back that money. You will charge 100 per cent. as you do not expect to get back your principal?—Yes. I discussed that point with a *mahajan* and he said that he should get some interest on the money he invests. I know of a case in which Rs. 200 were advanced as a loan and although Rs. 700 were paid, still Rs. 300 remained unpaid.

For how many years did the loan remain unpaid?—For five or six years.

The Chairman : I think it is fair to say that the high rate of interest which the moneylender charges is partly due to the fact that he has got very little chance of receiving his principal back?—Yes. There is another case which I discussed with a moneylender. He said that after 12 years he got Rs. 5,000 only. The original loan was for Rs. 4,000 but it has gone up to Rs. 30,000. But he got Rs. 5,000 worth of property.

Mr. Sah : He got Rs. 1,000 interest in 12 years for Rs. 4,000. It works out at 2 per cent. per annum simple interest.

The Witness : I know a case in which a moneylender advanced money to a tenant. The money was not paid and the document was renewed in which it was not mentioned how much money was for the old debt. He did not pay the money and his crops were taken. He owed money to the co-operative society also and then there was a great deal of dispute about crops.

The Chairman : You talk of accounts not being clear. Well that, of course, cannot be very largely the fault of the tenant. He is not a literation individual to understand. Apart from that, I should imagine that there are many cases in which *mahajans* are good enough to make it clear.—(*Witness*) Yes.

(The Chairman thanked the witness, who withdrew.)

*Note on banks and co-operation—see pages 131-2.

MR. A. D. BANERJI.

Mr. GYAN NATH RAINA, M.A., B.Sc., Sub-divisional Officer, Partabgarh.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of productions.

Question 1.—The agriculturist borrows generally from village moneylenders, and at times from Government and co-operative societies.

He borrows for all the purposes mentioned in the questionnaire, except for manure, and, in rare cases, for building of tanks.

Two-thirds of the debt is due to marriage and funeral expenses, one-sixth to the purchase of agricultural stock, and one-eighth to domestic expenses and payments of rents, etc. (*vide* rent-rate report).

He borrows three-fourths from village moneylenders and one-fourth from Government and co-operative societies. Three-fourths of the debt is incurred in cash and one-fourth in kind, and the division between short and long periods is the same, viz., three-fourths and one-fourth respectively.

Question 2.—The rate of interest for cash advances is 12 per cent. to 36 per cent. per annum.

For loans in kind for seed, and for other loans in kind, 50 per cent. to 36 per cent. advanced is taken as interest: this is for six months.

Generally simple interest is charged: only in rare cases is compound interest taken.

The rate of interest is very exorbitant.

In some cases borrowers have to labour without wages with the hope of gaining his moneylender's favour.

Question 3.—No security is offered for seed, but for cash loans the land is either mortgaged or ornaments are placed as security.

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

The amount of debt secured on land mortgage is increasing. The number of secured debts is greater than unsecured.

Question 4.—The usual method of enforcing payment of debt from agriculturists is by filing suits in court.

There is no difference between the rate at which the cultivator borrows grain or repays it and the prevailing market rate, which he can ascertain by going to the market.

Question 5.—The cultivator takes full advantage of the *taqavi* system. In abnormal years he takes 50 times as much *taqavi* as he does in normal years. There is no defect in the present *taqavi* system.

Part B.—Agricultural borrowing for purposes of marketing.

Question 3.—Cultivators marketing their crops have generally to pay for weighing labour to bazar *banias*. Such charges are only for the weighing of grain.

Question 4.—Grain is stored in *kothis* (*bakhars*) and in underground cells. No improvement is practicable at present. In markets grain is stored in sacks only.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—*Tenants of pargana Partabgarh.*—Seven-tenths are solvent, one-fifth are moderately involved in debt, one-tenth are badly indebted.

Pargana Atena.—Seventy-six per cent. are solvent, 7 per cent. moderately indebted, 6 per cent. indebted to the extent of one to two years' rent, 10 per cent. heavily indebted (*vide* rent-rate report).

These debts are all secured on land mortgage registered deeds.

Question 2.—The principal creditors of the agriculturists are village moneylenders and grain dealers. To some extent richer tenants lend to the poorer.

Question 4.—Seventy-five per cent. of the land-owning classes in the tahsil are in debt.

Question 5.—The special causes for the indebtedness of these classes are litigation (25 per cent.) and extravagance (75 per cent.) in marriage expenses, etc.

Question 6.—The land-owning classes pay somewhat less than the rate prevalent among other classes,—often from banks at bank rates.

Mr. RAJ BAHADUR, retired Deputy Collector, Muttra.

Replies to the questionnaire.

1.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The cultivator borrows generally from village moneylenders and very little from co-operative societies in places where there are sub-committees, and in the time of distress in the shape of *taqavi* from Government.

The purposes for which he borrows, the lending agencies and the proportion in which the debt is divided between these agencies are given below—

Purpose.	*Lending agency.*	*Proportion of debt.*
Repayment of earlier debts ..		
Payment of accumulated interest ..		
Marriage and other social functions ..		
Expenses of cultivation	Village moneylenders ..	75 per cent.
Litigation		
Purchase of plough or other cattle ..		
Subsistence		
Famine and other kinds of distress ..		
Seed		
Purchase of plough or other cattle ..	Government (*taqavi*) ..	15 per cent,
Sinking of wells		
Other agricultural improvements ..		
Payment of land revenue or rent ..	Co-operative Societies ..	10 per cent,

The agriculturist borrows money at the time of famine or distress for expenses of cultivation, seed, etc.; very few borrow for litigation. The tenantry is lazy in this district and hence devote very little attention towards improvements, etc.

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

Grain debts are generally for a short period, while those in cash are mostly for long periods.

Question 2.—The rates of interest for cash advances are Rs. 2 to 4 per cent. per mensem.

For loans in kind for seed, 25 per cent. of the original debt after six months; and for other loans in kind, 1 to 2 per cent. when any ornament is pledged.

Simple interest is charged for first six months or till the outturn of the next or standing crop; after that compound interest is charged. In cases of urgency, something is charged further.

Mostly the rate of interest in unbearable.

Question 3.—In case of issuing grain, generally nothing as direct security is taken. The crops are the direct security; other large sums are taken on land mortgage, and sometimes small loans on security of ornaments.

It is correct to say that the better the title to land the greater the amount of indebtedness. Occupancy tenants are somewhat better than the tenants-at-will. Petty landlords are of course in worse condition, comparatively.

The amount of debt secured on land mortgage is increasing.

Question 4.—The usual method of enforcing payment of debt from agriculturists is first by attachment of moveable property and next of immoveable property.

There is a difference of about two annas per rupee between the rate the cultivator borrows grain or repays it and the prevailing rate, though he can always ascertain the latter from brother cultivators who come to market for shopping.

Question 5.—The cultivator does not take full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act. This is due to his laziness.

Taqavi in abnormal years is mostly required for agricultural purposes. In ordinary years the villagers make up their requirements from loans, etc.

The only defect in the *taqavi* systems is that a villager with good security cannot have a loan for his requirements other than for agriculture.

Question 7.—The present system of agricultural borrowing can only be improved if regular *taqavi* is distributed and a separate staff maintained to make enquiries, etc., to keep everything under proper control.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The principal crops are brought to market mostly through the agriculturists themselves and rarely by leading grain dealers.

The methods of marketing vary according as the crop is one mainly used for domestic consumption, or one mainly sold in the market.

Question 2.—Money to finance the marketing of crops is obtained mostly from local grain merchants. In cases of big transactions it is obtained from banks where they exist or exporting firms. There are no fixed terms: the terms are settled in each case.

There are few co-operative societies, but I think they do not assist the marketing of crops. It would be profitable for the parties if they did so.

Question 3.—In the marketing of crops different agencies, as practicable or available, are employed at whatever rates are settled. The charges vary with different crops. There are some petty incidental charges towards religious charities or contribution towards temples according to one's faith.

Question 4.—Owing to the prevailing high rates of commodities, the practice of business of storing grain in markets is declining to a considerable extent.

In markets grain is stored in *pakka* buildings (*kothas*).

Question 5.—Three-fourths of the grain stored in *kothas* and one-fourth in bank godowns where there are such godowns are used as security for obtaining credit.

Question 6.—The system of licensed warehouses can be worked out here with the help of Government only.

Question 7.—In some cases cultivators combine together to market particular crops. Such combinations are rarely practicable.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—As far as could be known 95 per cent. of the agricultural classes are in debt. This is due to successive failures of crops in this district. The high rent rate on account of competition is also responsible for such a state to some extent.

All big transactions are secured by registered deeds; small ones are unregistered. Small debts are incurred on ornaments and security of crops.

I think that of the amount of debt 50 per cent. is incurred on crops, 25 per cent. on ornaments, and 10 or 15 per cent. otherwise.

Question 2.—The principal creditors of the agriculturists are mostly village money lenders or grain dealers. The richer agriculturist lends to the poorer from 5 to 10 per cent.

Question 3.—As the result of the enforced payment of debt, lands and the rights in land are passing from the possession of people who are efficient farmers into the hands of people who are not themselves efficient farmers. It causes the cultivator to produce less or less efficiently.

Question 4.—Petty landowners, other than those who are also agriculturists, are mostly in debt.

Question 5.—The apparent cause may be successive failures of crops in this district.

Question 6.—The rate of interest paid by the land-owning classes is abnormally increasing.

MR. RAJ BAHADUR.

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

Question 1.—The existing credit facilities being limited are not adequate or easily available.

I think the abnormal rate of interest charged by local moneylenders (the available source of agricultural credit) is the chief defect. It can be remedied by establishment of branches of banks or other societies.

Question 3.—There is no co-ordination among the various credit agencies. There is scope for improvement in this direction.

Question 5.—No estimate of the total amount of capital required for agricultural finance seems practicable. In a district like Muttra, where failure of crops and drought are recurring, the amount of required capital must be fluctuating, based on the prospects of the crops.

Part E.—Land mortgage banks.

Question 1.—Loans for long periods are obtainable by landlords cent. per cent. at times of prosperity, but rarely in the case of tenants.

Question 2.—Long-period loans are available on security of landed property only.

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

Question 4.—The occupancy right very seldom serves as an adequate security for long-term credit.

Question 5.—The establishment of a land mortgage bank would solve the problem of long-term advances to a great extent.

Question 6.—Only one such bank, established in different quarters, according to the requirements of the locality, will do. The rate of interest for small or big transactions must be easy.

To gain popularity the Government guarantee, in lieu of the bank having its own share capital, will be welcomed.

In the management of the bank there must be a voice of share-holders under the presidency of the Government.

The maximum period of the loans advanced by a land mortgage bank should be, say, 20 years.

I think that the share capital of land mortgage from debentures will be preferable to other sources.

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

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

Issue of certificates of encumbrances by the registration office should be free.

A reduction or abolition of stamp duty will be a generosity of the Government and it will be a sort of aid to poor borrowers.

A notification of proposed mortgages will be essential.

Simplification of the process of foreclosure and sale in the event of non-payment.

Power to manage defaulting estates.

Question 7.—A standard of the value of land based on the rent-rate will have to be fixed by any authority for a tract, locality or sub-division.

The value of land per acre differs mostly on the income or profit derived from the land. Sometimes good prices are offered in sales by government auction for non-payment of revenue and on a court decree. The cause of the difference is apparently publicity of sale and collection of bidders.

Part F.—Co-operation.

Question 1.—The relations that exist between the co-operative banks and other banks, excluding indigenous banks, is fair.

There is competition—more or less—between the co-operative banks and the joint-stock banks.

Question 2.—I do not think that co-operative societies have any special difficulties in raising either short or long-term capital.

Question 4.—It is possible to stimulate the growth of the co-operative movement by financial concessions, and such action is desirable.

Question 5.—The establishment of the provincial co-operative bank would stimulate the co-operative movement.

Part G.—Small industries allied to agriculture.

Question 1.—There are some *gur*-making, cotton ginning and hand-spinning industries in this district. There are also some cloth-printing industries here.

Question 2.—I think they are all declining, except only cloth-printing which is flourishing to some extent.

Part J.—Internal remittance and negotiable instruments.

Question 5.—The issue of travellers' letters of credit by the post office will be a great boon.

Thakur RAM RUP SINGH, B.A., Sub-Divisional Officer, Ghazipur tahsil.

Replies to the questionnaire.

1.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturists borrow from (*a*) Government as *taqavi* under Acts XII and XIX, (*b*) from co-operative societies restricted to its members only, (*c*) from village moneylenders mostly, and (*d*) from city *mahajans* also when big amounts are required.

He borrows for—

(i)	Repayment of earlier debts	2 per cent.
(ii)	Payment of accumulated interest	1 ,,
(iii)	Marriage and other social functions	40 ,,
(iv)	Famine and other kinds of distress	5 ,,
(v)	Payment of land revenue or rent	5 ,,
(vi)	Seed	1 ,,
(vii)	Manure	1 ,,
(viii)	Expenses of cultivation	1 ,,
(ix)	Agricultural implements	1 ,,
(x)	Litigation	22 ,,
(xi)	Purchase of plough or other cattle	10 ,,
(xii)	Sinking of wells	1 ,,
(xiii)	Subsistence	10 ,,

The debt is distributed as follows : Government 10 per cent., co-operative societies 5 per cent., village moneylenders 70 per cent., city *mahajans* 15 per cent.

Of the debt 95 per cent. is incurred in cash and 5 per cent. in grain.

Eighty per cent. of the debt is incurred for long and 20 per cent. for short periods.

Question 2.—The rate of interest is between 6 and 24 per cent. per annum for cash advances, for loans in kind for seed, 25 per cent., and for other loans in kind, 12 per cent.

The rate of interest is calculated at simple interest; very seldom compound.

For smaller debts and from very needy borrowers the rates of interest charged are exorbitant.

Question 3.—The kinds of security usually given and accepted are landed property, house property and ornaments.

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

The comparative extent of the indebtedness is : big landlords about 70 per cent., smaller 50 per cent., tenants 80 per cent.

The amount of debt secured on land mortgage is increasing. It is about 50 per cent. compared with unsecured debt or debt otherwise secured.

Question 4.—The usual methods of enforcing payment of debt from agriculturists are through the courts, attachment of crops on the threshing floor, through *panchayats* and service.

There is no difference between the rate at which the cultivator borrows grain or repays it and the prevailing rate. He can ascertain the prevailing rate through the *bania* only.

Question 5.—Only a few small agriculturists take *taqavi*.

They get only small sums which they can easily borrow in the village. In coming to court they have to meet the expenses of the journey and to pay tips to smaller officials.

During the last abnormal year three times more *taqavi* was advanced than in a normal year.

THAKUR RAM RUP SINGH.

Question 6.—I know of no instances where cultivators combined together to produce particular crops, but such a combination is desirable.

Question 7.—The defect in the present system of agricultural borrowing is that the rates of interest are high. More money should be made available (i) by spread of co-operative societies, (ii) through *taqavi*, and (iii) by starting land mortgage banks.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The principal crops are brought to market by bullock carts, railway, boats and pack animals.

Crops mainly sold in the market, like mustard and rape-seed, are generally taken to big godowns for being exported. The crops for domestic consumption are generally sold in nearer markets.

Question 2.—To finance the marketing of crops money is obtained from grain merchants and exporting firms. They generally purchase through their agents.

Question 4.—The cultivator stores his grain in underground cells and in rooms. The rats eat much of the grain. No improvement is possible. Only some rat-killing medicine may do some good. In the market grain is stored in gunny bags.

Question 5.—Grain stored in the market is used as security for obtaining credit.

Question 8.—The system of weighment in the markets is not satisfactory. The *banias* who weigh play many tricks in weighing goods. Some control may be kept over the persons who weigh by issuing some licence, etc.

Part E.—Land mortgage banks.

Question 1.—Ninety per cent. of the loans by *zamindars* and nearly cent per cent. by tenants are obtainable for long periods. Only in a few cases the *zamindars* go out of the district for loans.

Question 2.—Long-period advances are available on the security of land.

The rate of interest is high and the sum accumulates, so that it becomes difficult to pay it.

Question 3.—Generally long-term loans are not given to tenants with occupancy and other rights which are non-transferable because the *zamindar* can take the tenancy in case the tenant dies or he can be ejected in other ways.

Question 5.—The establishment of land mortgage banks will be very useful.

Question 6.—There should be two such banks, one confining its business to farmers and small land-owners and the other to the big land-owners. There should be co-operation between the two.

There should be a government guarantee in lieu of the bank having share capital of its own, otherwise the public will have no confidence. I am unable to estimate the amount of the guarantee.

The share capital should be available for subscription to all. No use restricting it to the *zamindar* class only.

If the share capital is not taken up by the public, the Government should undertake the obligation of subscribing the balance.

Question 7.—At present for land acquisition the value is calculated at 20 times the profits from the land. But this is really less than the actual value of the land in the market.

Some typical examples of sale and mortgage may be taken for calculating the value of land.

The basis on which the value of different kinds of land is calculated is to take the rent as the interest and find out the principal on which it can be earned as interest. The rate of interest for such calculation is 3 or 4 per cent.

The factors affecting such value are—

(i) Nearness to the village.
(ii) Proximity to some river or well.
(iii) Nearness to the road or railway station.
(iv) Shade of trees.

THAKUR RAM RUP SINGH.

Sometimes in the case of land obtained by sale on a court decree or by private negotiation the price offered goes very high if the bidders are available and the land be good, or, if the bidder is a *zamindar* in the same *patti* or *mahal* in which the land lies, he will bid as high as possible for not allowing any outsider to take the land.

Land from which a net yield of Rs. 30 can be got is sold for Rs. 600 to 800. I think 30 times the rent will be the proper value.

Part G.—Small industries allied to agriculture.

There are subsidiary industries of *gur*-making, sugar refining, hand-spinning flower growing. More capital and specialization can inprove these industries a great deal. Hand-spinning is said to be one of the industries that can occupy the farmer in the off-season, but it is so tedious that it does not appeal to many.

Saiyid MUHAMMAD AHMAD, B.A., Sub-Divisional Officer, Firozabad-Etmadpur, district Agra.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—In those places where there are co-operative societies tenants, who are members of these societies, borrow from the societies, and other agriculturists borrow from village moneylenders.

In tahsils Etmadpur and Firozabad they borrow for all purposes save for building of tanks.

It is very difficult to mention the proportion of debt for the purposes for which they borrow, but the borrowing from co-operative societies is mostly confined to agricultural improvements, and loans for marriage and other social functions and for litigation are very seldom given, while the village moneylenders give loans for all purposes.

In those villages where there are co-operative societies the proportion of debt is about 50 per cent. from societies and 50 per cent. from village moneylenders, while in villages where there are no societies 100 per cent. of the loan is supplied by village moneylenders.

From societies loans are given in cash.

From village moneylenders more than 75 per cent. is advanced in grain and less than 25 per cent. in cash.

Grain debt is generally for one harvest (short period of 6 months).

Question 2.—For cash advances co-operative societies charge Re. 1-4-0 per month per hundred, *viz.*, 15 per cent. Village moneylenders charge 24 per cent. or Rs. 2 per month per cent. generally.

For loans in kind for seed, village moneylenders charge *sawai*, namely, 1¼ maund for 1 maund, for a period of six months at least, and in some places 1½, *viz.*, *deohra*.

Village moneylenders charge compound interest generally. Their method of calculating interest on grain loans is very peculiar. They give grain at the time of seed at the rate less than the market rate, and when they take the seed back they take something more than the market rate, as, for instance, a tenant wants 1 maund of wheat in October for seed. Market value for 1 maund of wheat is Rs. 6 (6 seers 14 chataks). They estimate it at Rs. 6-8-0 for harvest time. The wheat rate is 8 seers in the market. They charge it 8 seers 4 chataks or about it. *Sawai* of Rs. 6-8-0 is equal to Rs. 8-2-0. They take 67 seers of wheat, *viz.*, 1 maund 27 seers, and if this amount is not paid they will charge 24 per cent. up to the next harvest.

The rates of interest of village moneylenders are exorbitant.

There are no incidental charges save weighing dues when grain is taken and repaid.

Question 3.—In the case of borrowing for agricultural purposes generally no security is taken except a simple bond from *bona fide* tenants. The other securities are of land mortgage in case of loans to *zamindars* and standing crops of tenants. In some cases ornaments are mortgaged, but rarely for the purpose of agricultural loans.

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

Ninety-eight per cent. of landlords and 95 per cent. of the tenants are indebted.

Security on land mortgage has greatly increased, but the new Tenancy Act is not further encouraging the moneylender to lend money on land mortgage.

Question 4.—The usual method of enforcing payment of debt from agriculturists are leases in the case of tenants and sale of property in the case of land mortgage.

Less grain than the market rate is given and more is taken than the market rate. There are no means by which the cultivator can ascertain the exact market rate save on market days in villages when weekly or bi-weekly *hats* are held.

Saiyid Muhammad Ahmad.

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

He is afraid of taking loans from the Government, and government loans also are not sufficient to meet the demand.

In abnormal years the cultivator borrows to the extent of his upkeep as he has got no money with him in those years, and the village moneylender is always short of money in famine times.

Question 7.—The tenants should be saved from the clutches of the village moneylenders who charge exorbitant rates of interest. The remedies should be (i) opening of Government co-operative societies, (ii) passing of legislation to limit the rate of interest, or at least the accumulation of interest up to a certain extent, (iii) passing of legislation to enlist village moneylenders who should be legally bound to keep regular accounts which should be periodically checked by government agencies.

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

Question 1.—In this district only co-operative banks and village moneylenders and, to a very small extent, the grain dealers take part in providing agriculturists with loans. Government banks and the Imperial Bank of India, etc., take no part.

The existing credit facilities are not adequate. Co-operative societies should be opened in large numbers. But these societies must not be in the hands of village moneylenders or dishonest *zamindars*. At present and for some time to come they must be managed and supervised by government servants and tried honest *zamindars*.

There are many defects in the existing system of agricultural credit—(i) exorbitant rate of interest charged by village moneylenders; (ii) ignorance of the tenants to understand their accounts; (iii) no legislation for moneylenders to keep regular accounts; (iv) no legislation for usurious rates of interest; (v) the unsympathetic attitude of the civil court officials towards the debtors; and (vi) co-operative societies being in bad hands.

Remedies can be—(i) co-operative societies must be in the hands of government officials or honest persons—no member or official of the society should be allowed to have his private moneylending with the members of the societies, and (ii) there must be legislation for the rate of interest and maintaining of regular accounts by moneylenders.

Part E.—Land mortgage banks.

Question 1.—In the case of landlords long period loans are always available.

In the case of tenants, permanent and fixed-rate tenants also are in a position to obtain long-period loans, but in the case of other tenants, only occupancy tenants get loans for a period of five years up to the time they are legally entitled to lease out their holdings.

Question 2.—Long-period loans are given on land security. The difficulty of the long-period borrowers is that the interest is accumulated and they generally lose their property in the long run.

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

Question 4.—The occupancy right serves as an adequate security for only five years up to the period they are entitled to lease out their land.

I do not suggest any modification of the law, for, if the tenants are allowed to mortgage their land, it will be bad for them and the coming generation.

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

Question 6.—In my opinion there should be two such banks, one for farmers and small *zamindars* and the other for big landholders.

The connexion between these two banks should be their managing directors, of whom one should be the head.

The land mortgage bank should have its own capital raised by shares. It must be a good amount for each province. There should be at least a capital of one crore.

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

The management should be semi-official and there must be an official audit. Government must have a strong hand in the management board.

SAIYID MUHAMMAD AHMAD.

I think not more than 20 years should be the maximum period of the loans advanced by a land mortgage bank, so that interest and the amount equal to the interest towards principal be paid annually, namely, in other words, at each harvest an amount equal to the interest for the whole year be realized.

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

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

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

Question 7.—The value of land should be calculated at 15 or 20 times the net profits.

The value of land per acre is affected by irrigation mostly, the situation of the villages near towns and the productive capacity of the land.

There is hardly any difference between the prices of land, but generally sales by private negotiations bring good prices, the reason being that sales by Government are under compulsion and at times purchasers are not available, while in private sales there is always a demand.

The proportion of the annual net yield of average quality to its market value under normal conditions differs in different localities. In Muttra district and tahsil Kiraoli-Kheragarh the value of the land is at the rate of Rs. 6 per hundred, *viz.*, the land yielding an income of Rs. 6 annually would fetch a price of Rs. 100. In other tahsils of Agra, specially Firozabad and Etmadpur, the value before the passing of the Agra Tenancy Act was Rs. 3 per 100, but now it is Rs. 4 or Rs. 4½ per 100.

Mirza WALI BAKHT, B.A., Sub-Divisional Officer, Agra.

Replies to the questionnaire.

1.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist's sources of borrowing are—

(i) Village moneylenders,
(ii) Co-operative societies.
(iii) Government in the form of *taqavi.*

He generally borrows for all the purposes mentioned in the questionnaire, except for manure and building of tanks.

It is not easy to give any figure or the exact proportion of the debt for various purposes, but mostly it is taken for the following purposes, *viz.*, marriage and other social functions, famine and other kinds of distress, payment of land revenue or rent, and subsistence.

Under normal circumstances about three-fifths of the loans are from village moneylenders, one-fifth from Government, and one-fifth from co-operative societies.

About half of the debt is incurred in cash and half in grain.

At least the whole debt in the shape of grain is for short periods, except in years of distress and scarcity. Cash debts are also mostly for short periods, except big sums such as those taken for marriage ceremonies, sinking of wells or for prolonged litigation.

Question 2.—The rate of interest varies from Re. 1 to Rs. 3 per hundred per month. The village moneylender is usually guided by the necessity and position of the borrower in charging a lower or higher rate.

For loans in kind the borrower has to pay one-fourth more of what he borrowed. This payment in kind has to be made at the close of the harvest, failing which he is liable to some penalty according to local custom.

Usually the interest is charged and compounded six-monthly, but sometimes it is even charged quarterly, and in exceptional cases monthly too. In default of payment the borrower has sometimes to pay something as fine over and above the ordinary rate of interest for his non-payment at the fixed time.

The rates of interest certainly are exorbitant without the least doubt.

Sometimes the poor borrower has to pay out of the loan granted or at the time of its repayment a rupee or two for some charitable work as *gaasushala*, *dharamshala* or religious fair or activity in which the moneylender is interested.

Question 3.—The following are generally accepted as security :—

(i) land mortgage, (ii) standing crops, (iii) ornaments.

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

The debt secured on land mortgage is increasing. The debt unsecured or secured otherwise is for small amounts only and generally with tenants. Big debts and of *zamindars* are generally secured on land mortgages.

Question 4.—The moneylender usually tries first to realize his debt through his men by force, failing which device he seeks the help of the courts.

The moneylender usually gives one seer less and takes back one seer more per rupee than the prevailing market rate. The borrower is pressed by his necessity and cares little to ascertain the prevailing rate. Moreover, he has little means to know the prevailing rate.

Question 5.—Advances under the Agriculturists Loans Act are seldom made except in years of scarcity and famine. Advances under the Land Improvement Act are made year after year, but they are attended with such formal intricacies of enquiry and security, and take so long a time, that the agriculturist does not have recourse to it at the first instance; moreover, sometimes the allotment falls much short of the number of applications. The tenants are also ignorant of the ways of how to apply for and secure such loans.

In abnormal years the demand for loans increases, and the *bohra* stops lending or is himself exhausted, and hence *taqavi* is more freely borrowed, but in years of such scarcity the government allotment falls short of the demand.

The present system of *taqavi* like any other has some defects. *Patwaris* should as far as possible be eliminated from the enquiry, and much of the defect is being removed by the close and strict supervision of the tahsildars and the sub-divisional officers. I am afraid distribution through co-operative societies or big landowners would have no lesser evils. The system of enquiry may also be more simplified, and it would be a great improvement if some agency is created for the education of the tenantry who should know how to secure such loans easily. The ignorance of the tenantry in this direction is a great handicap and the root cause I think of most of the evils. One suggestion I would make is to distribute *taqavi* for seed through the Agricultural department and in the form of seed only and not cash.

Question 6.—It is sometimes, though only very seldom, that tenants combine together to produce particular crops, *i.e.*, sugarcane. Such combination is desirable but requires some training of the advantages of joint cultivation, division of labour, etc., before this system is possible to come into vogue.

Question 7.—The present system of agricultural borrowing is very defective indeed. The poor borrower, ignorant and helpless as he is, is solely at the mercy of his moneylender who gets the borrower implicated in such a manner and has such a rate and time of interest that the borrower is hardly able to free himself from the cluches of his moneylender even in years of plenty. To remedy this evil there should be some strict legislation governing the maximum and minimum rates of interest and the time and period of its compounding. Expansion of co-operative movement, together with educative propaganda, would also remove the evil to a great extent.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The principal crops are brought to market through the local moneylender, the village *bania*, and, in some cases of big and well-to-do tenants, by tenants themselves.

Question 2.—The cultivator hardly gets any money from any source to finance the marketing of crops.

There are co-operative societies in this district but none helps in marketing the crop. It would no doubt be to the benefit of the cultivatior if co-operative societies help in the marketing of the crops.

Question 3.—There are no extra charges apparently in the case of marketing crops, but the moneylender takes grain at cheaper rate and also charges interest for his debt previously advanced. Some commission is given to the *arhatia*. The broker too takes something. The exact rate of commission to the broker and the commission agent varies with the quantity, quality and kind of grain and as agreed upon between the parties. The wholesale grain merchant takes almost nothing.

These charges vary with different crops.

Incidental charges are made for weighment, charity, *choudhari*, *ghariwan*, and the man who keeps fire for tobacco-smoking and the waterman in the market.

Question 4.—The cultivator stores his grain in *khattis*, in bags, and in *bhusa*.

In markets grain is usually stored in bags. The system of storing in bags is open to loss by rats and dampness of the air. It would be better if grain is stored in closed rooms with *bhusa* all round the grain.

Question 5.—Credit can be had on the security of stored grain.

Question 7.—In some cases some tenants of the village join to market certain crops, but such combination is only rare. Such a combination is desirable but can only be done by well-to-do persons.

Part C.—Extent and nature of agricultural indebtedness.

Question 2.—Professional moneylenders are the principal creditors of the agriculturists. The richer agriculturist lends to the poorer only to some extent.

MIRZA WALI BAKHT.

Question 3.—Land and the rights in land are passing from the hands of professional farmers into the hands of less efficient men who are generally of the *bania* and moneylender class.

This causes the cultivator to produce less or less efficiently.

Question 5.—There are several reasons for the indebtedness of the *zamindars*: (i) bad management of their estates, (ii) litigation, (iii) their own pride and vanity, (iv) immorality, (v) profligacy, (vi) expenses, in marriage and death ceremonies over and above their income, (vii) election contests, etc.

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

Question 1.—To some extent seed and implements are given on credit by the Government Agricultural department. Co-operative societies advance money for cattle, seed and implements, etc. The *bohra* or the professional moneylender gives money for all purposes, and grain for seed and eating purposes. Sometimes grain merchants too advance money to big agriculturists but take grain at the season at cheaper rates. Other agencies hardly contribute anything in providing agricultural credit.

The existing credit facilities are not adequate. There must be big banks, societies, or organisations that may undertake to dispose of the cultivator's produce at good rates and profitably, and at the same time be ready to advance money to the cultivator on low rates of interest.

Question 2.—The credit agencies mentioned above take almost no direct part in respect of the marketing of crops. The *bania* or the moneylender usually buys grain from the cultivator at cheaper rates and brings it to the market to sell at higher rates. No other agency gives any help to the cultivator in marketing.

Question 3.—With the exception of the Agricultural department and the co-operative societies, the former supplying seed and the other arranging for its payment, there seems no co-ordination between the various credit agencies.

There is scope for improvement in this direction.

Part E.—Land mortgage banks.

Question 1.—Long-term loans are obtainable on registered bonds and mortgage of land by the landowner class only.

The tenants do not usually get long-term loans.

Question 2.—Long-term loans are available only on good land security.

Long-term loans are difficult to obtain for several reasons: *firstly*, because the investor does not earn in the long run as much as he would have earned with short term loans; *secondly*, the investors are not usually willing to lock up their money for long terms unless they get very good and reliable security; *thirdly*, it is seldom that the terms of the agreement are kept and the interest regularly paid. The realization of long-term loans becomes difficult and expensive and the borrower too puts one obstacle or the other against its satisfaction.

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

Question 4.—The occupancy right serves as an adequate security for a period of at least five or six years.

Question 5.—The establishment of the proposed land mortgage banks would no doubt much improve the situation as regards long-term advances.

Question 6.—I think there should be separate banks for farmers and the *zamindars*.

The two should be different and independent organisations.

Land mortgage banks should have share capital, but to ensure greater safety and good guarantees Government should also subscribe. I think about one crore would do to begin with.

The share capital should be available to the public at large.

If it is not taken up by the public, Government should undertake the obligation of subscribing the balance.

The directors should be both from the officials and the public; at least one-third of the total number of directors should be bank experts and men of established reputation. Every shareholder should have some right of vote.

The maximum period of loans should be 30 or 35 years.

MIRZA WALI BAKHT.

Deposits, debentures and a central institute may be used to get the working capital of the bank.

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

The Government may take some debentures though not necessarily all.

I think the same measures as have been taken in America and Germany to safeguard Government against loss should be taken in India.

Some changes in the law in favour of land mortgage banks are suggested : Issue of certificates of encumbrances by the registration office, either free or at a nominal charge and notification of proposed mortgages. The latter is very essential in order to save the bank from all after-litigation.

Co-ordination of such banks under an all-India central institution would mean better machinery for supervision and control and would ensure better working and guarantee of the banks.

Question 7.—The basis of calculating the value of land should, I think, be land revenue which will be much safer and easier to work out. It may be from 8 to 12 times of land revenue and 3 to 5 times of rent, as the case may be, and according to the quality of the soil of the land in question.

The value of land differs according to the fertility of the soil and to its proximity or otherwise to the *abadi* of the village.

In the case of land obtained in sale by government auction for non-payment of revenue and that obtained by sale on a court decree, the prices are generally lower than that sold by private negotiation. Usually in auctions under the orders of the court, or in default of land revenue, the number of purchasers is small and the bid has to be closed in favour of the decree-holder or some well-to-do moneylender who can pay the amount of auction money all at once, while in sales by private negotiations the owner is at liberty to seek as many purchasers as possible and fetch a good price for his land.

The market value of land under normal conditions is 25 to 30 times the annual net yield.

Part G.—Small industries allied to agriculture.

Question 1.—There are dairy farms at Dayalbagh and Itaura; cotton-ginning and pressing factories at Firozabad and Jagaroo, tahsil Kiraoli; hand-spinning on a small scale is to be found in almost every village; flower growing is done on a sufficiently large scale in Agra tahsil.

Question 2.—Dayalbagh dairy farm is working on a big and good scale. Itaura farm is also working satisfactorily. Ginning factories mentioned above are also doing well.

Question 3.—The cultivator hardly gets any time during the year to engage himself in any other allied industry. Extension of irrigation means would be a good help to them.

Part H.—Small urban industries.

Question 1.—The cottage or art industries in my area are financed by local moneylenders generally.

The artisans get their supply of raw material and implements from big shopkeepers of the locality or neighbouring villages.

They sell their produce to big merchants in wholesale and in retail to individuals.

Middlemen and large dealers sometimes pay some money in advance and purchase their produce.

Question 2.—There are *karkhanas* for glass bangle-making in Firozabad, (ii) shoemaking and carpet factories of Agra, and (iii) tailoring and wood industry in different parts of the district.

(i) In the case of bangle-making of Firozabad there are usually no middlemen.—the manufacturers send their goods direct to merchants in almost all parts of India and the consumers buy bangles from their local merchants.

(ii) The relations between the *karkhana-wallas* and the workers is generally good in this district, but the workers and the apprentices have no stability nor any union of their own, like those in England or the big towns of Bombay and Ahmedabad in India, to protect the interests of the workers who are usually put out of employment without any previous notice at the will of the *karkhana-wallas* or as the demand decreases.

There is no tendency in these industries for the artisans to drift from their homes to small workshops, or *vice versâ*.

MIRZA WALI BAKHT.

Question 4.—Co-operative movement would certainly remedy sweating and exploitation to some extent at least.

Question 5.—An industrial bank would be a desirable method of improving the present system of financing small industries. I think it should be a joint-stock bank.

I think it should issue loans to both artisan societies and to individual artisans or firms.

Question 6.—Sales associations, dépôts or emporia can be of effective assistance in advertising and marketing art wares. I think they should be managed by some local well-to-do man who may have an interest in the trade, and financed by shares from different artisans or societies.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.—Encouragement of saving and investment habit.

Question 1.—The existing banking resources are post office savings banks, government banks, private banks, co-operative banks, indigenous banks, and the local *bohra* or moneylender.

They are not adequate.

I think additional capital of about five crores is required.

Question 2.—The existing means for encouraging the habits of saving and investment are post office savings banks. They do not provide full facilities to the public for the investment of their savings. They require improvement and extension.

Question 3.—To some extent the people invest in gold and silver, but this practice is now decreasing with the increase of banks and the spread of education.

Question 4.—Postal cash certificates are popular in big centres and with the educated classes only. Their popularity would be increased by revision of the rate of interest.

No interest on these certificates is given if the certificate is cashed within a year. This is rather discouraging.

Question 5.—Post office savings banks do not afford adequate facilities to the investing public.

Post office savings bank accounts should be opened in almost every big village.

Educated men in general, men in the service of Government or private individuals or estates in particular take advantage of the various facilities for investment offered by the post office.

To attract other classes I would suggest high rate of interest, education, propaganda through school teachers, co-operative societies and *patwaris*; and that the post office savings bank account should be within the easy reach of every big village.

Question 8.—It would promote the savings habit if public bodies like municipalities were to afford savings bank facilities to some extent at least among its employees. Investment in these banks may, I think, be limited to a maximum of Rs. 500 and a minimum of two annas.

Question 11.—In villages people generally invest their savings by lending to borrowers on interest or hoard them in the ground.

Question 12.—With their surplus funds farmers try to buy or mortgage some land or right in land or invest it on interest in the village.

They lend to fellow agriculturists.

The agriculturist generally lives from hand-to-mouth and has no chance of accumulating money over and above his expenses of the year and those of marriage, etc. With the decrease of fertility of soil, I think the capital of the agriculturist, if any, is decreasing.

Question 13.—In India the banking and investment habit is of very slow growth.

This is due to the poverty of the people in general, ignorance and want of banking facilities and extravagant customs of marriage and other social functions.

C.—Vernacular scripts in banking.

Question 1.—I think Urdu, the court language, may be used in banks. It would facilitate work and prove more convenient to the general public.

Question 2.—The present *sarafi* is known only to few. Persian, *i.e.*, Urdu character of the script, would be more generally accepted.

MIRZA WALI BAKHT.

Shaikh ALTAF HUSAIN, B.A., Sub-divisional Officer, Salon, district Rae Bareli.

Replies to the questionnaire.

I.—Agricultural Credit and Credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist borrows from Government at the time of distress, and from co-operative societies, but most of the villagers take money from village moneylenders and from *rastogis* who come from Lucknow, and some from *zamindars* and *taluqdars*.

In very few cases does the agriculturist borrow for repayment of earlier debts or payment of accumulated interest. Most of the persons borrow for marriage and other social functions and for famine and other kinds of distress. The cultivator borrows very seldom for payment of land revenue or rent, except at the time of famine. Seed he borrows at the time of the *rabi* crop. Agriculturists, especially of the intermediate class, incur debts for expenses of cultivation, for litigation and also for the purchase of cattle. For sinking wells they take *taqavi* from Government, and sometimes borrow from their *zamindars* and village moneylenders. Sometimes they are also obliged to take cash and grain for subsistence.

Ninety-five per cent. of the total debt is due to *mahajans*, and 5 per cent. to other lending agencies.

The proportion of debt is distributed as follows :—35 per cent. for marriages and death ceremonies, 15 per cent. for seed, etc., 30 per cent. for litigation, and 20 per cent. for subsistence.

Fifty per cent. of the debt is incurred for short periods and 50 per cent. for long periods.

Question 2.—The rates of interest for cash advances are—on an amount less than Rs. 20, 1-3 per cent. per mensem, on Rs. 20 and above, 2 per cent. per mensem and sometimes more. From *rastogis* Rs. 12 for every Rs. 10.

For loans in kind for seed, 1¼ and 1½ for one and sometimes both harvests.

For other loans in kind, 1¼ for one harvest.

Interest is calculated at simple and compound interest and recurring compound interest.

The rates of interest are very exorbitant.

Purchase of cloth from Punjab cloth merchants on credit eventually proves a heavy burden on the agriculturists.

Question 3.—The usual security in borrowing for agricultural purposes is land and groves, mortgage, standing crops, ornaments and personal security.

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

The comparative extent of indebtedness is landlords 90 per cent., tenants 80 per cent.

The amount of debt secured on land mortgage is increasing. It compares with unsecured debt or debt otherwise secured as 95 to 5 per cent.

Question 4.—The method of enforcing payment of debt from agriculturists is by lawsuits.

The cultivator borrows grain at high rates and repays at low rates. Markets are numerous and rates can easily be known.

Question 5.—Cultivators take full advantage of the Agriculturists Loans Act and the Land Improvement Act, but they do not always get good opportunities and may not get what they actually want. They go to bankers for seed, etc., but very few borrow for tanks and wells.

Shaikh Altaf Husain.

Question 7.—The present system of borrowing money from *banias* ruins the agriculturist, as they charge very high recurring compound interest. If the interest rate is fixed—say not more than 10 per cent. per annum simple interest—it would greatly help the agriculturist; also if *taqavi* loans are given more liberally to the tenants.

Part B.—Agricultural borrowing for purposes of marketing.

Question 3.—The local moneylenders, commission agents, the brokers and grain merchants generally realise three pies to six pies per rupee on the total amount of sales of grain, both from the cultivator who sells through him and from the purchaser.

There are no other incidental charges except the hire for the cart, horse, bullock or camel.

Question 4.—Generally speaking, the cultivators are very poor and sell off the grain to pay rent or debt. Very few store grain in their huts in earthen bins, mostly for daily consumption rather than for trade.

In the markets grain is stored by *banias* or other *beopari* in *kothis* and also in sacks.

Question 6.—The licensed warehouse system, so far as I can see, can be of little advantage to the agriculturists because they want money at the time when they bring grain to the market and cannot wait. They want money either to pay rent of the land to the *zamindar* or to pay off their debts to the *mahajan*.

If Government can arrange to make cash payments at the time when the grain is brought to the market, the warehouse system would be useful to the agriculturist.

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

Question 1.—The Government distributes *taqavi* where necessary, particularly at the time of distress, on account of shortage of grain, and the co-operative banks help the agriculturists because the agriculturists mostly are members of such co-operative banks; but the greatest part in this respect is taken by petty and professional moneylenders in villages, and in some cases by big *zamindars* and *taluqdars*, as well as by grain merchants.

The existing credit facilities are inadequate, except perhaps the co-operative banks.

Part E.—Land mortage banks.

Question 1.—Landlords generally get loans for long periods, not less than three to ten years, and sometimes for longer periods.

Tenants of various kinds take loans generally for periods varying from six months to two years.

Question 2.—For landlords, for long-term advances, the security is land; for tenants, gold and silver ornaments.

The special difficulties of long-term borrowers are the high rates of interest.

Question 4.—Sometimes the occupancy right serves as an adequate security for long-term credit.

Question 5.—The Jhang (Punjab) Co-operative Mortgage Bank system will solve the problem of long-term advances in this province, I believe.

Question 6.—In my opinion there should be two such banks, one for landowners and the other for farmers.

If both the banks work together and co-operate jointly, I see no harm.

They should have share capital of their own and a government guarantee as well.

The share capital should be available to landowners and the public. If the share capital is not taken up by the public, the Government should undertake the obligation.

The share-holders and Government jointly can select directors, and those who purchase more shares may be selected as directors.

The maximum period of the loans advanced, and the margin between the amount of loans and the value of mortgage should be as in the Jhang (Punjab) Co-operative Rules.

The bank should obtain working capital from (i) deposits, (ii) debentures and (iii) a central institution.

Debentures should carry a government guarantee for both principal and interest. If debentures are not taken up by the public, Government should take up the balance, but after giving sufficient time when the Jhang system fails. Debentures should rank as trustee securities.

To safeguard itself against loss, Government can mortgage landed property.

Issue of certificates of encumbrances by the registration office should be at a nominal charge, and power to manage defaulting estates should be given.

Question 7.—The value of land should be calculated on total net savings or income, *i.e.*, after payment of government revenue.

In the prices by which land is obtained in sale by government auction for non-payment of revenue and by sale on a court decree there are sometimes great differences. Prices by private negotiation are always much higher.

III.—Investment habit and attraction of capital.

A.—Encouragement of saving and investment habit.

Question 1.—The existing banking resources are as follows :—

Local *banias* of the village or city, petty moneylenders, *rastogis* from Lucknow, touring Afghans and Punjabis, co-operative societies, banks, and Government *taqavi* loan.

These are adequate, but more *taqavi* should be advanced.

Question 2.—The existing means or institutions for encouraging the habits of saving and investment are Post Office savings banks, cash certificates, co-operative societies and a branch of the Allahabad Bank, Limited, Rae Bareli.

They provide full facilities to the public for the investment of their savings, but the cultivators are so poor that they can hardly save to invest.

More co-operative societies are required.

Question 3.—Usually females invest in gold and silver ornaments.

Question 11.—Agriculturists cannot save at all; others deposit money in the post office savings bank or in the Allahabad Bank. Sometimes money is kept reserved for emergencies which may occur in the course of business.

The surplus money is used in trade or for ceremonial purposes, or for litigation or making ornaments.

Question 12.—There are a few farmers in this district who generally spend their surplus money in payment of their debts or in improving their farms.

There are very few farmers who lend to fellow agriculturists. If any lend money to fellow agriculturists his terms are about the same as of village moneylenders or grain dealers.

I believe that the amount of capital in the possession of the agricultural population is decreasing.

Question 13.—I agree with the view that in India the banking and investment habit is of very slow growth. This is because Indians in the villages are mostly agriculturists. Their income does not meet their requirements. The old habit of investing in gold and silver ornaments still continues in case of those who can save.

B.—Cheque habit.

Question 1.—The cheque habit is growing amongst the educated classes in particular.

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

Question 3.—Government officials, big merchants, members of the legal profession, literate *zamindars*, and landowners use cheques.

Question 4.—Payment of government servants, bank employees, and payment of other dues of Government by cheques, will certainly promote the cheque habit, but I would restrict it to accounts exceeding Rs. 100.

Cheque accounts if opened by post offices will certainly improve the cheque habit, especially where such facility does not exist, but no cheque of less than Rs. 10 should be issued.

C.—Vernacular scripts in banking.

I would insist on Nagri or Persian script, whichever is common in the locality.

Shaikh Altaf Husain.

Pandit CHANDRA DHAR JAYAL, B.Sc., LL.B., Deputy Collector, Lansdowne, district Garhwal.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist in this sub-division borrows from village moneylenders, except the residents of Kotdwara Bhabar who also borrow from co-operative societies.

The purposes for which he borrows and the distribution of the debt between such purposes are given below—

(i) Repayment of earlier debts	10 per cent.
(ii) Payment of accumulated interest	10 ,,
(iii) Marriage and other social functions	15 ,,
(iv) Famine and other kinds of distress	10 ,,
(v) Litigation	30 ,,
(vi) Purchase of plough or other cattle	10 ,,
(vii) Agricultural improvements	5 ,,
(viii) Subsistence	10 ,,

The proportion of debt divided between the various classes of lending agencies is—

Village moneylenders, 80 per cent.

Co-operative societies, 10 per cent.

Other agencies, 10 per cent.

Of the total debt 80 per cent. is incurred in cash and 20 per cent. in grain.

Eighty per cent. of the debt is incurred for long periods and 20 per cent. for short periods.

Question 2.—The general rate of interest for cash advances is 12 per cent. per annum and seldom 25 per cent. per annum.

For loans in kind it is 12 per cent.

In some parts the rates of interest are exorbitant.

An incidental charge is that moneylenders invariably take 20 per cent. at the time of advancing the loan.

Question 3.—The usual kind of security given and accepted is land mortgage. The amount of debt secured on land mortgage is increasing.

Question 4.—Payments of debt are made out of court, but in a few cases the payment is enforced through it.

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

He considers that he has more facilities in borrowing from village moneylenders.

Mr. LAL BIRENDRA PARTAB SAHI, M.A., B.Sc., LL.B., Deputy Collector, Benares.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist borrows mostly from the village moneylenders : the Government grants *taqavi* only, and the co-operative societies do little business. They exist more on paper than in fact and are mostly in a rotten condition.

The purposes for which the agriculturist usually borrows are—

(i) marriage and other social functions,
(ii) payment of land revenue and rent,
(iii) purchase of plough or other cattle,
(iv) seed,—

and, of course, at times when there is famine or other kind of distress, for his subsistence too, the margin of safety being very low.

Practically the whole of the borrowing is from the village moneylenders.

The debt in grain is taken generally for seed only. Such loans and that taken for paying rent are generally for short periods and are repaid usually at the harvest time.

Question 2.—The usual rate of interest now is 24 per cent. per annum for cash advances; in some cases it exceeds this rate, while only in exceptional cases is it lower. For loans in kind *sawai* usually, and in some cases *deorha*, is charged, but the latter is not usual. It means that if one maund of grain is advanced at the time of the sowing season, the agriculturist will pay 1½ maund of the same grain when the crop is ready and has been harvested. The rates are certainly excessive in my opinion.

Question 3.—Land mortgage is the general security offered and accepted; in some cases ornaments are given. So far as the petty landlords are concerned the better the title to land, the greater the indebtedness. As to the extent of the indebtedness of the various classes of landlords and tenants, I cannot give any accurate statistics, but there is little doubt that all these classes are mostly indebted and the indebtedness is usually heavy. I of course do not include in this the large landowners whose position in this respect is certainly better.

Question 5.—The cultivator does want to take full advantage of the facilities provided by the Agriculturists Loans Act, though there is not much demand under the Land Improvement Act. He does borrow *taqavi* and always wants more than he gets because the amount allotted falls short of his total demand. This applies to *taqavi* for seed, cattle and agricultural implements. As for *taqavi* for building tanks and wells the demand is little but it is increasing. The reason why he does not avail himself of the *taqavi* for building tanks and wells, etc., is that these require large sums of money, and he is not sure that the outturn would justify this investment of capital in the land, and his conservative instincts teach him not to take risks in the matter and to follow the path chalked out by his forefathers. Some enlightened and educated landowners are however beginning to take advantage of the facilities provided under the Land Improvement Act also.

The present *taqavi* system is too rigid, and the fact that the staff for collecting the dues vie with one another to make the realizations full and complete, whatever the financial condition of the borrowers may be, make the system too stringent, and in some case it makes the agriculturist afraid of *taqavi* borrowing and he prefers his

moneylender from whom he gets much more considerate treatment in this respect. In some cases the agriculturists have to borrow money from the village moneylenders to meet the incessant demands of the tahsil collecting staff for the *taqavi* dues and which they, on account of certain private reasons, are personally unable to pay. Some relaxation in this respect is badly needed. Secondly, the allotments made under the Agriculturists Loans Act much be increased a good deal because the amount allotted usually falls short of the total demand.

In abnormal years the demand for *taqavi* is considerably more than in normal years, and the increase in the demand varies with the extent of the distress caused. The margin of safety is so small that failure of either harvest, *kharif* or *rabi*, puts the whole agricultural machinery out of gear.

Question 6.—I am not aware of any combination for producing crops, nor do I consider such combination practicable at present when the percentage of illiteracy among the masses is so heavy.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—Generally the cultivator sells his produce to the village *bania* at the best rate that he can get. The marketing methods do not vary with the crops.

Question 2.—It is the village *bania* only with whom the cultivator usually deals as regards the marketing of his crops. I am not aware of their usual business terms.

Co-operative societies generally do not, so far as I am aware, assist in the marketing of crops. They can certainly be of much use to the cultivators in this direction, but having regard to the present condition of these societies, and the standard of education of the average member, I do not think that for some time to come co-operation is going to be a benefactor in India. Hardly one per cent. of the members really know what co-operation stands for.

Question 4.—There are three systems of storing grain—

(1) *Garh* system. In this the grain is kept in pits on which straw had been spread.
(2) *Khatti* system. It is well known and requires no explanation.
(3) *Bakhar* system. In this compartments are provided for keeping grain.

There can be numerous suggestions for improvement, but all of them are sure to be rejected by the cultivators because they are all costly methods and the cultivator is too poor to afford these. Having regard to all the facts I think that the second method of storing the grain serves his purpose fairly all right.

Question 6.—I think the idea of licensed warehouses as in the United States of America is good. It can be worked with government assistance, though the cultivator's ignorance and conservatism will act as a great handicap in the matter.

Question 7.—I am not aware of any instance of combination for marketing crops. This can best be done through co-operation, but it will take time because of the cultivator's ignorance.

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

Question 1.—The only part played by the Government in providing agricultural credit is the granting of *taqavi*, but this affects only a small proportion of the agricultural population. The rest of the financing is done mainly by the village moneylenders and the bank—generally the same person—to a very small extent. Co-operative societies assist where they exist.

The most serious defect about the present system is that the cultivator gets money at a very high rate of interest, being at the mercy of the village moneylender who takes full advantage of his position to the detriment of the cultivator and is closely akin to Shakespeare's Shylock. The provision of cheap credit to the agriculturist is his chief requirement.

Part E.—Land mortage banks.

Question 1.—So far as the landlords are concerned there is no difficulty in securing loans for long or short periods, provided they have got land of sufficient value to give as security. I must, however, say that the rate of interest in their case too

is very high because the village moneylender has no competition in the field, for the banks refuse to accept land as security for advancing loans for the very good reason that their assets must be liquid and such as may be converted into money quickly, and this is not possible in the case of land. Hence the necessity for land mortage banks which I expect will be a real boon to the landlords, and specially to small landlords, because this is the only security that they can offer.

As regards fixed-rate tenants and permanent tenure-holders the position is much the same as in the case of small landlords, but these form a very negligible portion of the village community. The rights of these tenants are non-transferable, and they render themselves liable to ejectment by the landlord if they mortgage or sell their tenancies. So far as they are concerned, land mortgage banks even cannot solve the problem because they cannot mortgage their lands. It is difficult for them to get long-term loans and they have often to pledge their ornaments, etc., to get loans.

Question 2.—Long-period advances are secured generally on land.

Question 3.—Non-transferability of tenure certainly does act as an impediment to a tenant to secure long-term credit, but, as I have pointed out above, the rate of interest is unusually high even in case of landlords.

Question 4.—An occupancy right does not serve as any security whatsoever for long-term credit because the tenant renders himself liable to ejectment if he mortgages his tenancy. Formerly the practice of mortgaging occupancy rights was very prevalent, and tenants were able to get loans on the security of their tenancies, but this is steadily decreasing as the people are realizing—sometimes after bitter experience—that tenancies are not transferable and the tenant himself becomes liable to ejectment by making a transfer.

I am not prepared to suggest any modification in the law because it is likely that if such transfers are allowed, the tenancies will go into the hands of non-agricultural classes to the detriment of the interests of the country as a whole. In case of transferable tenancies the tendency in this direction is quite perceptible. Some other method of providing cheap credit to these tenants must be devised. What method should be devised is a matter for experts to meditate upon.

Question 5.—The establishment of a land mortgage bank would certainly solve the problem of long-term advances so far as the landlords and tenants having transferable rights in their tenancies are concerned. It would however leave a large bulk of the agricultural population of this province unaffected.

Part G.—Small industries allied to agriculture.

Question 1.—There is no industry of any importance of subsidiary nature except probably *gur*-making and growth of tobacco, and vegetable and flower-growing in the vicinity of the city.

Question 2.—Probably the best subsidiary industry for a farmer in this country is hand-spinning and hand-weaving during the off-season. Co-operation offers the best scope for furnishing working capital.

MR. LAL BIRENDRA PARTAB SAHI.

Mr. HARISH CHAND VARMA, Deputy Collector, Basti.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—Generally agriculturists borrow money from village moneylenders in this district, and in times of scarcity from Government. There are a few co-operative societies in the district which lend money to their members only.

The purposes for which agriculturists borrow the distribution of the debt among such purposes are given below:—

(1) Repayment of earlier debt	19 per cent.
(2) Marriage and other social functions	8 ,,
(3) Famine and other kind of distress	19 ,,
(4) Papments of land revenue and rent	19 ,,
(5) Seed	19 ,,
(6) Litigation	8 ,,
(7) Purchase of cattle	8 ,,

Ninety-five per cent. of the debt is due to village moneylenders and 5 per cent. to Government. Seventy-five per cent. of the debt is incurred in cash and 25 per cent. in grain; and seventy-five per cent. for long periods and 25 per cent. for short periods.

Question 2.—The following rates of interest are charged:—

(i) For cash advances, 25 per cent.

(ii) For loans in kind for seed, 25 per cent.

(iii) For other loans in kind, 25 per cent.

The interest is compound and is calculated yearly.

In my opinion the rates of interest are exorbitant.

Question 3.—The kinds of security usually given and accepted are land mortgages and ornaments.

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

The comparative extent of indebtedness is *zamindars* 75 per cent. and tenants 25 per cent.

The amount of debt secured on land mortgage is increasing.

Question 4.—Agriculturists pay their debts from agricultural produce as well as from landed property.

They borrow grain at a less rate than prevails in the market and repay it at higher rates than the prevailing market rate. The prevailing rate is ascertained from the neighbouring market.

Question 5.—The cultivator does not take full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act. The reason is the difficulties in obtaining it and also the punctuality of its repayment.

The agriculturist borrows 10/16 *taqavi* in abnormal years, and 1/16 in ordinary years.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The local grain dealers bring the principal crops to market on horses, bullocks and carts, and when the market is on the river, the grains are brought by boat also.

Generally, the crops which are sown for domestic purposes are sold in the market. There are only a few crops which are sown for selling in the market such as linseed, oil-seed, and sugarcane, etc., but they too are used for domestic purposes.

Question 2.—The money to finance the marketing of crops is obtained from grain merchants and also from exporting firms. They lend money on condition of being repaid in grain at the cheapest rate. The co-operative societies do not assist in the marketing of crops. I do not think that they should do this.

Question 3.—In the case of marketing his crops the cultivator pays :—

(i) the *bania*, 2½ seers per cart.
(ii) the *arhatia*, Re. 1 per Rs. 100 worth of produce.
(iii) the *dalal*, 2 seers per cart.
(iv) the *beopari*, 2½ seers per cart.

These charges differ with various crops, but the value is the same.

There are some incidental charges on behalf of the master of the market.

Question 4.—The village moneylender realizes debts through servants if he is well-In markets grain is stored in *boras*.

Question 6.—The system of licensed warehouses can be established where there is a big business centre.

There would be need of Government assistance in the matter.

Question 7.—Cultivators do not combine together to market particular crops, but combination is desirable.

Rai Sahib PANDIT CHANDRA BALI RAI, M. A., B. Sc., Sub-Divisional Officer, Mahoba, district Hamirpur.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—THE agriculturists of Mahoba pargana borrow from Government, co-operative societies, and village moneylenders.

The purposes for which they borrow and the proportion of the debt distributed among the various purposes are shown below—

(i) Repayment of earlier debts	1 anna.
(ii) Payment of accumulated interest	3 annas.
(iii) Marriage and other social functions	4 ,,
(iv) Famine and other kinds of distress	1 anna
(v) Payment of land revenue or rent	¼ ,,
(vi) Seed	½ ,,
(vii) Litigation	¼ ,,
(ix) Purchase of plough or other cattle	1 ,,
(x) Sinking of wells	1 ,,
(xi) Building of tanks	3 annas.
(xii) Subsistence	1 anna.

The proportion of debt is divided between—
Government, 1 anna.
Co-operative societies, 3 annas.
Village moneylenders, 12 annas.

Nine annas of the debt is incurred in cash and 7 annas in grain. The proportion of long and short period loans is the same.

Question 2.—The rates of interest of cash advances vary from 12 annas to Re. 1-8 per cent. per month.

For loans in kind for seed, *sawai* after six months.

For other loans in kind, *sawai* after a year.

Rates for cash advances and for other loans in kind are calculated annually and for loans in kind for seed every six months.

The rates of interest are not in my opinion exorbitant.

Question 3.—The kinds of security usually given and accepted are land mortgage, ornaments, house property, trees and cattle.

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

Sixty per cent. of landlords, 60 per cent. of occupancy tenants and 80 per cent. of tenants-at-will are indebted.

The amount of debt secured on land mortgage is stationary owing to the Bundelkhand Land Alienation Act. The amount of debt otherwise secured is increasing up to the limit of the property secured.

The amount of unsecured debt is stationary.

Question 4.—The village moneylender realizes debts through servants if he is well-to-do; otherwise he goes to the spot himself. He is obliged to go to law courts if the property offered is less in value than 75 per cent. of the principal and the interest.

Question 5.—The cultivator takes full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act.

He borrows 25 per cent. more *taqavi* in abnormal than in normal years.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The small cultivator brings his crops on his head to the market. The village *bania* brings his local purchases on pack ponies or bullocks and buffaloes to the market. The small *bania* of the market called *phutkariha* goes alone in the village and brings his purchases on hired pack ponies, etc., to the market. The substantial cultivator brings his crops on his own bullock carts to the market. The substantial *bania* of Mahoba, called *thokwalah*, goes about in villages and brings his purchases in hired carts.

Question 2.—The *phutkariha* borrows from the grain merchant at 2 per cent. per month on a week's credit, and the *thokwalah* at 12 annas to Re. 1 per month on a month's credit.

Question 3.—In the case of marketing his crop the cultivator pays one-fourth of a seer per maund to the *bania*; one-eighth of a seer per maund to the *arhatia*, and one-eighth of a seer per maund to the *beopari*.

There is a *dharmada* charge of 2 seers per cart-load for paying three local temples, mosque, a local priest, a *goshala*, a *sweeper*, a *kahar*, and a *chaukidar*.

Question 4.—The cultivator stores his grain in *kothas* and *baudas*.

In markets grain is stored in *kothas*. There are no defects in the system. They are carefully closed.

Question 6.—I think a system of licensed warehouses could be worked in India. There would be need of Government assistance in the matter.

Maulvi MUHAMMAD IQBAL AHMAD KHAN, B.A., Sub-Divisional Officer, Lakhimpur, District Kheri.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist in my district borrows from Government, village moneylenders and the co-operative societies wherever they exist.

He borrows for seed, purchase of plough and cattle, and sometimes for labour, to the extent of 40 per cent. 50 per cent. and 10 per cent. respectively.

The debt is owed to the lending agencies in the following proportion—village moneylenders, 60 per cent., Government, 30 per cent., and co-operative societies, 10 per cent.

Seventy per cent. is incurred in cash and 30 per cent. in grain; while 50 per cent. (cash) is incurred for long periods and 50 per cent. (grain and partly cash) for short periods.

Question 2.—For cash advances the rate of interest is one anna three pies per rupee monthly, and in the case of loans of Rs. 50 and above it is Rs. 3 per cent. per month in the case of moneylenders, Rs. 7-8 per cent. per annum in the case of Government and Rs. 15 per cent. per annum in the case of co-operative societies.

For loans in kind for seed *deohra*, i.e., 50 per cent. for six months, is usual; and for other loans in kind a little more than *deohra*, say about 70 per cent. for six months, is charged.

Interest for the period agreed upon is calculated as above; after that compound interest at the same rate is levied, except in the case of government loans when the interest is simple.

The village moneylenders' rates are exorbitant.

Question 3.—The security usually given and accepted is, in the case of the village moneylenders, standing crops; Government loans, joint responsibility on land mortgage; and co-operative societies, joint responsibility.

It is correct in the case of land mortgage security to say that the better the title to land the greater the amount of indebtedness.

The comparative indebtedness of the various classes is landlords, 25 per cent.: under-proprietors, 10 per cent.; exproprietary tenants, 15 per cent.; ordinary tenants 50 per cent.

The amount of debt secured on land mortgage is increasing; unsecured debt is decreasing.

Question 4.—The village moneylender realizes his debts himself or through his agent. Government loans are realised by its staff.

The cultivator borrows at the prevailing local rate and repays at that rate, irrespective of the rate prevailing at the time of repayment.

Question 5.—The cultivator takes full advantage of the facilities offered by the Agriculturists Loans Act, but not in the case of the Land Improvement Act—because the loans under the former Act are petty, while advances under the latter are necessarily for large amounts.

The defect in the present *taqavi* system is that advances are made in money: *taqavi* should be in kind.

Question 7.—The defect in the present system of agricultural borrowing is that the cultivator has an unchecked tendency to spend the money advanced on items other than agricultural needs; this should be checked.

MAULVI MUHAMMAD IQBAL AHMAD KHAN.

Part B.—Agricultural borrowing for purposes of marketing.

Question 2.—The cultivator does not require money for marketing purposes; and assistance from co-operative societies is not necessary.

Question 3.—The cultivator pays for marketing his crop—

(1) To the *bania*, at the rate agreed upon, say Rs. 2 per cent. per month.

(2) To the *arhatia*, 1½ pies per rupee.

There are other incidental charges also, viz. :—

(i) Municipal *chungi*	4 annas per cent,
(ii) *Gaushala* fund	6 ,,
(iii) *Taulai*	1½ pies per rupee,
(iv) *Palledars*	2 seers per cart.
(v) *Kahars*	8 chattaks per cart.
(vi) *Chamaria* (known as *chhit*)	4 ,,
(vii) Sweeper	8 ,,
(viii) *Chokra* (who puts grain in the weighing scale ..	4 ,,
(ix) *Baba Siwa Das* (*chungi*)	8 ,,
(x) *Goshain Baba* (*chungi*)	4 ,,
(xi) *Bari*	¼ ,,

Question 4.—The cultivator stores his grain in *kuthias*. No improvement is needed in this district.

In the markets grain is stored in gunny bags one upon the other in godowns, subject to ravages by mice and fire. Underground pacca godowns are needed.

Question 6.—It is advisable to establish independent warehouses with proper supervision and control in India to improve the credit facilities of the country.

Question 7.—I know of no instances where cultivators combine to market particular crops. Such combination is neither possible nor desirable.

Question 8.—Weighment is done by the cultivators themselves at the houses and then at the market by *taulas* who charge half a pice per rupee worth of grain. The system is satisfactory.

Question 9.—Speculative dealings in agricultural produce by traders is negligible.

Part C.—Extent and nature of agricultural indebtedness.

Question 2.—The principal creditors of the agriculturists are moneylenders and grain dealers. Richer agriculturists lend to the poorer to an insignificant extent.

Question 5.—The indebtedness of the landowning classes is due to indifference and extravagance coupled with a general increase in wants.

Question 6.—The landowning classes have to pay in respect of their borrowings exorbitant rates of interest and special charges, such as commission, etc.

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

Question 1.—In 1928-29 co-operative societies advanced Rs. 27,002 as under :—

	Rs.	a.	p.
(i) For purchase of seed	2,360	4	0
(ii) ,, other needs of cultivation	261	4	0
(iii) ,, trade	1,898	12	0
(iv) ,, cattle	5,784	8	0
(v) ,, payment of old debts	2,344	4	0
(vi) ,, marriage	797	8	0
(vii) ,, payment of rent	11,839	0	0
(viii) ,, subsistence	536	0	0
(ix) ,, other needs	1,180	8	0

The existing credit facilities are adequate as far as the co-operative bank is concerned.

MAULVI MUHAMMAD IQBAL AHMAD KHAN.

Part F.—Co-operation.

Question 1.—No direct relationship exists between a co-operative bank and any other banks beyond depositing their surplus balances in them and in a few cases by opening a cash credit account with them.

There is no competition between the co-operative banks and the joint-stock banks.

Question 2.—Co-operative societies have no special difficulties in raising either short or long-term capital.

Question 3.—The amount of capital available for financing the co-operative movement is more than sufficient.

Question 4.—Financial concessions are likely to help a good deal in stimulating the growth of the co-operative movement, and if such action is possible, it is desirable.

Question 5.—The establishment of the provincial co-operative bank would be a great help in regulating the idle balances of co-operative banks in the province.

Part G.—Small industries allied to agriculture.

Question 1.—There is a sugar factory at Khameria, thana Nigharan, and a cattle farm with dairy at Munjhra, thana Lakhimpur.

Question 2.—The sugar factory at Khameria is heavily in debt. The cattle farm is doing well.

Question 3.—During the off-season, a farmer can profitably attend to cattle breeding, the working capital for such enterprise being obtained from co-operative loans.

Part H.—Small urban industries.

Question 1.—The cottage or art industries are financed mostly by the local *mahajans* and in a few instances by co-operative societies.

Artisans get their raw materials and implements by exchanging broken and useless utensils, and from Bombay in the case of the co-operative society. The Dreyfus Brass Society Ltd., Oel, purchased raw material from Bombay worth Rs. 20,212 and exchanged for Rs. 15,000-13-6. Small workers get the supply from the local dealers.

In the case of the society the wares are purchased and sold to consumers.

Question 4.—There is the Dreyfus Brass Workers Co-operative Society Ltd., Oel. It supplies raw material to the members and disposes of their finished products. It is financed by the co-operative bank so far. The rest of the capital has been raised by members themselves in the shape of deposits and shares.

Question 6.—I think that sales associations, depots or emporia can be of effective assistance in advertising and marketing art wares. They can be financed by a provincial bank and should be helped by Government if necessary.

II.—INDIGENOUS BANKING.

G.—*Consolidation of indigenous banks.*

Question 2A.—It is desirable to set up a class of licensed moneylenders, but success is not sure. Their lending should be restricted to production purposes only.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.—*Encouragement of saving and investment habit.*

Question 1.—The banking resources of the district consist of two co-operative banks, one at Kheri and the other at Gola. They are adequate under the present circumstances.

Question 2.—The existing means for encouraging the habits of saving and investment are co-operative societies and post office savings banks.

Co-operative societies provide facilities to the public for the investment of their savings but so far non-members have abstained from making deposits.

MAULVI MUHAMMAD IQBAL AHMAD KHAN.

Question 4.—Postal cash certificates are little known in rural areas.

To encourage their popularity the rate of interest should be increased, and the term of issue shortened.

Question 4A.—India is too backward a country for a movement similar to the national savings movement in England, at present.

Question 5,—Post Office savings banks afford adequate facilities to the investing public, which are taken advantage of by the educated classes in cities. Other classes will be attracted by raising the rate of interest, shortening the term of issue and wide publication.

Question 13.—The allegation that in India the banking and investment habit is of very slow growth is true. I attribute it to want of education. Propaganda by Government will be of use.

MAULVI MUHAMMAD IQBAL AHMAD KHAN.

Pandit LACHHMI DAT JOSHI, B.A., Sub-Divisional Officer, Chamoli, district Garhwal.

Memorandum on trade with Nepal.

TRADE is done by the Garhwal district with Tibet only, and not with Nepal.

It is done *vid* passes Mana and Niti.

Vid Niti are two *mandis*—(1) Dava (for which Nabra is being substitued since last year) in Tibet, and (2) Hoti in British India. The former is in use. Hoti is used only when Bhotias are not allowed to enter Tibet owing to prevalence of any epidemic.

Vid Mana is mandi Tholing Math (Ling in Tibetan language) in Tibet.

Rice, *atta*, barley and other grains are taken into Tibet by Bhotias of British territory, and salt, wool and *sohag* obtained in barter. Salt or wool is sold in Garhwal and *sohag* in Ramnagar, district Naini Tal. Cloth is taken by Bhotias from the plains and Bengal into Tibet. In the case of cloth Tibetans do not barter but pay cash in a coin called *nago tang*, now-a-days valued at two annas. It is of silver, but sometimes copper is found inside. It is of an 8-anna bit size and round like it, but much thinner. Tibetans do not like their own coin and much prefer the British India rupee which they take eagerly. Bhotias have some difficulty in disposing of Tibetan coin there and have to undergo some loss.

Re. 1 per cent. per month interest is usually charged. But British India Bhotias are seldom debtors, and mostly creditors.

The tax levied by Tibetan officials is excessive. At Mana one load is taken for each ten loads taken to Tibet : at Niti two loads for the first time going and one load for each successive going in the year. Barley loads are taken usually as tax.

Each party writes an agreement to the other promising to pay money in case of breach of faith or dealings with others than the contracting parties called *mitra*. Breaches of faith are not known to occur. *Mitras* are sold. Sometimes Garhwalis, too, trade indirectly through Bhotias and obtain *mitras* from them by purchase.

Tibetan officials impose heavy fines on everyone (British India traders included) for trespass by cattle, a number of coins for each footstep.

PANDIT LACHHMI DAT JOSHI.

Khan Bahadur Saiyid ABU MUHAMMAD, M.A., Provincial Civil Service, United Provinces.

Memorandum regarding the causes of Muslim indebtedness in the United Provinces.

1. The main reason for the growing poverty of the Muslims in these provinces is their high cost of living as compared with other communities. The Muslim has not adjusted himself to changed circumstances and still adheres to the habits and ways which characterized him during the decadence of Muslim rule in India. He is by temperament reckless and believes in the old Persian saying—

Kársáz i má bafikre kar i mást

Fikr i ma darkár i má ázár i mást :

(God is always busy and concerned in our well-being, so for us to wear ourselves out by cares is folly),

rather than in the mandate in the Quran—

Laisa lil insána

Illa má sa á :

(Man gets nothing unless he exerts himself).

His mode of life, even at a moderate rate, is more expensive than that of the Hindu owing to his meat diet and his craze for hospitality. The popular belief is that God's angels do not descend into a home where there are no guests. Apart from the usual high living, the expenses during the *Ramzan* (month of fasting) are enormous, as in that month feasting is done on even a more lavish scale.

2. A Muslim when in need of money never hesitates to borrow at usurious rates. His sole concern is the fulfilment of his immediate requirements. He shuts his eyes to the dire consequences which follow. While he is always ready to pay interest, his brethren, more favourably placed, refuse to lend money on interest. Capital is thus rendered useless and Muslims cannot take their due share in the trade of the province.

3. In rural areas, unlike other communities, Muslim women do practically no work. Even in the eastern districts where there is a large population of non-Muslims who are generally people of low castes converted to Islam, and where Muslim women may be seen about in the fields in a state of semi-purdah, they do not actually help in the cultivation, but go to the fields either with meals for their male relations or to collect green herbage to be cooked with their food. In the western districts, the Muslim woman in rural area is still more idle, and even a Muslim male tenant would sooner employ labourers to work for him than toil hard himself like the Ahirs and Jats.

4. Amidst other circumstances, the law of inheritance also seriously affects adversely the financial position of the Muslim community. Amongst Hindus, widows have merely a life interest, daughters get nothing and the estate is managed generally by a *karta* or head of the family; while amongst Muslims the division of property is inevitable and usually results in breaking small estates into small bits which are not worth keeping. Quarrels among step-brothers and step-sisters, wives and concubines are more common than in other communities. In consequence there is litigation and breaches of peace resulting in costs out of all proportion to the actual value of the property involved.

5. There are many occupations which the Muslim will not avail of, simply because he considers them derogatory, unless he happens to be born into a trade. Even then his earnings are more apt to be squandered than not, with the result that he gets into debt, and even the best skilled artisan actually loses on his work because of the interest with which he is burdened. I made a study of the brassware artisans at Moradabad, of carpet weavers at Mirzapur, of silk and brocade workers in Benares and of the cloth weavers in Mhow in the Azamgarh district. Everywhere I found that the skilled artisan is without money, though apparently he seems to be living very well.

KHAN BAHADUR SAIYID ABU MUHAMMAD.

6. I have also studied the condition of Muslim government servants in the offices, both in urban and rural areas, and I have been struck by the outstanding fact that a Muslim official will not live within means and will not pay due attention to the growing needs of his family: *e.g.*, education of his children. He is utterly oblivious of the fact that in his case a time is sure to come when on retirement his income will be practically halved. Generally speaking, therefore, the lot of a government servant is a hard one and he has to a great extent to thank himself for it.

7. The growth of communal feeling in recent years is also responsible for the non-employment of Muslims in capacities such as *karindas*, *sipahis* and *chaukidars* in the service of Hindu landowners and moneylenders who now prefer to employ their own co-religionists. The same feeling is also noticeable in villages where Musalmans and Hindus owned land in partnership, and the result is increased criminal and civil litigation which ultimately leads to the alienation of small shares in properties owned by Muslims.

8. Before concluding this note I must add that the number of unearning members in a Muslim family is larger than in other communities. These are a great drain on the resources of the family to which they belong and help greatly in impoverishing the general position.

KHAN BAHADUR SAIYID ABU MUHAMMAD.

Khan Bahadur Saiyid AIN-UD-DIN, B.A., Provincial Civil Service, United Provinces.

Memorandum regarding the causes of Muslim indebtedness in the United Provinces.

I HAVE been asked to prepare a note on the causes of Muslim indebtedness. I am afraid I am not competent to deal with a question like this, because I am utterly ignorant of the economical questions. Nor am I familiar with the general ecomonic conditions prevailing in this country, or for the matter of that, in any other country. My note will, therefore, be based not upon any statistics, but upon the result of experience gained as an official coming into daily contact with different classes of people during the past 22 years.

2. My own impression is that the Muslims as a class do not realise the value of money. They are not conscious of that feeling of satisfaction which one must entertain when he is able to set apart some money for the rainy day. The mode of living of an average Muslim is generally higher than what his income justifies. He is ignorant of or indifferent to the primary rule that one should balance his expenditure with his income. He is incapable of differentiating between avoidable and unavoidable expenditure, and his general beliéf is that any expenditure over and above the income should ordinarily be met by borrowing without regard to the means by which the debt can be paid.

3. The principle underlying the Muslim law of inheritance is undoubtedly based on justice and equity, but somehow or other its working in modern time has indirectly been the cause of Muslim poverty. I do not blame the law, but I certainly think that the indiosyncrasies of Muslims have helped in creating a doubt in the minds of non-Muslims that there is something radically wrong in the Muslim law of inheritance. If in a Muslim family the father enjoyed the income of one thousand rupees a month from the landed property forty years ago, his half a dozen sons and grandsons find it impossible now to make the two ends meet. The reason for this appears to be that these sons and grandsons having seen the palmy days do not cease to indulge in the luxuries of their father's time when there was no division of property. The result is, that although the income of one thousand rupees has been divided into six shares, the expenditure of each of the six co-sharers is more or less on the same scale as was the case in the time of their father. Each one of them has to meet the expenses of marriage and the demands of his womenfolk for jewellery and clothes on the same scale as existed before the division of the property. The establishment and expenditure on entertainments also remain the same. The income of a co-sharer not being sufficient enough to meet all these charges, the excess expenditure is met by borrowing. The primary remedy of curtailing the expenditure in order to bring it within the income is completely ignored, because the idea uppermost in the mind of each co-sharer is to maintain the *izzat* of the family by keeping up the traditions established by the father and grandfather, without regard to the fact that he does not possess their income or resources. This continues from father to son and son to grandson, while the income decreases in each case, every time one of the six inheritors dies, and is succeeded by one or more of his own children. Perhaps such a result would not have ensued if the property had remained intact in spite of the efforts of the inheritors to maintain old traditions; or, at any rate, things would not have come to such a pass if each co-sharer had kept his expenditure within his income. The example that I have given is common in almost every landed class Muslim family in these provinces, with the exception perhaps of the big *taluqdari* families in Oudh and those *zamindar* families in the Agra province who have taken advantage of the provisions of the Settled Estates Act.

4. To approach the village moneylender is the only solution of the financial difficulties in which Muslim *zamindar* families get involved owing to their extremely stupid and ruinous ideas of keeping up old family traditions and customs. They pay exorbitant rates of interest because the moneylender knows that he can afford to be as exacting as he likes, and does not naturally miss his chances of making the maximum profits. It

is really difficult to understand the mentality of these men who would willingly agree to pay whatever rate of interest is demanded, but would refuse to take a pie as interest if the position were reversed. There is quite a large number of Muslims who would go to the extent of even refusing to take profits on insurance policies because it is considered a sin, and there are some Muslims who do not claim interest on arrears of rent or profits when suing in court. The same is the case with the interest allowed by recognized banks. I am not concerned with the religious aspect of this scruple, but from the worldly point of view it is suicidal.

5. Another reason for Muslims of the *zamindari* class so easily getting involved in financial troubles is the lightheartedness with which they indulge in litigation. The preliminary advice for launching of litigation is generally given by the village moneylender and is willingly accepted. The wrath of a petty Muslim *zamindar* is easily aroused even on matters of minor importance. The cause for this is the same silly idea about the old family *izzat*. If a tenant has the hardihood to refuse to work for his petty *zamindar* he must be punished, or if a neighbouring landlord has refused to allow the cattle of the *zamindar* to graze in his pasture, he must be brought down to his knees. In both these cases it is not uncommon to use criminal force and thereby invite trouble with the police. If discretion must have the better part of valour the best legal advice must be sought and obtained, irespective of any consideration for expenses, or for the resultant gain in case of success. The village moneylender is there to finance such schemes, and hence there is no anxiety for finding money. As for its repayment, the idea seldom or never arises as long as the immediate objective is gained. This is the true picture of a typical petty Muslim landlord living in the rural area.

6. I do not say that there are not such specimens of humanity amongst other classes of people, but with a Muslim borrowing money has become almost a part of his faith. In my opinion the cause of this economic rashness is the general deterioration brought about by want of education, especially in rural areas, and ignorance of the rules of business due to a natural inaptitude of Muslims of this province for trade. Very few amongst them take to trade owing to the foolish impression, now happily dying down, that it is not a respectable profession. Moneylending cannot be a profitable business for them as long as the taking of interest is considered a sin. While therefore there is every tendency to borrow, there is nothing to make up for the loss that this practice must necessarily cause.

7. I think this demoralization is the result of the causes that brought about the downfall of the Muslim power in India. Another nation would have by now come into its own by making an effort to advance in education. But in the case of Muslims they set their faces very obstinately against modern education, till only about 50 years ago, when a beginning was made. It may be that as they advance in education the present state of affairs will improve. But the effects of the past indifference must continue as long as the ground lost during the first hundred years of the downfall of Muslim power is not regained. It is also possible that by the time this state is reached the disease may become incurable, or the patient may be dead.

KHAN BAHADUR SAIYID AIN-UD-DIN.

Mr. L. OWEN, I.C.S., Settlement Officer, Bara Banki.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—It was ascertained that tenants borrowed from the following sources :—

(i) Landlords (19 per cent.).
(ii) Other tenants of the village (26 per cent.).
(iii) *Mahajans* of the village (10 per cent.).
(iv) Other sources, *e.g.*, outside *mahajans*, co-operative banks, etc. (45 per cent.). The borrowing from cooperative banks, however, is very small.

Debts are contracted for the following purposes :—

(i) Payment of rent and other agricultural necessities—73 per cent.
(ii) Marriage and festivals—23 per cent.
(iii) Illness—2 per cent.
(iv) Personal extravagance—1 per cent.
(v) Litigation—1 per cent.

Question 2.—The general rate of interest throughout the district is 2 per cent. per mensem for cash advances.

When seed is advanced, half the total amount is added to the amount advanced, *i.e.*, the interest is about 50 per cent. for the four or five months which constitute the period between the date of borrowing and the harvest.

In the case of other loans in kind the interest is 25 per cent. I have come across cases in which the moneylender has taken the tenant's thumb-impression on a blank bond. In those cases the interest is only limited by the amount the tenant can pay, and the latter and his heirs become to all intents and purposes the moneylender's slaves.

In my opinion the rates of interest are exorbitant, as the tenant's reluctance to leave the village in which he has been born is well known and the security is reasonably good. The present rate of interest constitutes an intolerable load which even a wealthy man would find difficult to bear. On the other hand, it probably deters the peasants from rashly incurring debts, as the consequences are disproportionately severe. This may account for the fact that, in spite of the harsh rent-rate prevailing in this district, roughly two-thirds of the tenants claim to be free from debt—which is much more than can be said for the landlords. Interest at the rate of 1 per cent. per mensem is a sufficient return for any money in my opinion.

Question 3.—It is undoubtedly correct to say that the better the title to land the greater the indebtedness. The small landlord gets into debt as a matter of course. He can always raise money by mortgaging or hypothecating his land. The rate of interest for a mortgage with possession is eight annas per hundred rupees per mensem, while that for hypothecation varies between Re. 1 and Re. 1-8. No small landlord would dream of denying himself some little extravagance merely because he had not got ready cash at the time. Until he is smashed beyond all hope of redemption he has all the pride that characterises the landed class of every country.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—In this district roughly 65 per cent. of the tenants claim to be free from debt. Those who admit to being indebted are involved to the following extent :—

Sixteen per cent. to the extent of one year's rent or less.
Twelve per cent. to the extent of between one and two years' rent.
Seven per cent. to the extent of more than two years' rent.

Tenants having a smaller area than seven acres of land—and this constitutes by far the greater number—have a very hard time to make both ends met. In this district 75 per cent. of the tenants have only five acres to live on. For them life must be a constant struggle. When a tenant can get more than seven acres of land he can, if he is a good farmer, make a reasonably good living.

Question 2.—The principal creditors are professional moneylenders among whom I include not only *banias* and tradesmen, but Kurmi farmers who have acquired a little capital and have made moneylending a profitable side line. About 60 per cent. of the total debt of the peasant community is owned to moneylenders.

Question 3.—There is a tendency for Vaishes, Halwais and other non-agricultural classes to acquire land; but this is a slow process which will quicken up. I do not consider that the condition of the land is affected thereby as the actual cultivator remains the same and he is only affected by the amount of rent he has to pay. Where the *sir* and *khudkasht*—the home farm—is transferred, there may be an actual improvement in the land which is sublet to efficient tenants instead of being cultivated by an inefficient landlord.

Question 4.—I would estimate that 98 per cent. of the landlords in this district are indebted.

Question 5.—The principal cause of indebtedness among the *taluqdars* who have allowed debts to accumulate is chronic laziness. The administration of large estates is left entirely to low paid servants who enrich themselves at the expense of their masters. I have come across instances where the landlord did not even know how many villages he had got. In the case of smaller landlords the natural increase in the size of a family, generation after generation, with the resultant sub-division of an estate into many minute parts, has resulted in real poverty. Marriage ceremonies, litigation and personal extravagance are the principal causes of debt (in the order named), but I am unable to give a reliable estimate of the amount of debt due to these causes.

A further cause of the decay of many old Thakur and Muhammadan families is found in the changed conditions that followed the Mutiny. These all belonged to war like castes and in former days relied on service in the army, or, in the case of Muhammadans, at the royal court, to supplement the income of their estates. The latter career disappeared with the annexation of Oudh, while the former is greatly restricted; so that the small co-parcenary bodies which were dependent on them and have been unable to adapt themselves to changed conditions have now fallen on evil days.

Question 6.—The landowning classes pay the same rate of interest as the tenants when they deal with local moneylenders.

(For oral evidence see pages 173—82.)

ORAL EVIDENCE.

Lucknow, February 3, 1930.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C.	*Chairman.*
RAI BAHADUR BABU MOHAN LAL, M.A., LL.B., M.L.C.	
MR. MOHAN LAL SAH, M.A., LL.B.	
DR. RADHAKAMAL MUKERJEE, M.A., PH.D.	*Members.*
RAI BAHADUR PANDIT G. S. UPADHYA, B.A.	
MR. LAKSHMI DAS, B.A.	
DR. L. C. JAIN, M.A., LL.B., PH.D.	*Secretary.*

Sir Purshotamdas Thakurdas, KT., C.I.E., M.B.E., M.L.A., Acting Chairman, and Mr. V. K. Aravamudha Ayangar, M.A., C.I.E., Secretary, Indian Central Banking Enquiry Committee, were also present.

(*Witness* : MR. L. OWEN, I.C.S., *Settlement Officer, Bara Banki.*)

The Chairman : I think it was in 1927 that the settlement officers received orders from the Board of Revenue that they were to make certain economic enquiries about, among other things, agricultural indebtedness. Would you tell us the exact nature of those orders?—I have not brought those orders with me.

How did you proceed?—We had to make an enquiry as to how many of the agriculturists, that is tenants as opposed to landlords, were indebted, namely, whether to the extent of one year's rent or two years' rent, etc., and how many were not indebted at all. We were told to find out what the causes of the indebtedness were and who those people were to whom they were indebted—whether they were indebted to the landlords or to the *mahajans* in the village or outside it.

You had to take these figures by certain groups of castes?—Yes.

What was the extent of that enquiry?—I made enquiries in two tahsils. In the first I had it done on the basis of taking the case of one tenant out of every ten, but for the other tahsil I had enquiries made from every tenant throughout the tahsil, without any exception. We had more time in that case. But for the first we had to rush through as the orders came late.

The next point is, who actually made those enquiries?—The actual enquiries were made by the patwaris and qanungos under my instructions.

Did you check them?—Yes.

And your assistant also?—Yes.

Are you satisfied on the whole that the results represent the truth?—Yes, on the whole the results are fairly accurate.

One knows that no person is willing to disclose too much of his private affairs, but we also know that in settlement every landlord or tenant makes himself out to be as badly off as possible. Probably the two inferences will counteract each other?—I think so.

In those figures which you have sent us there was an extraordinarily large percentage of debt-free holdings.—(*Witness*) Sixty-six per cent. roughly.

In the first place, you will admit that in making an enquiry of this type into debt much depends on the time when you make it. For instance, after the *rabi* when the short-term debt is probably repaid your proportion between the two kinds of debts will be upset?—Yes.

What time did you make enquiries?—It was made before the *rabi* harvest was collected.

At the end of the cold weather?—Yes.

When the debt is worst?—Yes.

Worst because it has been accumulating up till then, because a tenant has also to borrow for subsistence, and because it so happens that this is the usual marriage season. So that we may take it that your figures represent something worse than the mean between the highest and the lowest?—It is about an average of the tenants over the whole year.

Another point that we have to remember is that it will depend very much on the circumstances there were. Bara Banki, so far as I know, was not very badly hit in 1928?—Not only in 1928. It was hit again towards the end of 1929, and it was then at its worst.

Most of the figures were previous to that?—Yes.

So that when we compare your figures with those of other districts we have to take into account that your figures were not taken in 1929 but in 1928, when the debt was not so high simply because there was less need to borrow?—The figures for 1929 were similar to those taken in 1928.

You did take figures in 1928 and in 1929?—Yes.

We come to this point, that your figures are very favourable. I mean all the districts like Partabgarh, Rae Bareli and Unao are decidedly better off than the rest of the province?—Yes.

In this particular tract and all those districts the figures are more favourable because the agricultural condition was better there than what it is in the rest of the province. Is that your experience?—Partly to that and partly to what I have suggested in my note, namely, they have less to borrow on.

I was coming on to that. We can take it that this particular tract is better than the other parts of the province. I think Bara Banki is a good agricultural district. You have not only good land, but you have a good brand of cultivators there.—(*Witness*) Yes. We have Kurmi ultivators who are experts.

You made the point both in your note and the rent-rate reports that one cause for freedom from debt was inability to secure loans.—(*Witness*) Yes. One of the reasons why they were not indebted so much was that the people would not lend to them.

Yo usay in your note:—"The present rate of interest constitutes an intolerable load which even a wealthy man would find difficult to bear. On the other hand, it probably deters the peasants from rashly incurring debts, as the consequences are disproportionately severe." In other words, you mean that the conditions of raising debts in Bara Banki are such that nobody was going to borrow more than he needed?—Partly that and partly on account of the fact that he cannot get it because he has got nothing to offer in the way of security.

It works both ways. He has got to be careful because he is going to be in a serious position if things go wrong, and also, having a small security, actually he cannot get money?—Yes.

From some of your figures here we find that the percentage of debt-free tenants is just as high amongst people who have small holdings as amongst the rich. Amongst those who have 2½ acres or less than that, the proportion taken for the whole tahsil of Fatehpur is 66 per cent. debt-free.—(*Witness*) Yes.

Dr. Radhakamal Mukerjee: You attribute this to want of security?—Partly to that and partly to the high rate of interest. Once they get into debt they cannot get out of it.

The Chairman: Partly also to better agricultural industry?—They do manage to subsist on extremely small sums. Take the Kurmis who have holdings of under 2½ acres. They are 64 per cent. debt-free.

There may be a side line.—Not very often, but in the Tarai the Ahir or cattle breeder looks on agriculture as a side line.

Rai Bahadur Babu Mohan Lal: Do you agree with me that tenants who have got small holdings do better farming than those who have got big holdings?—In order to farm badly you must have a really big holding. There are very few people who have got more than 20 acres, and up to this it is not difficult to farm well. Moreover, if they had got more land than they can cultivate themselves, they sublet it at a higher rent than they themselves have to pay, so that the sub-tenant in turn has got to do more intensive cultivation.

Can you say from your experience whether there is any difference between the cultivation of those who have got big holdings and the cultivation of those who have got small holdings?—I have not noticed any difference.

Rai Bahadur Pandit G. S. Upadhya: Intensive cultivation rests with the class of agriculturists?—Yes.

Dr. Radhakamal Mukerjee: You indicate that the subsistence limit is five acres?—When a man has got less than five acres, I think that the margin of safety for bad years is very small. He is living up to his income from year to year.

You also indicate that a large percentage of tenants cannot be debt-free when their holdings are under-sized?—I did not say that. From five acres up they can manage fairly well; but if they have less than five acres it is a struggle.

Apart from the question of security, what will be the rough percentage of the number of holdings in your district which will be less than five acres which you may regard as an economic holding?—67 per cent. of the holdings in our district are below five acres.

The Chairman: I think you regard an economic holding as one which enables one to live in reasonable comfort. What the Doctor means is a subsistence holding.

Dr. Radhakamal Mukerjee: You have said in your note:—"Tenants having a smaller area than seven acres of land—and this constitutes by far the greater number—have a very hard time to make both ends meet. In this district 75 per cent. of the tenants have only five acres to live on. For them life must be a constant struggle." Probably your estimate is that five acres would be just the size where both ends cannot be met?—This was worked out in one particular tahsil.

Do you think that such under-sized holdings—you may estimate them at five or three acres—ought to be exempted from land revenue just as we exempt income-tax certain incomes which are below a certain standard, and that such holdings may be exempted from enhancement of rent? Suggestions like these have been made in other provinces.—(*Witness*) I do not think that it would work in this province. There may be a difference between this province and other provinces. If you say that people whose holdings are less than five acres should not have their rents enhanced, you will hit every single landlord in this province, and it would be hardly fair, because as time goes on the value of land increases. There are various factors to be considered, and naturally the landlord is entitled to get a corresponding share in the increased value of the land.

If a tenant has got an under-sized holding, do you think that it is right and fair that he should be asked to pay more rent? Suppose we use fresh canons of taxation and make taxation more equitable?

The Chairman: What you are asking, Dr. Mukerjee, is a very big question. I may make it clear in the first place that the tenant pays no taxation at all.—(*Witness*) That is the theory: he is actually paying.

In theory he is paying. The result of the proposal would be that the tenant ultimately will get a part of his holding for nothing. Is not that the logical conclusion? Supposing a tenant has got five acres and two and a half acres is to be free from rent. He will get about two and a half acres *muafi*.—(*Witness*) That has really happened in certain estates. This idea of not enhancing rent of tenants has been pushed to its logical conclusion in certain estates under the Court of Wards where the tenants are actually holding some land rent-free. Suppose they have 35 acres. They sublet about 20 acres for more than the rent that they are paying to the landlord, and they are not only making a profit, but they have got the land, namely, the remaining 15 acres, which they actually till, rent-free.

Dr. Radhakamal Mukerjee: But the tenant of an under-sized holding has not much surplus, and especially in years of scarcity he is driven to great straits. What sort of protection can we give him?—We have tried to protect him by legal methods. For instance, a Rent Act has been passed largely in the interest of the tenants. If that could be adequately worked and if the tenants themselves were to appreciate to the full the amount of protection that has been given to them, I think they would probably be adequately protected.

The Rent Act does not adequately protect them against enhancement of rent?—It does. When once an enhancement has taken place no further enhancement can take place for ten years. If there is any dispute between the landlord and the tenant about the enhancement they can go to court. In court the rates fixed in the village by the roster officer will be enquired into. The only trouble is (and I know it because I was also roster officer and I fixed rates which I considered just and fair for every village) that no attention has been paid to it because no dispute has arisen. Either the tenants do not realize this or they are afraid of asserting their rights. The result is that they simply agree to pay rent 33⅓ per cent. more than I have fixed as the reasonable rent. We cannot do anything where there is an agreement between the landlord and the tenant.

Are these agreements quite common in your districts?—Very common indeed. If it had not been so, there would have been very little enhancement of rent.

The Chairman: Your flat rates, however satisfactorily they were worked out, do not discriminate between holdings above five acres or below five acres?—No.

Dr. Radhakamal Mukerjee: For holdings below five acres should not there be any special protection?—No.

Would you suggest on what lines we can modify the rent-rates and the settlement methods?—The protection is already there, but it is not used. You cannot stop legally an agreement between two persons. If there is any dispute between the landlord and the tenant they can go to court and there the protection is complete. The court looks at the rates proposed for the village, and probably finds that no increase is due.

The Chairman: If it is a fact that tenants are freely agreeing to rates above yours, does it not suggest that possibly your rates, when considered in the light of economic factors as opposed to revenue factors, are too low, that is, they can pay more rent than you fix?—I think they are gambling to a certain extent.

No doubt they always do that. It is my experience also. We all know that our circle rates very seldom represent anywhere near what you might call economic rents. They are always lower.—(*Witness*) They are bound to be lower because any officer who is going to fix rates as between landlords and tenants will see that he is on the safe side, and he must allow himself a margin.

Exactly, that is what I mean. Therefore it comes to this that people who are prepared to pay high rents are pretty sure that they will be able to do so?—I think they pay rack rents already in many small farms.

Dr. Radhakamal Mukerjee: Don't you think that in your district the pressure of population on the land is so great and the clamour of tenants for holdings so much that these agreements for rents between landlords and tenants and the agreements for *nazranas* are inevitable?—That is one of the causes of *nazrana*. There is nothing about the *nazrana* to be concealed. Pressure on the land is the ultimate determining factor.

The desire for more land?—When a *zamindar* is worried by three or four tenants over a particular holding he will auction it out and would give the land to the man who bids the highest.

The Chairman: *Nazrana* is really a premium.—(*Witness*) Yes.

Rai Bahadur Babu Mohan Lal: One point which my friend has not been able to put to you clearly and which I put to you is, would you recommend that under-sized holdings, that is below two acres, should be revenue-free; and how should the loss thus caused to the Government be made up? Is it to be made up by tapping

other sources of taxation?—As long as rent is being paid and as long as land revenue is fairly estimated I do not see very much harm, but I do not know the tenant as such is going to be affected.

He will be affected. Suppose you make a rule that a tenant will have to pay his rent less by the amount paid for revenue. Then his land will be free from revenue.—(*Witness*) I do not think it is desirable.

Suppose we may make a rule that to the extent to which this land will be made free from revenue the actual rent of the tenant will be lessened by that amount?—You will have the same difficulty as you have now. The pressure on the land is great. Tenants are anxious to get land. They will come to an agreement with the landlord to pay the same rent, and you cannot stop them.

Dr. Radhakamal Mukerjee: That would be illegal?—That is so, but how will you stop it?

Rai Bahadur Babu Mohan Lal: Leave aside the question of illegal things. Taking everything as legal and nothing illegal, would you recommend this measure and would you suggest that the Government may tap other sources of taxation?—If I thought that the tenant was going to benefit I would recommend that. But I am perfectly convinced that the tenant would not benefit, and I would not, therefore, make that recommendation.

Dr. Radhakamal Mukerjee: May I put it to you this way? If the land is revenue-free, the tenant with an agreement with the *zamindar* will pay the same rent, and the *zamindar* will not have to pay revenue on that land, so the benefit will go to the *zamindar* and the Government will lose: the tenant will not benefit. The benefit to the *zamindar* would be illegal.—(*Witness*) Yes. But how are you going to make this illegal?

Nazrana is illegal.—(*Witness*) No. It is not illegal.

Mr. Sah: What is the proportion of indebtedness to the agricultural and non-agricultural moneylenders or *mahajans*? Can you give us a rough idea?—What I have said is that to the outside *mahajans* who send round their agents the proportion is 45 per cent. and to the purely agricultural people, the local village *bania*, the landlord and his brother cultivators it is under 55 per cent.

The Chairman: You have it here at the beginning of Mr. Owen's written evidence. You take the first two together, landlords and tenants, and you get 45 per cent. These are agriculturists. Now take *mahajans* and outsiders and it is 55 per cent.

Mr. Sah: Village *mahajans* are very often agriculturists themselves. What castes are they?—Generally Brahmans or Kurmis.

The Chairman: There is one thing which I should like to get absolutely clear from you. You do not consider five acres to be an economic holding? By economic holding I mean a holding which will enable a man and his family to live on it.—(*Witness*) I think my figures point out that this is not correct. But what I was considering was a holding which will allow him a certain amount of comfort.

Dr. Radhakamal Mukerjee: You say seven acres.—(*Witness*) Seven acres was worked out in one particular tahsil. That would give wrong results. Subsequently I worked out the figures for the whole district, and I think it is not seven but five.

It is a very serious thing if 75 per cent. holdings are below five acres.—(*Witness*) Yes.

The Chairman: How many of these are below subsistence level?—Not many.

Dr. Radhakamal Mukerjee: You have stated that 75 per cent. of the population holding only five acres of land have got to work hard for their living?—Yes.

The Chairman: That does not constitute an economic holding. As regards an economic holding I agree with Mr. Strickland that there is no such thing in the abstract. It is a question of fact in each individual case whether a particular holding can or cannot support the agriculturist who cultivates it and his family in the way they are accustomed. Thus 50 acres may not be an economic holding for a graduate requiring the luxuries of a town; while it may be more than enough for the village

Chamar. The amount of labour that can be put in is also an important factor; the kind of crops that the holding can grow is another; the extent to which the production can be increased by the application of science is the third; transport and market facilities must also affect its size, and so on. The value of the produce of one acre may well be anything from one to one thousand rupees, and the economic holding may be anything from one-tenth of an acre to 100 acres, or even more.

Rai Bahadur Pandit G. S. Upadhya: So far as the Bara Banki district is concerned it applies, but he is not generalising.

Mr. Sah: Would you agree that the present rate of interest is due to the flimsy nature of the security that the tenant can offer?—It is pretty high for the landlords themselves.

Dr. Radhakamal Mukerjee: I will come to the landlord later. As regards the tenant it is high because the security is flimsy?—One is related to the other. If the landlords can give good security and still have to pay 24 per cent. and the tenants also pay 24 per cent., it shows that the tenant does not pay high interest merely because the security is flimsy.

Mr. Sah: Then it is not the case that the security is flimsy, but that the money is scarce?—Money is scarce, and the landlords also have to borrow.

Sir Purshotamdas Thakurdas: In your answer to part A, question 1, you say under "other sources," "outside *mahajans*, co-operative banks, etc., 45 per cent." Could you divide that between the two? What is the percentage of co-operative banks and that of outside *mahajans*?—I cannot.

Roughly?—Roughly, it would be one-third and two-thirds. Roughly, I think the amount due to co-operative banks would probably not be more than 10 per cent. out of the 45 per cent. mentioned by me.

To outside *mahajans* 35?—Yes.

Now why do outside *mahajans* come in when other tenants of the village are *mahajans* and landlords and have some money? Is it because they have not more to give, or because the security is less and not good enough for them to advance on?—It may be either. I think probably the outside *mahajan* will sometimes advance money where the village *mahajan*, who knows his personal credit, will not advance any, and some of the *mahajans* that we have got going round are peripatetic *mahajans*, who are up from the frontier and who have generally got means of squeezing money out of the tenant, which the others will not employ.

Dr. Radhakamal Mukerjee: You mean *Aghas* and *Kabulis*?—Yes. The frontier men. They are called *Kabulis*.

Sir Purshotamdas Thakurdas: Would it then be a correct inference that if they can offer the best security they get money from nos. 1, 2, 3 and the co-operative societies and the outside *mahajans* come in when they have not good security to offer?—Well, not always. But I certainly think that when they have got the best security they get loans from nos. 1, 2, 3 and co-operative societies.

Do you think that outside *mahajans* would come in even if nos. 1, 2 and 3 in your list have money to advance? They would not take the risk which the outside *mahajan* is prepared to take?—I think that if the local people were prepared to lend money these tenants would never go to outside *mahajans*.

My question is whether nos. 1, 2 and 3 consider the security adequate or not? They may have money, but may not advance more than the security, so that when these people want more money they go to the outside *mahajan*?—Yes.

Therefore outside *mahajans* are necessary, because the security is not enough for nos. 1, 2 and 3?—Very possibly.

With regard to your reply to question 2, the advances for seed appear to be at a very prohibitive rate?—Yes.

Fifty per cent. for four or five months works out at 125 per cent.?—Yes.

Will no co-operative banks undertake this work in your district?—There are seed dépôts in certain districts.

What percentage of the total demand do they cater for?—I do not know.

Mr. Sah: They advance at 25 per cent.

Rai Bahadur Babu Mohan Lal: On the *sawai* system they have to pay 1¼ maund for one maund.

Sir Purshotamdas Thakurdas: It means that for seed requirements the cultivator has to pay more than 25 per cent.; 25 per cent. for four months comes to 75 per cent.

Rai Bahadur Babu Mohan Lal: Will you not take into consideration the different market value of the grain at the time of advance and that at the time of payment? Rates are higher when advances are made and lower when repayment is made in *Baisakh*.

Dr. Radhakamal Mukerjee: Supposing you had a co-operative society or Government which may buy this seed and take a profit of 10 per cent. on it. Would it not be considered feasible?—(*Witness*) As a matter of fact this is being done, and I think it is an admirable thing. But even that amounts to 75 per cent.

The Chairman: Yes, but Government may lose on that. You lend a maund of grain and you take one and a quarter in grain; but the price of the grain at seed time is always very much higher than the price of grain at the harvest time.

Sir Purshotamdas Thakurdas: What is the difference between the price of grain at seed time and the harvest time? There seems to be a catch in it.—(*Witness*) I do not know.

Rai Bahadur Babu Mohan Lal: For a maund of grain the profit is only four annas.

Sir Purshotamdas Thakurdas: Could you give me figures? What is the staple crop here?

Rai Bahadur Babu Mohan Lal: Wheat.

Sir Purshotamdas Thakurdas: What is a maund of wheat worth at harvest time?

Rai Bahadur Babu Mohan Lal: It is generally Rs. 6 per maund at seed time, and at harvest time it is Rs. 5 per maund.

Sir Purshotamdas Thakurdas: So that 1¼ maund is worth Rs. 6-4-0?

Rai Bahadur Babu Mohan Lal: By the *sawai* system very little profit is made if it is returned in grain.

Mr. Sah: I think the profit is hardly 12½ per cent.

Sir Purshotamdas Thakurdas: I wonder if the Government give this on the *sawai* basis they drop money on it.

Mr. Sah: They do it simply for the sake of propaganda.

Sir Purshotamdas Thakurdas: Apart from propaganda, may I know whether the Government recover anything as a business proposition?

Rai Bahadur Babu Mohan Lal: They recover grain only.

Sir Purshotamdas Thakurdas: If it is translated into cash, what will it be worth?

The Chairman: Mr. Clarke, the Director of Agriculture, has invented a new system by which the seed is advanced to a tenant, and the tenant is theoretically advanced *taqavi* to pay for the seed. This is all worked out on the *sawai* system. Allowing for the drop in prices and the interest on the money we make a profit sometimes from 3 to 4 per cent. on that basis. I know it is very small, but we do make a profit. Yet it is risky business. There is competition with the local *bania*. He may undersell us. It is really being done for the convenience of the people. There is a risk of loss.

Rai Bahadur Babu Mohan Lal: I may tell you one thing that the rates generally at the harvest time are 25 per cent. lower than they are in the months of January or December.

MR. L. OWEN.

Sir Purshotamdas Thakurdas: That I know. Is there any possibility of working these seed dépôts on co-operative lines?

Rai Bahadur Babu Mohan Lal: I have got a seed store of the co-operative society. I am the chairman of the co-operative society. I am advancing seed on the co-operative system.

Dr. Radhakamal Mukerjee: You get seed from the Agriculture department?

Rai Bahadur Babu Mohan Lal: I purchase it and give it out to tenants on *sawai* and take back grain and store it again.

Sir Purshotamdas Thakurdas: How will such system secure more economy as compared with the *mahajani* system of lending grain on the *sawai* basis?—(*Witness*) That is the real point. The *mahajan* must make a bigger profit than Government. Government will advance seed for propaganda purposes with a narrow margin of profit, but the *mahajan* cannot afford to suffer. After all the *mahajan* is working on a business principle and Government is doing it for the benefit of the agricultural population as a whole.

If we combine both propaganda and business, do you think we can secure certain economies for the tenants?—I think at certain times when there is a shortage of grain a great deal can be done to help the tenants that way. But it means laying out a great deal of money.

The Chairman: A great deal is being done already. There are seed dépôts all over the province.

Mr. Sah: As regards the practice of taking thumb-impressions, is that practice general or is it confined to few persons?—It is not very general, but I have come across it in several districts.

In case the payment is made to the borrower, does the lender take any advantage of his position?

Rai Bahadur Babu Mohan Lal: He would not take a thumb-impression on blank paper unless the borrower was going to fill it in?

Mr. Sah: Supposing the lender pays money. Does he insist upon the borrower writing a wrong amount or the correct amount that was paid as a loan?—I cannot tell you this. But I have come across blank sheets of thumb-impressions which are security for certain loans.

Is this practice general?—I do not know how general it is.

Can you give us an idea of the proportion of the indebtedness of the landlords to the value of their property?—It was a question sent to me a fortnight ago. I have prepared figures, but they are very unsatisfactory.

Rai Bahadur Pandit G. S. Upadhya: You may send them by post.

Rai Bahadur Babu Mohan Lal: You say that holdings in your district are 75 per cent. which are below five acres?—That is right.

You say that 65 per cent. of them are free from debt?—Yes. That is right.

Then cannot I infer that it is not necessary that the holding should be of five acres before it can be called an economic holding?—That is what the Chairman's argument was. But I do not think that with less than five acres the tenants can afford to live comfortably in the cold weather. They have got food and a certain amount of reserve of that. But they have not got cash to buy warm things.

Dr. Radhakamal Mukerjee: You have also emphasised that this freedom from debt is caused, among others, from want of security?—Yes.

In other words, the peasant cannot borrow even if he wants?—No, he cannot borrow.

Amongst these peripatetic *mahajans* that you have mentioned would you not include the *Rastogis* of Lucknow?—Yes, they do a lot of moneylending round about these small places.

Their object is not so much to acquire the land of the cultivator as to gain some interest?—No, I do not think they ever go in for getting land.

Whereas the object of the moneylender is to acquire the land of the borrower?—Certainly. The village moneylender has always aimed at extending his estate.

You have stated that the Vaish and the Halwai of the non-agriculturist classes are acquiring land though it is a very slow process?—Yes.

The Chairman: Take Nawabganj. You say that the agriculturists, the Rajputs and others have all been losing ground. But the gains are not entirely to the mercantile classes; for instance, we find the Kalwar going up by 800 acres, the Vaish by about 700, the Halwai by about 1,000, and so on, all small figures. I think you will admit that the larger proportion of the gains have gone to the larger agriculturist classes?—I have already mentioned in my note that the trader is gaining ground very slowly—of course that is over a period of 30 years.

Yes, exactly. And that particular type of change from an agriculturist to a better agriculturist is a decided improvement?—I do not see there is any harm. In one case there is a man getting into debt, and, when he finds himself thoroughly involved, he becomes a bad landlord because he squeezes his tenant, whereas the other man who is acquiring land is all out to ingratiate his tenants.

Has there been very much transfer of land from the agricultural tenant to the non-agricultural tenant?—No. I think there has been very little, if any.

It so happens that for some reason they do not give the comparative total in the case of tenants as they do in the case of landlords.—(*Witness*) I doubt whether we would have any at all.

Would you say there has not been any transfer of holdings as opposed to proprietary rights?—I should say it is highly doubtful whether there has been anything at all of that kind. No landlord wants to have a non-agricultural tenant, and I think I may say that the average landlord, if he had a chance, would get rid of the poorer agricultural class tenant. I mean he would rather have a Kurmi than he would a Thakur, because the Thakur has to employ servants to plough his land, while the Kurmi would do it himself. I have come across instances where the landlord was trying quietly to get rid of the higher caste tenant in order to get the Kurmis to take their place.

Dr. Radhakamal Mukerjee: Have you not come across cases where the Vaish or the Halwai has come in and has taken possession of the land on a sort of usufructuary mortgage?—Yes. That is generally the way in which property passes to the moneylender.

To what extent is it prevalent in your district, this system of *zar-peshgi*?—It is very common.

Now in these cases, don't you think that if the moneylender sublets the land to a third person who is not a cultivator the land is liable to suffer in some shape or form?—He would not, because he himself suffers in that way. It is a business proposition, and he is not going to do anything to cause the value of the security to depreciate. Then the person to whom he sub-lets would be liable to ejectment at any time, as he would not have as much interest in the plot of land as the original tenant.

The Chairman: May I ask what type of person it is who takes *zar-peshgi* leases? If the Vaish or Halwai took a lease, would not the landlord at once eject him?—I know of no cases in which these people are actually cultivating the land themselves or in which they have got possession of the plot on a mortgage, where they have differed in any way from the ordinary tenant.

Dr. Radhakamal Mukerjee: These *zar-peshgi* leases are in the form of fictitious mortgages?—I have not come across any cases.

Mr. Sah: As a matter of fact, one thing should be borne in mind, and that is in your district the village moneylenders are mostly agriculturists themselves?—Yes, mostly.

The Chairman: To come to this other tahsil of yours. Here we find that practically the entire gain has gone to the agriculturist class. It is practically all Kurmis and Ahirs, and the actual Vaishyas and such like people have actually been losing

ground.—(*Witness*) It is possible; but, on the other hand, in Ramsanehighat their increase has been very small indeed.

Whose increase?—The increase of the actual agriculturists, of Kurmis.

Is there any special reason for that?—I do not know that there is really.

Well, they never had much to start with. Here we find the *banias* in this particular case have gone up five times.—(*Witness*) Yes, that is right.

There is transfer of proprietary rights to a certain extent from the old agricultural landlords, the Thakurs, and so on to these Vaishyas, these non-agriculturists, but there is also considerable transfer to the lower social type of agriculturist, namely, the Kurmi, and so on?—Yes.

And in so far as they benefit, at all events the land does not suffer in their case?—No. It depends entirely whether he is going to take interest in the land and keep his servants under control.

Dr. Radhakamal Mukerjee: What is the usual method of cultivating? Is it through his servants or by himself?—He will not cultivate. He will sub let.

Mr. Sah: Why not? A Kurmi moneylender will cultivate it?—The Kurmi moneylender will.

Dr. Radhakamal Mukerjee: In the case of the non-agriculturist moneylender do you regard this tendency to transfer desirable?—I should prefer to see the land being transferred to agricultural castes. But from what I have seen so far in my own district, which, after all, is comparatively small, there has not been any deterioration, as the result of transfer to Halwais for example.

So you do not advocate the extension of the Land Alienation Act to the areas which you know intimately?

The Chairman: That is a broad question which can hardly be based on the condition in a few cases.—(*Witness*) I do not think that we have come to the stage, at present at any rate, where such an extension is necessary.

Rai Bahadur Babu Mohan Lal: Have you come across any cases in your district in which, if land is transferred to a Kurmi *mahajan* or a Vaish *mahajan*, the tenant of the village is much more contented than the tenantry of the old *zamindars* who are in debt?—No. I have not come across such cases.

(The Chairman thanked the witness, who withdrew.)

Mr. A. A. WAUGH, I.C.S., Settlement Officer, Budaun.

Replies to the questionnaire.

[Note.—Where figures are quoted in the following replies to the questionnaire they are not more or less vague estimates. They are the products of enquiries into the size and distribution of agricultural holdings and into agricultural indebtedness made under orders of the Board of Revenue. For the former the revised records of two tahsils were examined. For the latter house-to-house enquiries were made in 28 typical villages of 4 tahsils carefully selected by the Settlement Officer or Assistant Settlement Officer after inspection of tract. In these villages inquiries were complete for every house and family in the village, and some 7,677 houses with a population of 31,616 were visited.]

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—In this district the agriculturist borrows from (1) other agriculturists, (2) professional village moneylenders, (3) moneylenders in towns of the district, (4) moneylending *zamindars*, (5) Government, (6) professional moneylenders operating over several districts.

He borrows for all the purposes mentioned in the question except for manure, agricultural implements, building of tanks and agricultural improvements other than wells.

Taking good, bad and indifferent tracts the debt is distributed among the above objects roughly as follows :—

	Per cent.
(i) Repayment of earlier debts	2
(ii) Payment of accumulated interest	1
(iii) Marriage and other social functions	20
(iv) Famine and other kinds of distress	15
(v) Payment of land revenue or rent	5
(vi) Seed	15
(vii) Expenses of cultivation	3
(viii) Litigation	8
(ix) Purchase of plough or other cattle	10
(x) Sinking of wells	1
(xi) Subsistence	20

The debt is divided among the various classes of lending agencies as follows :—

	Per cent.
(1) Other agriculturists	48
(2) Professional village moneylenders	19
(3) Moneylenders in towns	1
(4) Moneylending *zamindars* (non-agriculturists)	7
(5) Government	5
(6) Big scale moneylenders	3

In good and average tracts about 7 per cent. of the total debt is incurred in cash and about 30 per cent. in grain. In weak tracts about 90 per cent. is incurred in cash and about 10 per cent. in grain. All over in this district about 80 per cent. is incurred in cash and 20 per cent. in grain.

If the limit of short-term loans is taken as six months, about 50 per cent. of debt is incurred for a long period and 50 per cent. for a short period in this district (weak tracts reduce the proportion of long-term loans, averaging 35 per cent. long-term, 65 per cent. short-term). I would, however, point out that to fix the limit of short-period loans at six months is hardly in accordance with rural conditions. The seed loan term is commonly October to May (eight months). The cash loan terms are commonly July—December (six months) and October—May (eight months). If the short-term period be fixed at eight months, about 35 per cent. loans are long period, 65 per cent. short period. If the short-term period be fixed at twelve months, about 15 per cent. loans are long-term, about 85 per cent. short-term.

Question 2.—The common rates of interest are 20 per cent., 24 per cent. and 37½ per cent. For small loans the common rate is 2 pice per rupee per mensem=6 annas per rupee per annum=37½ per cent. per annum.

In general small loans on a rate of interest which is nominally less than 37½ per cent. are based on express or implied stipulations as to the price of grain at times of repayment, etc., which bring the real rate up to 37½ per cent. per annum, *e.g.*, *khandsalis* financing sugarcane crops charge a nominal 20 per cent. or 24 per cent., but more than make up the difference by the low prices they allow for sugarcane juice.

Loans of Rs. 50 or over are obtainable at 24 per cent. A moneylender operating over several districts lends sums from Rs. 10 upwards in multiples of Rs. 10 on a system of yearly loans and monthly payments which works out at 24 per cent. interest per annum. A man borrowing Rs. 50 pays Rs. 5 every month for a period of twelve months following the loan.

Loans in kind for seed are generally repayable in about eight months from the date of borrowing (October to May). Twenty-five per cent. interest is charged for eight months (=37½ per cent. per annum). The rates for such loans may differ very much, but generally work out nearer 40 per cent. than 37½ per cent. per annum. The rates for other loans in kind vary from a nominal 24 per cent. to an actual 37½ per cent. Where the rate is nominally 24 per cent., the creditor usually bases repayment on an arbitrary *nirkh* for grain after harvest which brings the real interest up to 37½ per cent. per annum.

In case of short-term loans accounts are closed in the month of *Aghan* (beginning of December) for *kharif* and in *Baisakh* (May) for *rabi*. Interest is charged generally from the date of making the advance to the date of repayment or the date of closing the accounts, whichever falls first. The interest is added to the principal and the repayments are set off against the total amount. If any amount remains unpaid the full rate of interest is charged on the amount of balance for the next six months. There are also cases in which interest for full six or eight months is charged even when the loan was taken only a month or two before the time fixed for closing the accounts. In case of long-term loans accounts are closed yearly in the month of *Baisakh*, and the interest is calculated as explained above. It is only in the case of certain big loans that simple interest is charged from the date of advance to the date of repayment.

The risks taken by the lender are mainly two—(i) uncertainty of seasons and harvests, and (ii) absence of tangible assets and security, apart from *zamindari* and occupancy rights, in respect of which land revenue and rent payment take priority of all other claims.

Nearly all moneylenders in this district lend with their own capital. The expenses of moneylending and collection borne by them are negligible. Resort to the courts is rare, partly from fear of the Usurious Loans Act, partly on account of court expenses. Public opinion operates strongly in favour of securing repayment of loans in the case of recalcitrant debtors. Caste and village *panchayats*, in case of dispute, have considerable influence. The loss to a moneylender, in the case of *panchayat* settlement, is usually small; and the great incentive for the borrower to repay to the best of his ability is the knowledge that if he fails to do so he will be unable to obtain loans from any lender in future.

I consider that expenses of and losses to moneylenders from all causes amount on the average to 10 per cent. (5 per cent. in case of *zamindari* loans), and, at the outside, to 15 per cent. This leaves him with a net profit ranging from 15 per cent. to 27½ per cent., and averaging about 22½ per cent., which I consider exorbitant for the risks involved. The greater the area over which small loans are distributed, the greater is the risk. High rates of interest began when the land revenue was a heavy tax and when tenants had no

secured rights in land, or when the value of occupancy rights was uncertain. Now (in this district) land revenue varies from Re. 1-8-0 to Rs. 2-4-0 per acre cultivated and is only 3 per cent. to 3½ per cent. of the value of the produce. The area of cultivation held in occupancy right has grown, roughly, from 55 per cent. to 65 per cent. in the last 30 years. A careful and detailed estimate worked out for the district shows that the rent paid by the occupancy tenant represented approximately 20 per cent. of the produce of his holding 60 years ago, and represents only 10 per cent. of his produce now, while, *in terms of produce*, the prices of clothes, food and other necessaries have all fallen. Factors which detract from this increased security are (i) progressive sub-division of holdings : 37 per cent. of holdings in this district are now of 2½ acres or less, the figure 60 years ago being 23 per cent.; (ii) since 1926 occupancy rights have ceased to accrue by prescription, and the area held by occupancy tenants has begun to decline. I do not include as a detracting factor the decline in the fertility of the soil frequently alleged by publicists. As it so happens, very careful measurements and weighments of crops were made in this district in 1850. Similar measurements of recent years show a greater or smaller advance in the yield of all crops, irrigated or unirrigated, in 60 to 80 years, and disclose no tendency to a decline in produce; and this is a district where the amount of improvement through State intervention has been negligible.

On the other hand, losses caused by variations of season are probably more serious than is generally imagined. If adverse weather conditions are continued for two to three seasons in succession, the losses to lenders are of necessity very heavy. The records of the district show that such calamities occurred four or five times in the past 100 years. But, taking all factors into consideration, I consider that 10 per cent. clear profit should be an adequate incentive for large moneylenders and 15 per cent. for small moneylenders to lend to agriculturists. I consider, therefore, that rates of interest which are in excess of 15 per cent. for *zamindars* and 20 per cent. to 25 per cent. for tenants are exorbitant. (The interest charged by Government and banks should naturally be less, because they do not take the risks taken by the private moneylender.)

Purchase of stamp paper, registration fee, registration consultation fee and the scribe's fee are the charges incidental to the grant of loans. There are no charges incidental to the repayment of loans.

Question 3.—The question of security depends very much upon the borrower's reputation and resources. Generally loans amounting to Rs. 40 or less are advanced on the personal security of the borrower, a bond on a stamp-paper being executed in which one security is mentioned. For bigger loans from Rs. 50 upwards land is generally mortgaged with or without possession by means of a sub-lease which is executed in addition to the bond just mentioned. In quite a number of cases the borrower, in addition to the execution of the bond, makes a "*farzi*" (nominal) sale of some of his milch or plough cattle which is registered in a cattle market. In all cases a bond is executed for the loan; but no security is mentioned in it. If any person stands surety, his name is added in the bond as a borrower. Standing crops, house property, ornaments or agricultural implements are rarely given as security.

The proposition that the better the title to land the greater the amount of indebtedness is generally true for any given tract—the landlord is more indebted than the occupancy tenant, and the occupancy tenant than the tenant-at-will. On the other hand, there are in this district (and in many districts of Agra province) many *zamindars* who are worse off than occupancy tenants, while a *zamindar* in a weak or precarious tract has more difficulty in raising a loan than an occupancy tenant in a prosperous tract. There is much less debt in precarious tracts than in prosperous tracts. The proposition in this question would, I think, be better stated as : the better the security, the greater the amount of indebtedness.

The comparative extent of the indebtedness of the various classes is as follows :—

Landlords	...	...	...	...	about 50	per cent.
Occupancy (and ex-proprietary) tenants				...	,, 45	,,
Tenants-at-will	...	...	...	...	,, 30	,,

The answer to the question whether debt secured on land mortgage is increasing or decreasing depends on whether "debt *formally* secured on land mortgage" is meant or "debt *effectively* secured on land mortgage" is meant. Effective mortgage is commoner than formal mortgage—see above. In the case of landlords it is a matter of interest and

prestige to keep debts private, and formal mortgages are avoided, and, if a debt cannot be paid, property is sold. It is probable that in the case of the landlord class both formal and effective land mortgage is decreasing, inasmuch as the borrowing classes of landlords (Thakurs and Muhammadans) have lost so much land through extravagance in the last 60 years that they are trying to conserve what is left; while their successors are largely careful and wealthy men. The heaviest period of land mortgage in this district for landlords was from 1875 to 1905.

In the case of occupancy tenants the amount of debt secured directly or indirectly on land mortgage is increasing, due to the high rates of interest and the enhanced value, as security, of occupancy rights in land.

The distribution of debt according to security is as below—

Secured by formal land mortgage	...	...	about	25 per cent.
On personal security	...	...	...	,, 50 ,,
Otherwise secured	...	...	...	,, 25 ,,

Question 4.—The creditor is usually possessed of a two-edged weapon. The bond places him in a position to file a suit in a court of law. But less than 5 per cent. of debt incurred is actually sued for. The sub-lease or the nominal sale-deed of cattle or other property is effectively instrumental in enforcing payment of debt. Whenever the payment of debt is withheld, the creditor first of all seeks the help of local influential persons, who generally form a *panchayat* and decide how and what amount is to be repaid. Social rules generally make it binding upon the parties to accept the decision of the *panchayat*. Recourse is had to courts of law when the *panchayat* fails.

There is a difference of about one anna in the rupee in the rate at which the cultivator borrows grain and the prevailing rate for the same variety of grain in the market at the time of borrowing. As for repayments the practice varies. The general practice is that the rate of grain prevailing on the 11th day of *Aghan* (last week of November) for *kharif* and the third day of *Baisakh Sudi* (some time in May) for *rabi* is the rate at which repayments are made. The former day is called "*maragsiri*" and the latter "*akhteej*." But in practice the creditor is usually successful in fixing rates even more favourable to him, and the difference between the borrowing rate and the repayment rate is, in normal years, from 6¼ per cent. to 12½ per cent. Owing to good means of communications (railways, motor lorries, etc.) the cultivator has no difficulty in ascertaining what the prevailing rates in the market are from time to time. Normally the *tola* or weighman is an authority, but nowadays cultivators know as much as he does. News of changes in the *nirkh* is carried into the *dihat* daily.

Question 5.—In answering this question I distinguish between loans under the Agriculturists Loans Act and the Land Improvement Act where it seems necessary to do so. Otherwise the answers apply equally to loans under either Act.

In this district the cultivator takes every rupee of *taqavi* he can get. The demand is limited only by the supply. The only difference between abnormal and normal years is that the supply is expected to be greater in abnormal years, and the demand is *pro tanto* more insistent.

The more serious defects of the *taqavi* system seem to me to be—

(1) Money is seldom available at the proper times, especially in periods of scarcity. For instance, seed for *rabi* is required in *Kuar*, and cattle are required in July. *Taqavi* for seed or cattle purchase on any substantial scale is, in my experience, forthcoming only in times of scarcity. But, unless the monsoon is a pronounced failure from the start, it is only when the monsoon is over that *taqavi* is available; and the amount to be allotted will probably depend on a detailed inquiry as to the outcome of the *kharif* harvest. The result is that proposals reach Government in November and allotment is received and distributed in the course of the cold weather long after the time of sowing *rabi* and long before the cattle markets (July) begin.

(2) The amount available is usually insufficient, particularly in times of scarcity.

(3) The inquiry preceding the distribution is imperfect, not as regards the need for relief, but as regards the amount of relief required. Information is usually defective as to the markets where the best seed may be purchased at the lowest price, as to the quantity of seed of various kinds required to sow a given area, as to the prevailing price of cattle, and as to the need, chances of success and fair cost of masonry wells

In regard to improvements generally, I estimate that, of masonry wells made in this district in the last 30 years, 60 per cent. were either superfluous (because earthen wells lasting several years and equally efficient could be made in two or three days at a cost of Rs. 2-8 to Rs. 10) or defective (owing to lack of well-borer's advice, silting-up, or bad construction). Ninety per cent. of these wells were constructed with *taqavi*, and the amount of *taqavi* expended on construction was frequently much less than the amount allotted. In numerous cases the real object was to obtain a cash loan for general purposes, though I have not heard here of cases such as occurred in certain districts where no well was built at all from the advance.

(4) The distribution is defective. Allotment for a particular tract is sometimes all expended before it is realized that villages where the need is as great as elsewhere have not been included. Frequently the amount fails to reach the most deserving recipients. Substantial and prosperous men who have no need of *taqavi* frequently apply for it and receive it in times of scarcity, actuated by the belief that the greater the amount distributed in the village the greater will be the amount to the village in suspension or remission of revenue and rents.

(5) There is corruption among subordinate officials at times of distribution and collection. This usually takes the form of a fixed *haqq* or rate, and, as the rate of interest is so low compared with the rate of the moneylender, the borrower seldom raises any objection.

(6) In practice repayments are usually collected long after the harvest is in, when the moneylender has taken cash or grain and settled his accounts, and the agriculturist has no surplus cash available. This leads to sale of the means of subsistence to satisfy the instalments.

(7) The borrower has to furnish sureties. Frequently they do not realize their liabilities. If the borrower defaults the easiest way of realizing is to compel the surety to pay. The surety, however, has no remedy against the borrower except through the civil court—a tedious and costly business.

(8) The accounts are complicated. A borrower seldom knows what he has to pay as an instalment, and is accordingly liable to be defrauded.

On the other hand, the *taqavi* system has four great advantages—.

1. The rate of interest is very moderate.
2. It is distributed, on the whole, with much general fairness and sound regard to the necessity of particular tracts.
3. It is most freely granted in times of distress, when no moneylender or bank will advance money on any terms because the prospect of early repayment is hopeless.
4. If we except the system of the Opium department, which is worked purely for a special crop, the system is worked with far less dishonesty, partiality and carelessness than is the case with advances granted in other ways. Embezzlements are rare. The Budaun co-operative societies ended in liquidation (*vide* the Oakden Report) owing to the dishonesty and partiality of the bank officials and of those borrowers who were in conspiracy with them; and did infinite injury to their constituents. In my experience as a magistrate I have met with cases of embezzlements, partiality and incompetence in respect of loans granted by the Court of Wards and the Agricultural department which could not have occurred in respect of *taqavi*. The point is worth mentioning, as it is not worth while to interfere with the *taqavi* system unless it is to be replaced by some system worked more efficiently, impartially and honestly.

Provided (i) that the district officer has a substantial share in control of their administration, and (ii) that arrears of loan instalments can be recovered as arrears of land revenue, the system of *taqavi* for seed, cattle and improvement in normal circumstances should in my opinion be replaced by a system of land mortgage banks, in which Government has a controlling interest. *Taqavi* for scarcity should be allotted from the Famine Insurance Fund and distributed through the land mortgage bank under special control of the district officer. Otherwise, I suggest, in normal circumstances—

(1) *Taqavi* for seed and bullocks should usually be distributed between June 15 and October 31 and not otherwise;

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(2) *Taqavi* for wells should be distributed between November 15 and April 15 and not otherwise; but *taqavi* for *bunds*, channels, etc., should be distributed at any time which is proved to be expedient.

(3) *Taqavi* for wells should not be granted unless the applicant proves that the well will be an improvement and will be successful, the deposit of well-borer's fees being a necessary preliminary. In the cases of *bunds*, etc., the *taqavi* should not be granted without enquiry as to whether the proposed improvement will affect the rights of other agriculturists injuriously or not.

(4) Every district officer and his gazetted staff should be equipped with a statement showing (i) the amount of seed of different varieties (improved and *desi*) required to sow a given area, and the markets whence such seed is obtainable, worked out for each tahsil of a district; (ii) the price of bullocks, and the cattle markets of the district or neighbourhood, and the dates when particularly large cattle fairs are held; (iii) the agricultural implements suited and necessary for the district, their prices, and where obtainable; (iv) the areas where masonry wells would be improvements, where they are unnecessary, where they are exposed to destruction by flood or shifting sub-soil, etc., with estimate of the amount necessary, in different tracts, for construction of a well suitable for irrigating (say) 5 acres, 10 acres, 20 acres (according to average size of holdings); and other important details.

Such a statement could be compiled and printed for each district from information furnished by the Department of Agriculture, local officers, and settlement records and pargana books.

(5) So far as possible, the basis of distribution ought to be local enquiry by the sub-divisional officer through leading men of the village, *panchayats* and *chaudhris* or other leading men of the principal castes of the village; the *patwari* being responsible for pointing out persons who constitute a bad risk, and not for recommendations. In times of scarcity when *taqavi* is particularly limited in amount relatively to needs, it should not be given to substantial well-to-do men. This will greatly obviate the state of affairs which frequently arises at present whereby one village receives an adequate amount while other equally deserving villages get nothing. In emergency it might be ordered that *zamindars* paying more than a certain land revenue or tenants paying more than a certain rent should be excluded from the distribution.

(6) Instalments should be collected immediately from the date that the rent falls due and only for a period of one month thereafter. It should not be collected when the cultivator has no cash left except for subsistence. With sufficient staff for the collecting season (*taqavi* naib-tahsildars) this could be done.

(7) The sureties for a tenant should be men of his own caste; a Chamar should not be surety for a Thakur, etc.

(8) The law should be amended to enable a surety to apply on an eight-annas court-fee stamp for recovery from a defaulting borrower whose instalment he has paid, as with lambardars under section 184, Land Revenue Act. If realization from the borrower proves impossible, the Collector should have power to mortgage part of the holding to the surety for a term.

(9) Loans should be allotted and instalments calculated according to a system which the borrower can easily understand, *i.e.*, in multiples of Rs. 5 and Rs. 10 (=1-anna per Rs. 10 per mensem =7½ per cent. per annum).

(10) The instalment system should be introduced for Act XII loans; interest on the whole loan to be charged from date of the grant of the first instalment.

Question 6.—There is a custom of observing the same rotations (*rabi* one year, *kharif* the next) over definite tracts of a village. Valuable crops are sometimes grown in compact blocks. Sugarcane in *khadir* tracts is similarly treated. In such cases the motive for co-operation is joint protection against depredations by men, cattle, and wild animals. I have known an entire village to refrain from growing sugarcane in order to force an extortionate *khandsali* to abate his demands. There is no attempt at producing crops particularly suited to a tract in combination except for sugarcane, where soil conditions, etc., are the real factor compelling combination.

I do not consider an extension of combination to produce particular crops possible in this district. There are too many local factors to be considered, and the cultivator is usually successful in growing the crop that pays him best.

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Question 7.—I would sum up the defects in the present system of agricultural borrowing briefly as follows :—

(1) The rates of interest are much higher than is necessary as a fair return for the risks involved. In addition, in about 70 per cent. of cases the balance sheet of any loan accounts is unfair to the borrower, involving an increase in the interest really charged which is sometimes fantastic in its proportions.

(2) The volume of unproductive debt is enormous.

"Nearly all the £377 millions which were owed by Prussian landowners in 1902 was probably productive debt. Unfortunately in India every authority agrees that the debt, amounting to between four and five hundred million pounds, is almost entirely unproductive. The sum per head is not large, but less than 5 per cent. of it has been spent on permanent improvements and only a small proportion upon cattle and improvements. The total agricultural debt of India is about 30 rupees per acre, and this amount is spread fairly evenly throughout the different provinces. The interest charges are about Rs. 3 per acre yearly. The average interest charges alone come to more than the land revenue, which is in the nature of one-and-a half or two rupees an acre. In the Punjab where debt is heavy, the interest charges on debt are reckoned to be three times the land revenue." (Garratt, *An Indian Commentary*, pages 38—40, Cape, London, 1929).

Making a similar estimate for the district of Budaun, where I believe there is less indebtedness that in many parts of these provinces, I would put the agriculturists' debt at Rs. 12 per acre (cultivated); the interest at Rs. 2·5 per acre (cultivated), and the annual payments in interest at 25 per cent. more than the annual land revenue (as now proposed to be enhanced), and at more than half of the annual payments of rent.

(3) Except for Government agency, loans are not available when they are most acutely needed for subsistence in times of famine and scarcity.

(4) The high profits of lending are a formidable obstacle to improvement of the land. The fact that the greater part of the lending in this district is from agriculturists to agriculturists will not have escaped notice. The number of moneylending *zamindars* who were not originally bankers by caste or profession is increasing. About 40 per cent. of solvent tenants lend money. Lending yields greater returns than any investment directed to increasing the productivity of land.

(5) As a consequence of high rates of interest the proprietorship of land is passing from agricultural to non-agricultural classes, and the rights of tenants in land are in course of being dissipated.

The following are relevant figures in this district :—

Year.	Proprietors.	
	Thakurs.	Vaishas.
1865	433,553 acres = 36·07	107,322 acres = 9·78
1895	328,997 „ = 27·63	185,648 „ = 15·53
1925	279,405 „ = 21·85	251,340 „ = 19·99

In regard to tenants, the provisions of the Tenancy Act, 1901, relating to accrual of occupancy rights by prescription and to restriction on *sir*, militated for twenty-five years against the tendency to reduce the tenants to economic serfdom by means of debt. That phase of special protection for tenants is past. The number of landowners who are moneylenders by descent or profession and of *zamindars* of other antecedents who imitate them has greatly increased. Where tenants borrow from their own *zamindars* their rights in land quickly lose all value.

(6) In general, it may be said that before British rule there was little real security and so little borrowing. Prosperity was for the few. Settled Government and recognition of rights in land did much in the direction of achieving "the greatest happiness for the greatest number." But it also created the growth of population.

and consequent fractionization of holdings, and the debt problem. The spread of the loan system has done much for individual freedom and diminution of crime; but unless the rates of interest can be brought down to reasonable proportions there is grave danger of a return of economic inferiority and dependence for the cultivator, and of a decrease in the productivity of land.

The remedies most desirable appear to me to be—

(*a*) To establish land mortgage banks on such a scale as to lower very substantially the rate of interest. Failing this, or with it, the *taqavi* system should be reformed.

(*b*) To give even further encouragement to co-operative societies where they are really taking root, by closing them where they are a failure or are making no headway, and utilizing all the Co-operative department's resources in successful areas.

(*c*) To continue the process whereby the Agricultural department has successfully demonstrated to *zamidnars*, moneylenders and tenants in parts of certain districts, (*e.g.*, notably Saharanpur, Shahjahanpur, Hardoi, Aligarh) that the profits of investment in land are greater and more secure than the profits of moneylending.

(*d*) To extend, after due inquiry, the provisions of the Bundelkhand Land Alienation Act, 1908, to areas where land is passing from agriculturists into the hands of non-agriculturists.

(*e*) To levy a small cess on the land revenue for purposes of village improvements: the cess to accrue from year to year for the benefit of each village and to be administered by the district officer in association with representative and influential committees of agriculturists of local areas.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—Solvent cultivators themselves bring their crops to market if they have carts, ponies or other conveyance of their own. Small cultivators generally sell their produce in the village either to the village grain-dealer or to small peripatetic dealers who in their turn bring the crops to market.

Question 2.—Money to finance the marketing of crops is obtained from grain merchants and exporting firms.

Grain merchants lend to the small dealers who bring the crops to market at a rate of interest of two annas or one anna six pies per cent. per day.

The big merchants of Budaun, Ujhani, Bilsi and other market towns seldom require to borrow, their capital being sufficient for their trade. The *hundi* system is, however, generally prevalent.

Except for a group of societies around Islamnagar, near Chandausi, the co-operative societies of this district have been dissolved. The remaining societies do not assist in the marketing of crops. Chandausi, close by, is a very big grain-market. Cultivators can get fair terms and I do not think the societies should lend for marketing purposes.

Question 3.—In marketing his crop the cultivator pays one-eighth seer for *dana*, and one-eighth seer for *kardah* (dirt in grain) to the grain merchant (*beopari*) for one maund of the grain sold. In case of big sales, the person selling pays eleven annas three pies per cent. on the sale price for *dana*, *kardah* and *gausala*.

Wheat is treated as other crops are. No charges are paid for cotton. For sugarcane six annas three pies per cent. is paid on the sale price to the *beopari*.

There are no other incidental charges; terminal tax or toll or octroi is, however, paid by the cultivator when he brings his crops to a town to sell.

Question 4.—Big and prosperous cultivators store their grain in *khattis* where the water level is low. But, as the water level is generally high in this district, the grain is mostly stored in *kothas*. Inasmuch as the cultivator rarely stored seed for sowing, the system of storage is not defective. If he were in a position to do so, propaganda by the Agricultural department in favour of some simple and inexpensive form of sealing might foster the practice.

In the markets storage in *kothas* and *khattis* is usual. The system is very defective owing to changes of temperature and monsoon moisture. It is a question whether conditions regulating storage from the point of view of health and sanitation should not be introduced for some of the larger rural markets as is done in the case of the larger municipalities.

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Question 5.—Grain in storage is used as security for obtaining credit to a small extent by the dealers of Ujhani, the chief exporting centre. There is no long-term storage in the towns of the district, such as is found in Meerut, etc.

Question 6.—I do not think that a system of warehouses on the lines of the American system could be worked in India at present.

Question 7.—There is no combination among cultivators to market crops. I do not think such combination is an urgent necessity.

Question 8.—The system of weighment is satisfactory. There are no serious abuses.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—See preliminary note. In 1927 the Board of Revenue instructed the settlement officers then working to prepare statements and make inquiries relating to the size of holdings and to indebtedness for the areas which they had still to inspect and assess. The questionnaire, instructions and replies and statements received in connexion therewith are probably available to the Committee, and are too long to be reproduced here. In brief, there were six statements. Cultivators (and, separately, tenants) were divided into typical leading castes, and non-agriculturists were shown separately. Statement I showed the extent of area cultivated for each class—up to 2½ acres, up to 5 acres, up to 7½ acres; and so on. Statement II gave the same details for tenants. Statement III showed the details of subletting according to size of holdings. Statement IV showed the number and percentage of tenants indebted, the degree of indebtedness being related to rent, and tenants classed as owing less than one year's rent, less than two years' rent and more than two years' rent. Statement V showed creditors according to classes—local, outside, agriculturists, etc. Statement VI showed the causes of indebtedness. These last three statements were based on complete house-to-house inquiry in selected villages. In making such an enquiry again, I would suggest that instead of relating the degree of indebtedness to number of years' rent owed, which is misleading, it should be related to (1) landless men, (2) tenants-at-will, (3) occupancy tenants, (4) ex-proprietary tenants, (5) proprietors, these classes being divided according to the yearly income which their holdings yield respectively. I would also include the distinctions proposed in (*c*) of this question.

I append an estimate for one typical village.

Statement showing the amount of debt incurred against different kinds of security as also the debt advanced without security for village Gauntara, pargana Usehat.

Amount of debt secured on land mortgage of various kinds.		Amount of debt incurred against other assets—						Amount of debt incurred without bonds.	Total.
Registered	Unregistered.	Houses.	Ornaments.	Agricultural implements.	Crops	Registered bonds.	Unregistered bonds.		
Rs.	Rs.		Rs.			Rs.	Rs.	Rs.	Rs.
4,642	2,542	*Nil.*	518	*Nil.*	*Nil.*	3,170	11,280	1,112	23,244
	Cultivated area, 1791 acres. Debt per cultivated acre, Rs. 13.								

Question 2.—See answer to question 1. The richer agriculturist, including agriculturist *zamindars*, lends to the poorer agriculturist to the extent of about 60 per cent. of the total amount so lent in this district.

Question 3.—I do think that as the result of the enforced payment of debt land and the rights in land are passing from the possession of people who are efficient farmers into the hands of creditors who are not themselves efficient farmers, and that this is adversely affecting the cultivator's production. When a cultivator, be he *zamindar* or tenant, loses his right in land through indebtedness and becomes a tenant-at-will or a

sub-tenants, he becomes liable to ejectment from year to year and ceases to give the land the necessary manure and otherwise keep it up to the level of efficient production, from fear of ejectment. A cultivator who is hopelessly involved considers that any surplus produce will go to his creditors, and restricts his output to a subsistence level.

Question 3A.—I have had experience of the working of the Bundelkhand Land Alienation Act in Bundelkhand and Etawah. In my opinion it (*a*) does restrict the agriculturist's credit, but checks extravagance and makes him thrifty; (*b*) it does lead to replacement of ordinary *banias* by agriculturist moneylenders, but certainly not to an extent which jeopardises existing rights in land.

Bundelkhand and the Jamna-*par* area of Etawah are much more precarious than the greater part of Budaun district. In spite of this, the small *zamindars* and the tenants are better off than the corresponding classes in Budaun. For instance, ornaments are hardly to be seen in Budaun district. They are to be seen all over Bundelkhand. In times of scarcity Government comes to the aid of these precarious areas with *taqavi* as elsewhere. This is not absorbed at once by moneylenders, as is the case elsewhere. Moneylending is less profitable than improvement of agriculture. Had it not been for this Act, most of the Jamna-*par* area in Etawah would now be in the hands of capitalists; and the hardy, hardworking and skilful Thakur peasantry of the tract would now be hopelessly involved in debt.

Part E.—Land mortage banks.

Question 1.—Landlords can obtain loans to the extent of two-thirds the market value of their landed property; but so big loans are seldom incurred at a time. A creditor would readily advance money to the extent of less than half the value of the landed property; but would refuse to lend when the debt swells up to more than two-thirds the value of their landed property. In case ornaments, houses or the like are hypothecated loan can be had to the extent of half the value of the thing hypothecated.

Occupancy tenants can get loans to the extent of about five times the difference between the actual rent and the letting value, at the prevailing statutory or sub-tenants' rates, of the part of the occupancy holding stipulated to be mortgaged in lieu of the debt.

Tenants without rights of occupancy can obtain loans to the extent of what they can easily repay within a year, say, about one-fifth of their annual income.

Question 2.—In the case of landlords, property is not hypothecated formally for loans amounting to about one-third the value of their landed property. Average landlords generally hypothecate ornaments or the like, or have to execute a bond which in majority of cases is registered. In the case of big *zamindars* an unregistered bond for amounts up to about one-fourth the value of their landed property is considered to be an adequate security. When the amount of loan exceeds these limits a portion of the landed property is mortgaged with or without possession. In the case of occupancy tenants, as shown above in reply to question 3 of Part A formal mortgages are avoided by means of fictitious sale-deeds and of nominal sub-leases.

In majority of cases the creditor's aim is to get as much interest for as much time as possible, generally with a motive to secure for himself what the borrower has offered as security for the loan or what would have been a security if it had been actually demanded. The creditor would prefer to get the bond renewed every three years (or such period as may be agreed upon) for the total amount of principal and interest rather than try to recover the loan. He discourages repayment on the instalment system, always demanding the whole of his dues at a time.

The rates of interest are unreasonably high for good security (such as unencumbered *zamindars*).

Question 3.—Non-transferability in the case of tenants does act as an impediment to long-term credit.

Question 4.—The occupancy tenant (born 1850) passed his grand climacteric in 1926 and has begun to decay, but it is undesirable to expedite the obsequies by making it easier for him to barter away his life-blood. The remedy is to make more capital available at lower rates of interest, and on instalment payments.

Question 5.—It is possible that land mortgage banks may do much to solve the problem of long-term advances and to bring down prevailing rates of interest. But, how-

ever elaborate the constitution and working rules of such a bank may be, success is chiefly dependent on the calibre of the personnel; and if this proves unsatisfactory, it would be better that no such experiment were attempted. Too often, the credit of some deserving experiment is wrecked or damaged in the initial stages by the engagement of employees who are clever but dishonest or of employees who are honest but devoid of guile or agricultural experience. In the case of land mortgage banks, it is obvious that there must be considerable propaganda and lay. out of capital if a bank is to be more than a piece of mere window-dressing. Private capital will not come in until public confidence is stimulated by heavy Government investment and a start has been made. For years Government will be the chief shareholder, and should have the controlling voice in appointment of the personnel. The degree of support from the public and of success will depend largely on the nature of the personnel.*

I suggest that a start might be made experimentally in a selected district or two where crop conditions are not precarious, where there is a large percentage of low-rented occupany tenants, where private moneylenders are many and unorganized, and the rates of interest are high. There should be a central district bank with branches at each tahsil. The Collector should be chairman of directors of the banks; the branches should be administered by a local committee of which the tahsildar would be chairman. For district wholetime managers and branch agents, selection should be made from among the wide ranks of retired civil or military officials of proved integrity and experience. Inasmuch as public money would be directly and heavily involved, the rules framed by Government for administration would be comprehensive and leave no room for peculation. The recommendations made in respect of *taqavi* apply equally to the grant of loans, time of advances, amounts, interest, sureties, and repayments, etc.

For purposes of dealing with loans, each tahsil would be divided up into convenient small (say villages or areas with a population of two thousand) units or blocks each with a unit member (who should be a shareholder), to report on the advisability of granting loans. For granting these some form of association on the American system as described in the note on land mortgage banks seems to offer a promising basis. If the association is a one-caste group, with respectable and substantial men of the caste in the group, a mortgage of the land in respect of which loans are desired to the group, which then hypothecates to the bank, might be satisfactory. In case of default a provision that a reasonable part of the holding should be mortgaged to or worked by a surety making good an instalment seems most essential. It is only in the last resort that the bank should directly manage or work a mortgaged holding.

It will, I think, be a mistake to fix the rates of interest too low in the first instance. For a bank of this character, it would be most advisable to limit loans to such amounts as the cultivator can repay with interest in one year.

Question 6.—In my opinion the first object should be to provide credit for small landowners and occupancy tenants.

I think the bank should have capital of its own. The total amount depends on a careful enquiry into the needs and probable amount to be granted in the district or districts selected.

Share capital should be available for subscription to the public generally. Any shares not taken up by the public should be taken up by Government. As to the suggestion that Government, if they are to undertake any financial obligations, should be safeguarded against loss, I consider that Government should take the same risk as is taken by the other share-holders, debenture-holders, etc.; private capital will not be attracted if Government have priority. But the land mortgage banks should I think, have the same prowess and privileges as obtain in respect to *taqavi*.

I think it would be better to begin with local experiment rather than with provincial or central experiment.

Question 7.—For calculating the value of land I suggest the method recently adopted by Government for employment in land acquisition cases.

In general, in this district, the value of land per acre is related directly to the crops grown on it only in respect of specially manured areas (homelands, or *gauhani* or *goind* areas), and in respect of *khadir* cane-growing areas. In the greater part of the

*Dr. Titus, an American missionary resident at Budaun, informs me that in America the success or failure of a land mortgage bank depends almost wholly on the reputation for probity enjoyed by those appointed as directors and as staff.
MR. A. A. WAUGH.

district the value of agricultural land varies according to the different soils as demarcated at settlement (which includes distinctions having regard to irrigability), and according to the tenure. In actual negotiations the value of different kinds of land is not calculated. The general practice is that the assets of the land as recorded in the *patwari's jamabandi* are ascertained; then the land revenue and cesses are deducted from the assets, and the value of the land is calculated at about 18 to 22 times the net assets.

The factors affecting land value are—kind of soil as indicated by the soil class; irrigability; liability or otherwise to damage by flood or drought; length of life of earthen wells; distance from the village site, distance from markets; state of communications; special skill, or lack of skill, of cutivators; good or bad paying reputation of the body of cultivators; kind of tenure in which land is held; precariousness or fertility of the tract as a whole. The last named is indicated by the settlement assessment circles.

Sales for non-payment of revenue are rare.

The prices obtained by sale on a court decree are about sixteen times the profit, or even less.

The prices obtained by private negotiations are about 18 to 22 times the profits.

The difference in prices is due to the following reasons :—

A property put to auction is known to be one which there is no option but to sell. This fact in itself automatically lowers the prices relatively to ordinary bargaining levels of price. The bids offered by purchasers are accordingly the lowest which they think will be accepted. Publicity as to fact of sale or date of sale is often defective. The person whose property is being sold is in no position to insist on a reasonable reserve price. In other words, it is not the bidder who seeks the property, but it is the property which seeks bidders.

In this district the annual net yield of average quality land has been 12 maunds per acre for about 50 years. The average price of food grains, 1915—1929, has been 8·28 seers per rupee; net yield per acre equals Rs. 58. The market value of such land is about 20 times the profits (*i.e.*, excluding land revenue and cesses), which gives a figure for average quality land of Rs. 100 per acre. The proportion is thus Rs. 58 : Rs. 100. But, as everything depends upon the cultivating tenure in which the land is held, the actual proportion in any given instance varies enormously. If net yield means the net yield to a landlord, the proportion is about 5 : 100.

Part G.—Small industries allied to agriculture.

Question 1.—The subsidiary industries allied to agriculture in this district are chiefly : making of string, *pals*, baskets, chairs, etc., from coarse grass or reeds on a fairly extensive scale owing to existence of large sandy and *khadir* tracts; *gur* making; vegetable, fruit and flower growing; fishing; manufacture of *ghi;* hand-spinning—all these on a small scale.

Question 2.—The condition of these industries is feeble, and producers receive considerably less than the market value. Better communications and co-operative selling would stimulate industry considerably. This applies particularly to perishable goods such as vegetables and fish which are subject to much pilferage in transit to market. Co-operation and the rise of motor transport to reach big markets for such (*e.g.*, Bareilly) would stimulate these industries considerably.

Question 3.—Weaving, *with employment of the flying shuttle*, extensively taught by the Industries Department and financed by the land mortgage bank, is possibly the most profitable industry which could employ farmers in off-times; but the odds are heavily weighted by the growing taste for cheap, short-lived machine-made clothing in preference to durable hand-made articles. But if only the cultivator could be induced to trench manure and nightsoil for maintenance and improvement and fertility, it would be unnecessary to devote so much anxious thought as to how to fill his spare time or improve his lot.

Mr. A. C. TURNER, M.B.E., I.C.S., Settlement Officer, Rae Bareli.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—Agriculturists in Rae Bareli borrow from professional moneylenders resident in the larger towns and villages, other agriculturists, *zamindars*, and co-operative societies in that order of importance. Loans from Government under the *taqavi* Acts fluctuate, swelling appreciably in periods of shortage or famine.

Money is borrowed for all the purposes mentioned in the questionnaire.

I have insufficient data to sub-divide the debt under all the heads referred to; moreover, the distribution under these heads is constantly fluctuating. From figures which I have collected, I think it safe to say that, normally, half the debts are due to expenditure incurred in connexion with agriculture, three-tenths to expenditure on social ceremonies and functions, and the remaining one-fifth to litigation. The proportion of the debt of high caste agriculturists due to the two latter causes is higher, and that of ordinary agriculturists correspondingly lower. Agricultural expenditure in this estimate includes repayment of earlier debts and payment of accumulated interest in respect of old agricultural loans, and all the other heads mentioned in the question except marriage and other social functions and litigation.

The distribution of the debt is roughly—

Professional moneylenders	...	...	Three-fifths.
Agriculturists	...	...	One-fifth.
Landlords	...	...	One-fifth.

Government advances and co-operative society loans are comparatively negligible.

The above figures are for cash debts only. I have no figures for grain debts. These fluctuate considerably, depending largely on the harvests. Many of the lower caste tenants regularly borrow grain for sowing and repay with interest on reaping, so that the outstanding grain debts after the *rabi* harvest should never be very considerable except when that harvest fails. In one estate, where the landlord lends to his tenants, the cash loans before the last *rabi* amounted to roughly Rs. 60,000 and the grain debts to 4,000 maunds, but I cannot guarantee that these are representative figures. I think it can be safely said that after the *rabi* harvest each year, the outstanding grain debts of the district are quite negligible compared with the cash debts.

The grain debts, as indicated above, are incurred for short periods, *i.e.*, from sowing time till harvest, three to four months in the *kharif* and six in the *rabi*. I have no figures for the classification of the cash debts, but loans taken for all the purposes enumerated in the questionnaire, with the possible exception of (iv), (vi), (vii), (viii) and (xv), must necessarily be for over six months' duration.

Question 2.—The prevalent rates of interest for cash advances are :—unsecured 24 per cent. per annum, and secured, 6 per cent. per annum. These are the commonest rates charged by all classes of creditors, though a fair proportion of the debt is loaned unsecured at 37½ per cent. per annum. In the matter of loans in kind for seed, *mahajans* usually take 50 per cent., but the introduction of Government seed depôts taking 25 per cent. has caused a reduction in the *mahajans'* rates and they sometimes lend at 25 per cent. The landlord mentioned above takes 12½ per cent.

The interest is calculated monthly.

The secured rate is certainly not exorbitant, but the unsecured rate of 24 per cent. per annum is very heavy, and 37½ per cent. is excessive. A few cases of 75 per cent. per annum for short-term cash loans were also met with. This is positively iniquitous.

Question 3.—I have no figures showing the kind of security usually given, but mortgage of rights in land, house property, standing crops and ornaments are naturally the most common.

MR. A. C. TURNER.

Except in the case of small co-sharing *pattidars* who have become too numerous for the property they inherited, and who have wasted what little they had in internal litigation and excessive expenditure on social ceremonies, I should say that the landlords of Rae Bareli are better off than their tenants. The occupancy holdings in this district are small in area and are mostly held by the impoverished descendants of the old *zamindars*. Their rents are low, but, again, they are like the *pattidars*, litigious and too numerous for the land left to support them.

Three-fifths of Rae Bareli are owned by *taluqdars*, some of them wealthy and the remainder, with a few minor exceptions, free from debt. One-ninth is held by single *zamindars*, most of whom are clear of debt. One-quarter is held by co-parcenary communities, the members of which, where numerous, are, as mentioned above, often heavily indebted, and mortgaged, especially so in tahsil Salon.

I have no figures for the amounts of debt secured on land mortgage, but the following figures showing the areas of land sold by private negotiation and by courts' orders in five-yearly periods during the last 29 years for the whole district indicate that less land is changing hands, and hence that landlords are better off, and the mortgage figures show that mortgage cases are decreasing and redemption cases more numerous :—

Period.	Area sold.		Number of mortgage cases.	Number of redemption of mortgage cases.
	By private negotiation.	By courts' orders.		
	Acres.	Acres		
1304F—1308F	6,375	618	1,019	877
1309F—1313F	7,664	1,788	1,038	728
1314F—1318F	3,395	616	983	703
1319F—1323F	3,895	715	943	620
1324F—1328F	3 829	1,357	878	778
1329F—1333F	3,703	1,017	716	534

Question 4.—Grain loans are returned in grain so no question of rates appears to arise. The cultivators only ascertain the prevalent market rates from the rates current in the bi-weekly local bazars.

Question 5.—These questions can best be answered by district officers. The general impression I gathered during my touring of the district was that tenants often prefer borrowing from *mahajans* at 24 per cent. per annum to taking loans from co-operative societies or Government, at far more reasonable rates. This is partly due to inertia on the part of the tenants as there are fewer formalities and less trouble over securing loans from *mahajans*, and partly due to the fact that they are not pressed by the *mahajans* for regular instalments in repayment. In years of drought the *taqavi* advances are very large in this district.

Question 6.—I know of no instances in this district where cultivators combine together to produce particular crops, nor can I see any need for such combination.

Question 7.—The co-operative movement is undoubtedly the best system of borrowing and needs extension in this district. Government loans are best left to cases of emergency.

Part B.—Agricultural borrowing for purposes of marketing.

The commonest method of disposal of crops is for the cultivators to sell to the agents of the wholesale grain merchants who visit the cultivators in their own houses and bargain over the price. In this way the cultivator is saved all trouble and cost of marketing though he naturally has to accept a price below the market value and is probably often taken advantage of by the agent.

MR. A. C. TURNER.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—Last year and this year I had some enquiries* carried out concerning the debts of tenants (and very small co-sharers whose income from their proprietary land was less than from the land they hold as tenants) in certain selected representative villages in three tahsils of this district. In each village the debts of each tenant were ascertained and classified as less than one year's rent, between one and two years' rent, or over two years' rent. The debts were then classified according to their cause under the heads—

(i) agricultural (including expenditure on rent, stock, agricultural implements, wells, etc.);
(ii) social ceremonies;
(iii) litigation; and
(iv) personal extravagance.

Finally, the amounts owed to the various classes of creditors were abstracted under the heads—

(*a*) professional lenders (resident and non-resident);
(*b*) agriculturists (resident and non-resident);
(*c*) landlords (resident and non-resident); and
(*d*) co-operative societies.

The rates of interest were separately noted.

My figures are for certain selected villages but they may be taken as fairly representative. The total debts in the 81 villages total Rs. 5,90,118 and on this average the total debt of the district would amount to Rs. 1¼ crores, but it must be remembered that this is based on figures collected at times when the tenantry is usually hard hit by a series of very unfavourable harvests. This figure is only a tentative one and I would not guarantee its accuracy, nor do I see how any such estimate could be prepared for the whole province. Such an estimate could only be prepared districtwise at most. It is estimated that three-fifths of the tenants in the district are in normal years not indebted. In tahsil Maharajganj, where rice is the principal *kharif* crop, even after three bad *kharifs* in succession and one badly damaged *rabi*, 38 per cent. were found clear of debt.

Question 2.—Slightly less than half the creditors of the district are professional *mahajans*, but they are owed three-fifths of the total debts. An equal number of agriculturists are owed one-fifth between them. *Zamindars* are owed most of the remaining one-fifth, the amounts owing to co-operative societies and Government being negligible compared with the rest.

Question 3.—The appended table will show the areas held by the various castes, now and at last settlement. The bigger landlords cultivate but little themselves so that transfers of their lands would make no difference to the productivity of their estates, and as a matter of fact, sales of their property on account of debt are rare. Small cultivating owners have lost some ground, but most of these who have failed and have been sold up were extravagants, litigious and bad cultivators, so that transfer of their land to others probably means better cultivation and increased output. *Banias* have increased their holdings by only 3,154 acres in 35 years.

*The results of these enquiries have been abstracted in a note by the Chairman. (See Evidence, Vol. II, pp. 1—20).

Table showing castes of proprietors in the Rae Bareli district.

Caste.	Area held at last settlement.	Area held at present settlement.	Increase since last settlement.	Decrease since last settlement.	Percentage of the total area now held by each caste.
	Acres.	Acres.	Acres.	Acres.	
Brahmans (including Bengali Brahmans).	60,652	67,820	7,168	..	6·06
Thakurs.					
Bais	423,285	378,976	..	44,309	33·85
Kanhpuria (including Raj Kumar).	250,751	237,473	..	13,278	21·21
Amethia	33,478	63,075	29,597	..	5·63
Janwar	17,905	14,408	..	3,497	1·29
Gautam	9,422	7,557	..	1,835	0·65
Other Thakurs ..	22,291	38 269	15,978	..	3·42
Total, Thakurs ..	757,132	739,758	45,575	62,949	66·08
Kayasthas.. ..	38,903	34,164	..	4,739	3·05
Sikhs	47,664	40,160	..	7,504	3·59
Kurmis	15,632	13,228	..	2,404	1·18
Kalwars	3,514	3,528	14	..	0·31
Banias	7,066	10,220	3,154	..	0·91
Other Hindus ..	38,842	46,763	7,921	..	4·18
Shamlat	Not available separately.	24,193	24,193*	..	2·16
Khanzadas (including Bharsaiyans).	20,852	14 069	..	6,783	1·26
Muhammadans ..	124,000	112,520	..	11,480	10·05
Dedicated to temples, etc.	Not available separately.	5,615	5,615	..	0·50
Government property and revenue-free plots.	5,878	7,522	2,144	..	0·67
GRAND TOTAL ..	1,119,635	1,119,550	95,774	95,859	100·00

*Mostly held by Thakurs.

Mr. A. C. TURNER.

Captain A. W. IBBOTSON, M.C., M.B.E., I.C.S., Deputy Commissioner, Garhwal.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturists in this district borrow from village moneylenders mostly. Some borrow from co-operative societies in the Kham Bhabar estate.

They borrow for marriage mostly and to a certain extent for litigation, and during famine time for subsistence.

For marriage expenses the proportion is 75 per cent. and 25 per cent. for the rest.

Ninety-five per cent. of the debt is taken from village moneylenders and hardly 5 per cent. from co-operative societies. Ninety per cent. is incurred in cash and only 10 per cent. in grain.

Seventy-five per cent. of the debt is for long periods and 25 per cent. for short periods.

Question 2.—The rates of interest are for cash advances mostly 25 per cent. per annum; for loans in kind for seed about 25 per cent. per annum, and for other loans in kind about 25 per cent. per annum.

Mostly the rates are calculated at simple interest.

In my opinion the rates are exorbitant.

An incidental charge of 5 per cent. is made at the time the loan is given.

Question 3.—Land mortgage is the usual kind of security given and accepted.

In other places it is generally correct to say that the better the title to land the greater the amount of indebtedness, but in Garhwal the reverse is the case.

The amount of debt secured on land mortgage is increasing. The amount of such debt is equal to that of unsecured debt or debt otherwise secured.

Question 4.—Payment of debt is enforced by suit now.

Question 5.—The agriculturist takes full advantage of the facilities provided by the Agriculturists Loans Act, though in ordinary years no cultivator borrows for agricultural purposes.

Question 7.—In my opinion the village moneylenders charge exorbitant rates of interest and I would suggest that we should have co-operative societies for each *pattti* in the district.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—If the landlords or the tenants have spare grain they take it to the nearest market.

The methods of marketing vary according as the crop is one mainly used for domestic consumption, or one mainly sold in the market.

Question 2.—Grain merchants make advances in order to get grain at cheap rates. I think the co-operative society should assist in the marketing of crops.

Question 8.—Weighment in the markets is fairly satisfactory. Reliable firms are nominated to sell weights. These are generally used and fair weighment thus obtained.

CAPT. A. W. IBBOTSON.

But this nomination has no legal force behind it, and is at present the subject of attack by politicians on the ground of its being a "monopoly." If this attack succeeds, then the use of false weights will at once increase.

The same seer of 84 tolas is used throughout most of the district. But in Lansdowne the seer is 80 tolas and in Dogadda and Kotdwara 90 tolas. Uniformity in this matter would be to the eventual improvement of trading conditions, but, as everywhere, would cause a little local confusion during introduction.

I see no hope of getting this district to accept a metric or other reasonable uniform system within any foreseeable future.

Question 9.—There are no exporting firms or companies in this district; and among petty shop-keepers or grain-dealers there is no speculation that would mar the agriculturists' profit.

Mr. JHUMAK LAL, Special Manager, Court of Wards, Oel estate, district Kheri.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist borrows from Government, Court of Wards, co-operative societies, village moneylenders and grain dealers.

He borrows generally for nearly all the objects mentioned in the questionnaire, but particularly for the following purposes :—

(i) Seed, (ii) rent, (iii) plough cattle, (iv) litigation, (v) marriages, and (vi) subsistence.

The proportion is : (i) seed, 30 per cent., (ii) rent, 25 per cent., (iii) plough cattle, 30 per cent., (iv) other expenses, 15 per cent.

The distribution of the debt between the various lending agencies is—Government, 30 per cent., Court of Wards' *taqavi*, 10 per cent., co-operative societies, 10 per cent., village moneylenders and grain dealers, 50 per cent.

Of the total debt 70 per cent. is incurred in cash, 50 per cent. for long terms and 20 per cent. for short terms and 30 per cent. in grain, all short-term.

Question 2.—The rates of interest for cash advances are Rs. 3-2 per cent. per month and even Rs. 6-4 per cent. per month, but seldom less than Rs. 2 per cent. per month; for loans in kind for seed, *deorha*, *i.e.*, 50 per cent. interest for short periods; and for other loans in kind, something in excess of *deorha*, say 60 to 70 per cent.

The methods of calculating interest are—simple interest by Government, Court of Wards and co-operative societies, but compound interest by village moneylenders for cash advances after stipulated periods. In respect of loans in kind, interest is increased 50 per cent. every subsequent year.

The village moneylenders' rates of interest are exorbitant.

In tahsil Nighasan some usurers advance Rs. 10, but take a pronote for Rs. 15. If the amount is paid within the period agreed on by the parties, only Rs. 10 and interest are charged; otherwise Rs. 15 and usual interest. Under the Moradabad *qist* system also Rs. 9-12 are advanced instead of Rs. 10. Village moneylenders generally charge something extra at the harvest time on advances in kind for subsistence.

Question 3.—The security taken by moneylenders generally is land mortgage, standing crops and ornaments; by Government and co-operative societies, joint responsibility.

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

The comparative extent of indebtedness is landlords 50 per cent., under-proprietors 30 per cent. and tenants 20 per cent.

The amount of debt secured on land mortgage is increasing. The ratio between debt secured on land mortgage and debt unsecured or otherwise secured may be 4 to 1.

Question 4.—The usual method of enforcing payment of debt from agriculturists is by suits in civil and revenue courts.

The cultivator borrows at a higher rate and repays at a lower rate than the prevailing market rates. No special means of ascertaining the prevailing rates exists.

Question 5.—The cultivator takes full advantage of the facilities provided by the Agriculturists Loans Act, but not in the case of the Land Improvement Act. I believe the reason is that improvements contemplated by the Land Improvement Act are too expensive for an individual tenant and require co-operation, which the villagers generally lack.

About 2 per cent. of the tenants ask for *taqavi* in ordinary years, while in bad years about 80 per cent. apply for it.

I cannot find fault with the present system of *taqavi*, though it is unfortunate that owing to ignorance and extravagance of the cultivator, it is not always spent on the purpose for which it is given.

Question 6.—No instances where cultivators combine to produce particular crops are known. Such combination, though desirable, does not appear to be practicable as no agricultural union exists and the tenantry is more or less averse to combined action.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The produce is partly sold by cultivators in local markets and partly sold through grain dealers at the headquarters of the district.

The crops used for domestic consumption are sold in local markets, and the others are exported to big markets through agents.

Question 2.—Money to finance the marketing of crops is obtained from grain merchants in this district. A grain merchant generally before advancing money settles rates with the borrower which are generally from one to two seers in excess of the market rates per rupee.

There are co-operative societies in this district, but they do not assist in the marketing of crops. I think they ought to.

Question 3.—The only charge paid by the cultivator to the *arhatia* in the case of marketing the crop is 1½ pies per rupee.

The other incidental charges are—

(1) Municipal octroi, four annas per cent.
(2) *Gaushala* fund, six annas per cent.
(3) *Taulai*, 1½ pies per rupee.
(4) *Palladars*, 2 seers per cart.
(5) Kahars, ½ seer per cart.
(6) Chamarias, 4 chattaks per cart.
(7) Sweepers, ½ seer per cart.
(8) *Chokaras* (who put grain in *tarazu*), 4 chattaks per cart.
(9) Baba Sewa Dass (*chungi*), ½ seer per cart.
(10) Goshain Baba (*chungi*), 4 chattaks per cart.

Question 4.—The cultivator stores his grain in *bakharis* and clay bins. No suggestions for improvement can be made unless there was general improvement in his methods of living.

In markets the grain is put in gunny bags which are stored in residential houses. This practice is insanitary. I think it should be stored in masonry godowns specially built for the purpose.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—In village Phardahan, Oel estate, district Kheri, about 45 tenants out of about 100 (members of co-operative societies) are indebted to the extent of about Rs. 1,725. Of this Rs. 1,200 are secured by registered deeds against general assets and Rs. 525 are unsecured debts.

Question 2.—The principal creditors of the agriculturists are professional moneylenders, grain dealers, co-operative societies and Court of Wards in respect of *taqavi* loans.

The richer agriculturist lends to the poorer from 5 to 10 per cent. where relationship exists.

The amount due to moneylenders is 70 per cent. and to co-operative societies and court of wards 30 per cent.

Part E.—Land mortgage banks.

Question 7.—In this district good villages generally fetch from 20 to 25 years' purchase value, and therefore I think the value of land for purposes of mortgage should be calculated at something less.

The value of land per acre varies according to the quality of the soil.

The factors affecting such value are—

(i) distance from the village (land close to the village is more valuable than land at a distance).
(ii) means of irrigation.
(iii) fitness of the land for the growing of valuable crops.

Better prices for land are obtained by private negotiation than by sales by government auction for non-payment of revenue or by sales on court decrees. Perhaps the reason is that while in the last two cases the property must be sold, in the third case the sale is optional.

The proportion of the annual net yield of average quality land to its market value under normal conditions is 1 : 4. In the case of inferior land the proportion is 1 : 10.

Kunwar JASBIR SINGH, Bar.-at-Law, Special Manager, Court of Wards, Balrampur (Oudh).

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist borrows from the following classes of lenders : co-operative societies, village moneylenders, village *thekadars*, indigenous bankers and tradesmen. The objects of his borrowings and the proportions of debt due to each object are as follows :—

Repayment of earlier debts	5 per cent.
Payment of accumulated interest	25 ,,
Marriage and other social functions	5 ,,
Famine and other kinds of distress	5 ,,
Payment of land revenue or rent	20 ,,
Seed	5 ,,
Wages of labourers (generally paid in kind; cash is rarely required)	5 ,,
Purchase of plough and other cattle	15 ,,
Subsistence	15 ,,

Under-proprietors also borrow to a small extent for litigation.

The proportion in which the debt is divided amongst different lending agencies is as follows :—

Village moneylenders	70 per cent.
Indigenous bankers	10 ,,
Village *thekadars*	10 ,,
Tradesmen	10 ,,

Of the total debt 90 per cent. is taken in cash and 10 per cent. in grain, most of it for short periods.

Question 2.—Rates of interest are as follows :—

(*i*) For cash advances	25 per cent.
(*ii*) For loans in kind for seed	50 ,,
(*iii*) For other loans in kind	50 ,,
Co-operative societies charge	15 ,,

General simple interest is charged. The rates are exorbitant. In addition 5 per cent. is charged incidentally generally at the time of the grant or repayment of the loan.

Question 3.—The usual kinds of security are land mortgage, standing crops and ornaments.

The better the title to land, the greater the indebtedness. The great majority of *zamindars* in the estate are under-proprietors; almost all are indebted. So are the various classes of tenants. Some of those tenants are free from debt, members of whose families are engaged in occupations other than agriculture. Debt on land mortgage is increasing, but the proportion of unsecured debt is appreciably larger than debts secured by land mortgage or otherwise. Broadly speaking, the debts of *zamindars* and occupancy tenants alone are secured. Tenants generally borrow on the security of standing crops.

Question 4.—Creditors almost invariably secure payment of the debt at the time crops are harvested when they or their agents appear at the threshing floor or at the house of the borrower. Recourse is rarely had to formal distraint or a court of law.

The cultivator, both at the time of borrowing and repaying, generally sustains a loss of about two seers in the rupee, as compared with the market rate, though he has every means of ascertaining the market rates.

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Question 5.—The cultivator does not make full use of the *taqavi* system : this is due to his own ignorance and lack of encouragement on the part of the authorities concerned. He rarely borrows *taqavi* in ordinary years. In abnormal years he borrows freely.

The procedure and method of collection and distribution of *taqavi* are both defective. Far too much reliance is at present placed on the *patwari*, with the result that his recommendations, whether they be right or wrong, are almost invariably accepted. Enquiries should be made by means of a reliable executive official, who should be instructed to seek unofficial assistance to as great an extent as possible. *Patwaris* should have nothing to do with distribution and collection of *taqavi*. They should be replaced, as far as possible, by local reliable men, landlords and other influential persons. In other words, the *patwaris'* services should be restricted to supplying the information which is essential for purposes of distribution of *taqavi* and which is procurable from his papers. Due regard should be given to the paying capacity of the agriculturist at the time of distribution and collection, and long-term instalments should always be fixed.

The above applies equally to the Agriculturists Loans Act and the Land Improvement Act. The realisation of *taqavi* loans for seed in one instalment acts as an impediment to the cultivators to borrow *taqavi*. The borrower would much rather have his loans for seed from the person who would distribute the repayment to several years. As such the distribution for all purposes on long-term instalments is suggested.

Question 6.—There is no combination for the purpose of production. The combination is certainly desirable, but it is very difficult to induce people to combine in such matters.

Question 7.—The present system of agricultural borrowing is full of defects, which briefly are the charging of exorbitant rates of interest and other incidental charges, combined with the unscrupulous tactics of moneylenders; the illiteracy and poverty of the tenantry at large are the chief causes. As remedies, I suggest liberal education and financial help by the Government in distributing *taqavi* on low interest and on long-term instalments, and the expansion of the co-operative movement.

Part B.—Agricultural borrowing for purposes of marketing.

Question 2.—For marketing finance money is supplied by grain merchants and exporting firms. Exporting firms generally speculate and advance money for purchase of crops at a fixed rate settled beforehand, while grain merchants advance money on condition that the crops are made over to them at a rate above the prevailing market rate.

There are 100 co-operative societies in the Balrampur estate, but they do not assist in the marketing of crops. They should.

Question 3.—Marketing charges paid by the cultivators are as follows :—

(i) One seer per rupee to the *bania*.
(ii) One per cent. to the *arhatia*.
(iii) One per cent. to the *beopari*.

Question 4.—The cultivator stores grain in his own house. *Dehrees* of mud and *bakhars* made of straw and mud are used for this purpose.

If store-houses are built in villages it would be an improvement, but this needs money and the cultivator has none to spare.

There are nine grain markets close to railway stations in this estate provided with *pakka* shops and godowns. The grain is stored therein. There are no defects.

Question 6.—The American system of licensed warehouses should be worked in big commercial towns of India. In the beginning there will certainly be need of government assistance in the matter. When the system remains in vogue for a certain number of years and gains popularity, no further assistance in this matter by the Government will be required.

Question 7.—I know of no combination for marketing crops, and such combination is desirable and more likely of accomplishment than the combined production of particular crops.

Question 8.—No serious complaints as to the system of weighment in the markets have so far come to my notice.

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Question 9.—Exporting firms and companies are not existing in these parts, but small traders, doing export to bigger towns, do sometimes speculate. The prices are generally regulated by the market rates in bigger towns with which local traders have any connection. The cultivator's profit is certainly affected to some extent by the variation in prices resulting from such concession. No suggestion can be made for protecting the cultivator as this is the question of supply and demand.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—The estimate of the existing indebtedness of village Dhusaha is about double the annual rent paid by the tenants, and circumstances here are exceptional as a large number of the residents of this village are in estate service. The ratio of indebtedness in many of the estate villages is probably appreciably larger. In a village like Dhusaha the amounts secured by tenants on land mortgages (unregistered) would come to about 30 per cent. The amount of debt incurred against other securities would be—

Ornaments	15 per cent.
Crops	50 ,,
General assets	5 ,,

Question 2.—Professional moneylenders, grain dealers, indigenous bankers and co-operative societies are the agriculturist's principal creditors.

The amount of debt due to each class is as follows :—

Professional moneylenders	70 per cent.
Grain dealers	20 ,,
Indigenous bankers	10 ,,
Co-operative societies	Almost *nil*.

Question 3.—Land and rights in land are not passing from efficient to inefficient farmers. Tenants though they do mortgage their land, cannot, under law, give over the land or any rights in it to anyone, as the estate is the sole proprietor. Under-proprietors are regularly losing property, which is passing into the hands of professional moneylenders and the like who are far from efficient as farmers, but the debtors themselves belong to the high castes, and are little better.

Question 4.—Almost all under-proprietors in the Balrampur estate are in debt.

Question 5.—Generally speaking the causes of indebtedness are as follows in the case of under-proprietors :—

(*i*) Lack of interest in agriculture and bad farming.
(*ii*) Unnecessarily lavish expenditure on ceremonials.
(*iii*) Rise in the standard of living.
(*iv*) General extravagance.
(*v*) Immorality.
(*vi*) Lack of the proper type of education.
(*vii*) Litigation.
(*viii*) Increase in the number of shareholders without a corresponding advance in the seeking for or securing of occupations.

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

Question 1.—In this estate indigenous bankers, professional moneylenders and grain merchants advance loans for their own interest only, charging a high interest and purchasing produce at low prices. The Balrampur estate and co-operative societies lend money for crop production at reasonable rates of interest. The existing credit facilities are not adequate. Expansion of the co-operative movement financed by the Government and local bodies under the supervision of the local Government is required to increase them. The present system is faulty. The creditors in the main are persons seeking only to benefit themselves. The cultivators are generally uneducated and prefer to borrow from persons who do not press them for payment at regular periods, even though such persons charge a much higher rate of interest than bodies like the co-operative societies. The latter are rarely able to satisfy the needs of the borrowers in full, and the agriculturist, who is never or hardly ever free from debt, prefers the professional moneylenders' system whereby he only has to pay interest. He suffers, of course, in the long run as in the great majority of cases he pays to his creditor far more than the amount originally borrowed in interest alone.

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and the capital debt at the end of this period remains as it was in the beginning. Despite this fact the agriculturist looks upon this method of repayment of a debt as preferable because the charges levied from him from time to time are such that he can somehow or other manage to pay them. The professional moneylender and his kind do not desire that capital should be paid back. Their whole and sole idea is to recover far more than they originally lent in the shape of interest alone. By following this method they not only recoup much more than the amount originally given to the agriculturist, but in addition the latter remains in their clutches as the capital debt is not touched.

If the amount of interest charged by professional moneylenders and the like could be legally controlled, and if they were forced to keep proper and detailed accounts, the cultivators would be saved much misery. All creditors should give much longer instalments for repayments than is the custom at present.

Part E.—Land mortgage banks.

Question 1.—Loans are obtainable by landlords for long periods to the extent of the market value of their property *minus* accumulated interest for the period for which the loan is given.

Statutory tenants cannot get loans for long periods, but those having *occupancy* rights obtain loans in the same manner as landlords.

Question 2.—Long-period advances are secured on land. But moneylenders charge a very high rate of interest, and as their whole and sole desire is to become owners of the land in question, they insist on such terms as make it practically impossible for the borrower to repay a loan.

Question 3.—Non-transferability of his tenure makes it difficult for a tenant to secure long-term credit.

Question 4.—An occupancy right serves as adequate security for long-term credit. I would not alter the law to make it more adequate.

Question 5.—The establishment of a land mortgage bank would ease the present position. The Punjab system will suit us, provided such modifications are made in the case of statutory tenants as will enable them to borrow on the security of standing crops.

Question 6.—One such land mortgage bank will suffice for the Bahampur estate. I suggest the following conditions :—

(*i*) There should be a captial of at least Rs. 20,00,000, which landlords, tenants, capitalists and others residing in the estate should be entitled to subscribe.

(*ii*) The management should be on the lines adopted in the case of co-operative banks, but control should remain in the hands of the estate.

(*iii*) The maximum period of the bank's loans should be twenty years. The margin between the amount of loans and the valuation of the mortgage should be five times the estimated annual net income after deducting land revenue of the land mortgaged *plus* other incidental charges.

(*iv*) The bank should obtain working capital from deposits and debentures which should carry an estate guarantee for both principal and interest. The estate should take up any debentures not taken by the public.

(*v*) The law should be modified to secure for the bank—

(*a*) Free issue of certificates.

(*b*) Abolition of stamp duty, registration charges and court-fees.

(*c*) Notification of proposed mortgages.

(*d*) Simplification of processes of foreclosure and sale.

(*e*) Power to manage defaulters' estates.

Question 7.—The best method of calculating land value is to take it at twenty times the estimated net income after deducting land revenue.

The value of land varies with the class of soil, sources of irrigation, transport facilities and production of the more valuable crops. Forced sales at government auction or on a court decree usually mean that land can be purchased at less than the market price. Land obtained by private negotiation is generally purchased at market prices and sometimes above these. The annual net yield of average land under normal conditions is between 3 and 4 per cent. [redacted] its market value.

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Part H.—Small urban industries.

Question 1.—Small urban industries are financed by the village moneylenders and tradesmen; the artisans obtain their materials and tools from the latter, who generally take the wares in lieu of the money advanced, at prices fixed beforehand. These middlemen purchase from large dealers material, etc., at far lower prices than those which they charge to the workers who take material from them.

Questions 2 *and* 3.—No *karkhana* exists in the estate. There is, of course, no sweated labour in consequence.

Question 4.—There is no co-operative society of artisans in the estate.

Question 5.—An industrial bank, co-operative or joint-stock, is required to improve the system of finance: it should issue loans both to artisan societies and to individual artisans.

Question 6.—Sales associations and dépôts should be organised, financed and managed by co-operative societies, district and municipal boards and Government.

Part J.—Internal remittance and negotiable instruments.

Question 1.—The Balrampur Raj Central Co-operative Bank and its constituent societies enjoy the privilege of internal remittances throughout the Balrampur Raj by means of *chalans* and cheques on the Balrampur Court of Wards treasuries and sub-treasuries; otherwise there are no facilities, but none are needed.

Question 5.—The post office agency for handling internal remittances should be extended and cheapened.

Question 6.—Only two kinds of *hundis* are current in the ten grain markets within the Balrampur estate. One is called *darshani*, which is paid as soon as it is presented, and the second is called *mudatti* in which some fixed period is given. No such facilities exist in the interior of the estate.

Hundis are held by middlemen and merchants; they also pass freely from hand to hand.

They are discounted in all the trade centres of India, *i.e.*, Calcutta, Bombay, Cawnpore, etc.

Question 7.—In grain markets merchants alone can borrow money on the security of railway receipts and invoices. They receive between 80 per cent. to 90 per cent. of the amount of the receipt, etc. No difficulty is experienced in using such instruments.

II.—INDIGENOUS BANKING.

A.—Organisation of indigenous banking.

Question 1.—The various classes of indigenous bankers in the estate are—

(i) Grain dealers, who deal in *hundis* also.
(ii) Tradesmen other than grain dealers.
(iii) Moneylenders.
(iv) Village moneylenders.

(i) Grain dealers purchase grain in the markets and also in the villages. They sometimes advance money before the harvesting of crops. At the time of disposal of their stock they make use of *hundis*. Their system of work is as follows:—

(*a*) cash payments are made when purchases take place in markets;
(*b*) when advances are made either interest at 25 per cent. is charged or the grain is taken at a more favourable rate than the market rate—this rate ranges from one to two seers per rupee above the market rates.

(ii) Tradesmen charge higher prices for material from borrowers than the prevailing market rate. Sometimes interest is also charged if payments are made after long periods.

(iiii) and (iv) Moneylenders usually charge on payments in cash 25 per cent. interest, and on payments in kind 50 per cent.

Indigenous bankers do not usually combine other business with their own.

Question 2.—(i) Loans are given for the following purposes to agriculturists :—

(*a*) seed,
(*b*) cattle,
(*c*) subsistence,
(*d*) payment of rents.

When payments are made in kind for seed and subsistence, realizations are made on the *sawai* system.

For loans in cash, interest at 25 per cent. is charged.

Crops are the principal security and such loans are given for short periods only.

(ii) Indigenous bankers advance loans to tradesmen for long periods or short periods, as the case may be, on 12 per cent. interest. Immovable property is sometimes held in security. Loans are also advanced on personal sureties.

(iii) Raw materials are supplied on loan to industrialists at prices higher than the prevailing market rate. The dealers in raw materials open personal ledgers for borrowers. No security is taken. Interest is charged on deferred payments, as well as when borrowers begin to have dealings with others.

Question 5.—Indigenous bankers keep *bahi-khatas* in which a personal ledger for every borrower is maintained, bearing credit and debit entries.

B.—Raising of funds by indigenous bankers.

Question 1.—There are only two forms of *hundis* prevalent here—(i) *darshani* and (ii) *mudatti*. The *mudatti hundi* is more in vogue than the *darshani*. Samples are given below.*

Question 2.—Indigenous bankers provide themselves with funds from large moneylenders, when necessary. They have no dealings here with the Imperial Bank of India or joint-stock banks.

C.—Advances by indigenous bankers.

Question 1.—No cash credits are allowed here. Loans are made in cash, kind and raw materials. For short-term loans a higher rate of interest is charged. For long-term loans a lower rate of interest is charged, but in addition compound interest is also charged. Loans are generally taken for purposes connected with the profession of borrowers. The usual types of security are land, crops, houses and shops, and ornaments. The various rates of interest are :—

(i) From landlords, 9 to 12 per cent.
(ii) From tradesmen, about 12 per cent.
(iii) From agriculturists, 25 to 50 per cent.

Question 2.—Any organisation of banking which reduced the present rates of interest would be welcome; and it would benefit the agricultural community to some extent at least.

Question 3.—Clients are mostly illiterate and at the time of repayment their accounts are very briefly explained to them by their bankers. Frequently no information is supplied.

E.—Defects of indigenous banking.

Question 1.—Indigenous bankers are looked upon as a necessary evil by the public.

Question 4.—There are many defects in their business methods. The possible remedies are—

(1) Government legislation for fixation of maximum rate of interest.
(2) Licensing of moneylenders, who should maintain proper accounts, which may be open to inspection by government authorities.
(3) Increase in education.
(4) Expansion of the co-operative movement.
(5) Genuine support by landlords, educated and influential persons and the like to improve the condition of the tenantry.

Question 5.—Indigenous bankers are usually able to meet all acceptable demands.

*Not printed.

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G.—Consolidation of indigenous banks.

Question 2A.—It is desirable to enact by means of legislation that moneylenders should be licensed. It would certainly be desirable if they are restricted to lend for productive purposes only. But this does not appear to be very practicable. There should be some such condition that moneylenders may lend money for purposes other than productive in cases where they are satisfied that the necessity of a particular borrower justifies the moneylender to lend.

III.—INVESTMENT AND ATTRACTION OF CAPITAL.

A.—Encouragement of saving and investment habit.

Question 1.—The existing banking resources in the estate are co-operative societies, the post office and indigenous bankers. They are not adequate; further capital to the extent of Rs. 2,00,000 is required.

Question 2.—The co-operative bank and post offices are the only agencies for encouraging investment. They provide inadequate facilities and require extension.

Question 3.—There is a great deal of investment in gold and silver.

Question 4.—The popularity of postal cash certificates is limited to towns only. Steps, such as those mentioned, should be taken to make them more popular.

Question 5.—Post office savings banks do good work, but are used only by residents of towns. In rural areas, there should be expansion of post office savings banks, village co-operative banks and joint-stock banks.

Question 6.—Government may compete with banks in attracting capital, but such competition is healthy.

Question 8.—Local bodies might be allowed to create savings banks, but such banks should operate only within the municipal area, and rules regarding deposits and withdrawals should be very simple, so that poor residents of the town may be encouraged to invest their money. Municipal savings banks should in their turn invest money in banks, etc., within the district in which the municipality exists.

Question 9.—To attract the small investor improved postal cash certificates and similar bonds issued by the Government for small value should be issued.

Questions 11 *and* 12.—The major portion of surplus money is spent in making silver and gold ornaments; the remainder is either buried underground or lent out on exorbitant rates of interest to agriculturists and others.

Question 13.—The banking and investment habit is of slow growth in India. This is due to illiteracy and want of confidence. Propaganda by Government, supported by the taking of a live interest in the matter by landlords and influential and educated persons, would doubtless be helpful as remedies.

B.—Cheque habit.

Question 1.—The cheque habit is growing but slowly.

Question 2.—The abolition of the stamp duty has increased both the use of cheques and the number of accounts.

Question 3.—The educated classes alone use cheques.

Question 4.—The cheque system should be introduced for payment to government servants, bank employees and the like, who draw a salary of Rs. 500 a month and more. Payment of government dues by means of cheques should be encouraged. Post offices should be allowed to open cheque accounts.

C.—Vernacular script in banking.

Question 1.—Vernacular script should be used in banking.
Question 2.—We prefer the use of the Nagri and Persian script.

(See oral evidence of Mr. Ganesh Datt Acharya.)

KUNWAR JASBIR SINGH.

Mr. GANESH DATT ACHARYA, Personal Assistant to the Special Manager, Court of Wards, Balrampur (Oudh).

ORAL EVIDENCE.

Lucknow, January 28, 1930.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C.	...	*Chairman.*
DR. RADHAKAMAL MUKERJEE, M.A., Ph.D.	...	*Members.*
RAI BAHADUR PANDIT G. S. UPADHYA, B.A.	...	
RAI BAHADUR BABU MOHAN LAL, M.A., LL.B., M.L.C.	...	
DR. L. C. JAIN, M.A., LL.B., Ph.D.	...	*Secratary.*

[NOTE.—*Mr. Ganesh Datt Acharya gave oral evidence in the place of Kunwar Jasbir Singh. Bar.-at-Law, Special Manager, Court of Wards, Balrampur (Oudh), and the references to written evidence in his evidence are to the written evidence of the latter.*]

The Chairman : You mention that tenants borrow money from village *thekadars*. What is a village *thekadar* exactly?—The estate villages are leased out to certain persons and they are called *thekadars*. They are hereditary *thekadars*.

The amount that you put down for marriage and other social functions is only 5 per cent. Is not that very small?—The tenantry consists of low castes mainly and so they have to spend little.

They spend very little, but still the proportion will be the same. Is it because it only happens occasionally that you put so low a figure?—The other party too helps them on these occasions. Marriages do not take place every year and the 5 per cent. of the yearly income has been estimated.

Dr. Radhakamal Mukerjee : How does the other party help?—In low castes the bridegroom pays some of these expenses.

The Chairman : You consider that the terms for the repayment of *taqavi* are not properly fixed. What are the terms,—the same as for land revenue, are they not?—Mostly one year's time is given for repayment; and suppose this year the crop has failed to some extent they are required to pay *taqavi* in another.

But don't they suspend *taqavi* then?—I think the Government finds a great deal of difficulty in suspending it. Tenants find it troublesome because they have to pay several kinds of dues at the same time. The landlord wants his rent; Government wants its *taqavi* and its revenue; and the moneylender wants his interest all at once. The only solution is for Government to postpone its dues. I think *taqavi* should be repaid in ten years.

Dr. Radhakamal Mukerjee : If in these ten years you have another bad harvest, then how will the situation be faced? In this province you will find that years of bad harvest are not postponed so long.—(*Witness*) But who knows, the conditions of the tenants may change.

The Chairman : We have got to hope for the best in that case. The thing is bad enough without making it worse. Another possibility is that the tenant should borrow less?—There is one great difficulty in the estate. When the tenant finds it impossible to pay he simply escapes into Nepal, the border of which is only 20 miles away. Having this refuge he sees no reason why he should not borrow as much as anybody will lend him.

Dr. Radhakamal Mukerjee : Who escape? Those tenants who have lost their land or are overburdened with debt?—Two kinds of persons go there, tenants and *harwahas*.

When the burden of debt becomes too heavy, I suppose?—Yes. When they go to Nepal they are given land, *taqavi* and bullocks, because the climate is unhealthy and there is plenty of land available. The Nepal Government prays for famine in Balrampur, because it means ten or twelve of their villages again become inhabited.

The Chairman: Have you got co-operative societies?—Yes.

Are they working well?—Yes. But on account of Mr. Kharegat they are not improving. He has stopped further expansion.

Can you send us the original figures for village Dhusaha which you have mentioned here?—Yes, I will send them later on*. They are not yet ready. The percentages that are given in my written answer have been arrived at after making detailed enquiries.

Can you tell me of what caste are under-proprietors there?—Under-proprietors of Balrampur are generally high caste people, Kshatriyas, who are mostly relations or clansmen of the Maharaja, and Muhammadans.

Dr. Radhakamal Mukerjee: Are these professional moneylenders to whom land is passing regarded as inefficient farmers?—They are mostly Brahmans and Kshatriyas.

So you have come across cases of neglect of land actually?—Yes.

Are there many instances where land has thus passed from the hands of these under-proprietors to this class?—Yes.

Can you give us a rough estimate of such cases in a village of Thakurs?—No.

Do you think that 10 or 15 per cent. of land has gone to these moneylenders?—Yes.

Within what period?—Say, 25 years.

Have these under-proprietors now become tenants?—Not exactly tenants. They always contrive to save some land for themselves, in most cases.

Are these small slices of land enough for them?—When so much land was not sufficient, how can this be?

Rai Bahadur Pandit G. S. Upadhya: How do they go on them?—Well, they have to get on somehow or other.

Of what place are these moneylenders residents?—Of the same place or of the neighbouring villages.

Of what caste are they?—They are mostly Brahmans and Kshatriyas.

Are there no Vaishyas?—There are Vaishyas, but only a few. Money is advanced on the security of land, but the moneylenders are interested in the accumulation of interest and thereby acquire the land finally.

You say that land mostly goes to Brahmans and Kshatriyas who live either in the same village or in the neighbouring villages?—To illustrate my reply I would just give an example: There was a man in whose family 25 years ago people used to till the land themselves, but now the family is so rich that it can lend even Rs. 50,000 in a lump sum, and he was the person who purchased most of the land. He died about a year ago. Other people are licentious and extravagant and borrow money; so their land has to be sold at one time or other.

You have stated that moneylenders are Brahmans and Kshatriyas, who also do cultivation. May I presume that they are doing the business of farming as efficiently as the previous owners?—They cannot be called efficient farmers.

Nor were those who were debtors?—No, by no means.

Dr. Radhakamal Mukerjee: Are there *bania* moneylenders?—Very few.

Do under-proprietors lend amongst themselves?—Sometimes they do.

Are there many cases in which moneylenders have advanced money?—Yes.

The Chairman: Do you not think that their indebtedness is not on account of their conduct?—There are two factors responsible for their indebtedness. Either they are licentious or they are extravagant.

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*Not printed.

Dr. Radhakamal Mukerjee: Are there any cases of indebtedness solely due to the smallness of the holdings on which they could not support their families?—No. It is very seldom the case.

The Chairman: Have not the Thakurs of your village got big holdings?—Yes, they have.

Have smaller tenants been reduced to the position of agricultural labourers with no land?—Yes. The position will be worse this year. Last year there was famine and most of them will have to quit their land.

Dr. Radhakamal Mukerjee: Will they be floating about in the same village for labour or go away to other villages?—Sometimes they remain in the same village and sometimes they go away if the burden on them is too heavy.

Do they then migrate to Nepal?—Yes.

Rai Bahadur Pandit G. S. Upadhya: You have stated that professional moneylenders and grain merchants advance money for their own interest. Will you please explain this?—When they lend money they do not care whether the borrower will be able to repay it or not, but only try to extract as much as possible out of him in the shape of high interest.

Do they sometimes lose their principal?—As a matter of fact most of them never get their principal back, but they do not care for it, because they are able to realize 400 per cent. of their principal in the shape of interest. They never demand their principal; in fact they want that the loan should remain outstanding so that the interest may continue to be paid.

The Chairman: So in reality they do not lose anything, because they realize much more than the principal?

Rai Bahadur Pandit G. S. Upadhya: Do not tenants want to borrow from people who would not demand the principal?—Yes. They even borrow from *Kabulis* at a very high rate of interest in the form of purchases of cloth, etc.

Dr. Radhakamal Mukerjee: You have stated that a large number of professional moneylenders have got hold of land, and they are always on the look-out for it?—No, they cannot get much land. They are dealing with tenants whose land is taken only by small tenants. So far as big moneylenders are concerned, they do not care for land. Then there is a lot of difficulty also in obtaining land. Moneylenders give loans for long periods, say 10 or 15 years, and get proper documents executed and registered, and the money is always going on increasing. Then suits are filed and they try to realize as much as it is possible to do. They get land when repayment of loan becomes impossible.

The Chairman: Do you think that there should be a land mortgage bank in your estate?—Yes, it will be very useful.

Where will you get the capital from?—The estate should provide the capital. The annual income of the estate is 40 or 45 lakhs, and the court of wards can easily manage to save 10 and 15 lakhs per year during the Maharaja's minority. That saving can very well form the capital of the bank.

You mean to say that the estate should establish a bank for the good of the people there?—To be frank, the establishment of such a bank will be for the good of the estate itself. The tenants are now getting new rights, and if the estate is not in a position to maintain some kind of control over them, they will in course of time go out of its hands. In the circumstances the estate must do all in its power to improve their lot.

Rai Bahadur Pandit G. S. Upadhya: Do you mean to suggest that the estate must advance loans to the tenants in order to keep them under control?—Well, it may not be exactly that, but in any case the estate must do all in its power to improve their lot.

If the tenants are unable to pay back their loans, will not the bank or the estate take their lands?—So far as this is concerned, we are not allowed to purchase any agricultural land within two miles of Balrampur or our estate. The tenants here have no rights on their holdings.

You may not want to purchase land outside, but if under-proprietors are removed, will your estate not benefit by it?—That may be, but we do not want that.

When a land mortgage bank is established and financed by the estate, will not the land of under-proprietors go to the estate and to nobody else?—At present the case is this. They lend Rs. 5 and get Rs. 15 written in the document. When the matter goes to the court and the land is auctioned, we claim the right of pre-emption, but the encumbrance is so heavy that we do not want to take it.

Do you want that the bank should be for the estate only?—Yes. When the co-operative bank was established in Balrampur we had settled that it would confine its work within the jurisdiction of the estate. Similarly a land mortgage bank could be established for the benefit of the tenants of the estate only.

We cannot have any such restriction in the case of that bank.—(*Witness*) Even then it does not matter.

If it is a bank of the estate, should it have no connection with the provincial bank which is not a bank of the estate?—It is not absolutely necessary that the estate bank should have no connection with the provincial bank. It can have connection with the provincial bank, and I have no objection to it.

Dr. Radhakamal Mukerjee : You have stated that exporting firms generally speculate and advance money for purchase of crops. Do these exporting firms send their agents to your villages to purchase grain?—Yes.

What is the relation between village *banias* and these agents?—There are several kinds of persons who deal in grain, *viz.*, *banias*, small grain dealers, large grain dealers, exporting firms like Ralli Brothers, etc. All these persons have their own ways of purchasing grain.

What is the method adopted by the exporting firms?—Their method is this. The agent goes to a certain market and asks all the grain dealers there to purchase grain on his behalf. In return for that service he pays them one or two per cent. as commission on the value of the purchase.

To the *arhatias* you mean?—To these grain dealers who purchase on behalf of the agent. These grain dealers, as a matter of fact, do every kind of business. Large grain dealers purchase and store grain and they sell it when a favourable opportunity comes. They also advance money to cultivators and purchase the crops beforehand at a fixed rate already settled. Small dealers also advance money on condition that grain is sold to them at the time of the harvest at a rate one or two seers above the market rate.

There is another point. Do these grain dealers or any of them advance money to the cultivators on the condition that crops are made over to them?—Yes, mostly.

Do they work as agents of these exporting firms or independently on their own account?—They themselves do exporting business and work independently.

Is any capital supplied by the exporting firms to these local dealers for the purpose of financing the cultivators?—I do not think so.

Is the capital used in the business their own?—Yes.

(The Chairman thanked the witness, who withdrew.)

Mr. BANARSI LAL, M. A., Special Manager, Court of Wards, Partabgarh.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The principal persons from whom the agriculturist borrows are local moneylenders, whether residing in the same or in the neighbouring villages. In the case of villages having co-operative societies the people deal with them. Except in the case of agricultural calamities, such as drought, etc., the people do not usually go to Government for loans.

Usually the money is borrowed for items nos. (i), (ii), (iii), (iv), (v), (vi), (viii), (x) and (xv) mentioned in the questionnaire. The principal purposes for the loans taken are usually subsistence, seed, marriage and social functions. Enquiries show that little or no loan is taken for ploughs or agricultural implements, for the sinking of wells and building tanks, etc.

Mostly the loan is taken for subsistence and from the local *mahajans* or moneylenders.

From 50 to 60 per cent. of the debt is incurred in grain and the rest in cash.

The debt is incurred during the months of July and August or December and January. A portion of the debt incurred in July and August is usually paid with the *kharif qist* and the balance with the *rabi*. The loans taken in December and January are repaid with the *rabi* crops. It will thus be seen that most of the loans are for short periods.

Question 2.—The minimum rate of interest for cash advances is 2 per cent. per mensem, but usually it is Rs. 3-2 per cent. per mensem. When the amount of loan is small (usually below Rs. 10) and is advanced to the people of lower class, about two seers of grain is realised in addition to the interest and is locally known as "*oop.*" Compound interest is not usually charged in the case of cash advances, but in certain cases the tenant puts the lender in possession of his holding in lieu of interest.

Grain is advanced on the *sawai* system. Usually if the interest is not paid with the *kharif qist*, it is not included in the capital, but if it remains unpaid even at the time of *rabi* crops it is treated as part of the capital for future transactions. It will thus be seen that in some cases the principal amount of grain advanced increases by 25 per cent. within a few months. When, however, it has not been repaid till the *rabi* of any year, the next chance of making payment comes at the next *rabi*, that is to say, one full year before the amount increases by another 25 per cent.

The method of calculating interest in the case of grain advances has been explained above; in the case of cash advances, whenever the accounting takes place after a year or two and the debtor is unable to pay up the interest, it is usually added on to the principal.

The rate of interest certainly appears to be exorbitant, but if we take into consideration the want of security in the case of most of the borrowers, it is but natural that the lenders should try to recoup themselves by charging abnormal rates of interest.

So far as the villages are concerned no other charges are incurred, but in the city of Partabgarh those persons who borrow money are charged a commission from 5 to 10 per cent. at the time of advancing money, that is to say, the man who executes a pronote for Rs. 100 really gets only Rs. 90 or Rs. 95 at the time. He has, of course, to pay the usual high rate of interest. The *patwaris* are notorious for realising 5 to 10 per cent. on the *taqavi* advance at the time of distribution. Collections of the demands are made mostly locally. No expenses have to be incurred by the tenants at the time of collection.

Question 3.—In the majority of cases no security is offered. The money is advanced on personal responsibilities and relying on the honesty of borrowers.

Question 4.—In the case of grain loans, a very large proportion, *viz.*, about 90 per cent., is voluntarily paid up. In the case of cash advances the percentage of such voluntary payment is low and the usual method of enforcing payment is dunning by the local moneylenders. In comparatively very few cases is it found necessary to file suits, and these are confined to those debtors who have got transferable interests in lands. In the case of others the borrowers themselves strain every nerve to pay up, for if they do not

maintain a good reputation in this respect, the *mahajan* will not lend them money as they have no security to offer.

Usually the repayment of a grain loan is in the form of grain, so the prevailing rate in the village or the market does not affect them.

Question 5.—Usually the people do not take advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act. One reason is their ignorance about them; the second reason is that they have to face certain difficulties in obtaining the recommendation or the good-will of the local officials. There is usually considerable delay in receiving the money, so that it is not readily available at the time at which they want it. Sometimes they are subjected to illegal exactions. In every case the cultivator would prefer to take loans from local persons if he can possibly get them.

The cultivators borrow *taqavi* to a much greater extent in abnormal years than in normal years.

It is the usual experience of persons connected with the villages in any capacity that the *patwari* and in some cases the *qanungos* are a source of trouble to the tenants at the time of distribution of *taqavi*. Improvement is only possible to the extent to which the *patwari* can be eliminated. If the list of the persons requiring *taqavi* is prepared by the *patwari*, at the headquarters of the tahsil or the district, and the distributing officer leaves the *patwaris* there and proceeds to the villages with these lists and *khataunis*, etc., and decides the amount to be distributed there, with such help as he can get from the assembled villagers, the *patwaris'* power and influence will not be felt by the tenants so much. The actual distribution of *taqavi* should take place in the village itself and at a time when the *patwari* cannot get back to the village, say for a day. I am inclined to think that if the agency of the post office is utilised for the purpose of distribution, the tenants will be only too glad to pay the small money-order commission as they will escape the higher exaction at the hands of the *patwaris*. The list of the persons requiring *taqavi* may accompany a single money-order and the postmaster can then distribute the amount. This will save a lot of clerical work and would bring in some income to the Government in the shape of money-order commission and considerable relief to the tenants.

Question 6.—There are no instances where cultivators combine together to produce particular crops. Such a combination is very desirable, but seems hardly possible in the existing state of society in the villages, the main reason being the illiteracy of the majority of the tenants. If they were able to keep or read ordinary simple accounts there would have been greater confidence among them. At present a clever person can easily deceive others, and in any case most of the villagers feel diffident as they are unable to satisfy themselves that the accounts have been correctly maintained.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—Usually the tenants carry a small quantity of grain as a sample to the neighbouring market. There the rates are settled with the prospective buyers; these are regarded as prevailing market rates. Subsequently, the purchasers go to the villages concerned and make their purchases there. All the tenants do not usually go to the market, but one or two who have done so communicate the market rates to others and the sale in the village takes place in accordance with this. The carriage of grain from the village to the market is paid for by the purchasers.

The grain used for domestic consumption is not usually sent to the market for sale. When it is received in the shape of barter by the *banias*, vegetable sellers and the like, it is collected by them and sent to the market for sale. The labourers who are paid their wages in grain usually keep it with them for their own consumption. Sometimes the grain is sent to the market for sale through women and children at the time when it is needed for seed purposes. The remarks given above apply to the articles which are mainly sold in the market.

Question 2.—It is not customary in this locality for the tenants to take any loan for the purpose of sending grain to the market. The petty shop-keepers who purchase the grain from the tenants use their own money generally.

So far as I am aware, the co-operative societies do not assist at present in the marketing of crops. If they did, it would be a distinct advantage as the middleman could be easily eliminated.

Question 3.—The major portion of the grain is sold in the villages and no expenses have to be incurred by the tenants in that connection. In a comparatively few cases

they carry their grain into the market. There, some of the purchasers are ordinary consumers and some are small traders, the *banias*, who purchase small quantities of grain and when they have sufficient stock, pass it on to the larger dealers. If the tenant has less than a pony-load or a camel-load of grain, the *arhatias* do not purchase from him direct. A camel-load is about eight maunds in weight and a pony-load about two maunds. Then the tenant sells his grain to the small dealer in the bazar, and the latter makes a profit of one or two pice per rupee. The rate of *arhat* varies with every market and with every commodity. The *arhat* is however not paid by the tenants. There are very few commission agents in the locality. There are no brokers. Occasionally bazar dues are also levied, but these are not paid by the tenants who sell the grain, but by the persons who purchase it.

Question 4.—The grain is stored by the cultivator in the following manner :—

(1) They have in their houses what are locally known as "*gar.*" This is a hollow below the ground-level about 10 feet deep. Within layers of *bhusa* the grain is stored loose. By giving sufficiently thick layers of *bhusa* different kinds of grain can be stored in the same pit. This method of storing is, however, adopted by only those tenants who have large quantities of grain, and their number is naturally small.

(2) *Bakhar* system. This is a structure which is above the ground-level, and is usually made by enclosing a portion of a room by means of a wall or bamboo framework. In this case, too, grain is kept loose within layers of *bhusa*.

(3) Earthen vessels are used for storing purposes. There is usually a hole at the bottom for drawing out grain. If these vessels are of baked clay no *bhusa* is required to be used.

Usually *kharif* grains are not kept in pits, but are kept in earthen vessels.

With the spread of co-operative societies it would be possible to have large godowns having separate compartments where the grain could be kept without being damaged by damp or insects.

In the markets the grain is despatched immediately after it has been received. For a few days when it remains there pending its despatch, it is kept in bags in the open. The grain that is required for consumption is kept in the rooms in bags. With regard to that portion which is required for seed purposes, it is kept in *bakhars*, and inside *bhusa*. The present methods appear to be adequate.

There are no large markets in the villages of the estate, and it is not customary to use the stored grain as security for credit.

Part C.—Extent and nature of agricultural indebtedness.

Question 2.—The principal creditor of the agriculturist is the local moneylender, whether residing in the same or in the neighbouring villages. So far as grain dealers are concerned, they merely advance money a few days before the grain is actually sold in those cases in which the agriculturist happens to be in urgent need of money. It is really difficult to differentiate between the moneylender and the agriculturist. In the majority of cases the people who do moneylending are also agriculturists. Sometimes they follow other professions as well or enter into service. There is hardly a person who would be a moneylender and nothing else.

Question 3.—Our experience is that only those persons advance money to the tenants and agriculturists who desire to cultivate the land themselves. They calculate that in case of default they are the most likely persons to get the land. That being so, the moneylenders are better or more efficient farmers than their predecessors. A process is visible in many of the villages whereby the lands held by Brahmans and Chhatris are slowly passing into the hands of such Kurmis and Ahirs as have collected some money and advanced it to the former. The latter class of persons, *viz.*, Kurmis and Ahirs, naturally make better farmers than the former.

Question 4.—It is not possible to give an accurate idea about the indebtedness of the land-owning classes, but most of the known landholders and *taluqdars* in this district are heavily in debt. I think there are two causes for this. Firstly, that they do not take the trouble of looking after their estates and have the haziest notion about their income and expenditure. Secondly, the standard of living is rapidly rising and contributes to an increase in their expenditure which in many cases is beyond their means. It is difficult to give an estimate of the amount of indebtedness due to various causes.

Question 6.—There are no special charges which they have to pay.

Mr. ALI ZAMIN, B.A., Special Manager, Court of Wards, Lakhimpur-Kheri.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturists in the estates in this charge borrow from village moneylenders, Court of Wards and Government. There are practically no co-operative societies in the Court of Wards villages. The few that exist are being reorganised.

They borrow for the following purposes :—

(i) Repayment of earlier debts.
(ii) Marriage and other social functions.
(iii) Famine and other kinds of distress.
(iv) Payment of rent.
(v) Seed.
(vi) Expenses of cultivation, *e.g.*, wages of labourers.
(vii) Purchase of plough cattle.
(viii) Subsistence.

It is not possible to give any percentage, even roughly accurate, of the distribution of the debt among the above purposes, for the reason that the villager does not know his own requirements and can give no figures. He borrows just as occasion arises. It may, however, be said safely that in normal times he borrows chiefly for payment of previous debt, also for subsistence and for marriage and funeral expenses. In times of scarcity or other agricultural distress he borrows chiefly for payment of rent, purchase of seed and cattle and for subsistence.

In normal times all the money is borrowed from the village moneylender, but in times of famine and distress Government and the Court of Wards advance colossal amounts of money. But in the case of estates under the Court of Wards in this district Government *taqavi* as a rule is not given to the Court of Wards villages and they have to depend on the Court of Wards' *taqavi*. In such cases the percentage will rougly be 70 per cent. from the village moneylender and 30 per cent. from the Court of Wards. The estates in this charge cannot afford to give greater relief to the tenants.

Sixty per cent. of the debt is incurred in grain and 40 per cent. in cash. The whole of the grain debt is incurred for short periods, *i.e.*, for six months. But the cash debt is usually taken for three years. If not paid within three years, the interest is added to the principal and the pronote is renewed, so that it does not get barred by time. It is very seldom that it is paid back within three years and usually the pronote is renewed.

Question 2.—For cash advances interest is charged at the rate of 2 per cent. per mensem and Rs. 3-2 per cent. per mensem (*i.e.*, six pies per rupee per mensem) in the cis-Sarda and trans-Sarda sides respectively. Of course money advanced by Government or Court of Wards as *taqavi* in times of distress carries interest at the rate of 6¼ per cent. per annum. If the money is borrowed for wages of labourers (*nikauni*) the usual practice is to advance it on the *sawai* system which means 50 per cent., per annum. Such debts are usually paid off with the harvest within six months.

Seed is given in kind for six months on the *deorha* system, which means that if a tenant borrows one maund for seed he will have to repay 1½ maunds after six months. The interest under this system comes to cent. per cent. per annum. The same rate is charged for other loans in kind.

Interest is calculated six monthly at harvest time. But if an agriculturist fails to repay after six months, compound interest is charged.

Another method of calculating interest is called *oop*. Under this system a moneylender advances grain at the bazar rate for six months and the borrower agrees to repay this grain at the bazar rate prevailing at the time of repayment. Over and above this

he pays one *panseri* of grain (2½ seers standard weight) per rupee as interest. If he fails to pay the *panseri* after six months the whole transaction is converted into cash and compound interest is charged at the rate of six pies per rupee per month. The pronote at this stage is not renewed, as these terms for commutation and for charging interest at six pies per rupee in case of failure to pay up within six months, are incorporated in the original pronote, which is taken when the grain is advanced.

The rates of interest are highly exorbitant and once a tenant has borrowed money he is always in the grip of his creditor and cannot get rid of him or pay up in full.

Over and above the exorbitant rate of interest the village moneylender generally charges from one to four annas as writing charges, which vary according to the amount borrowed and repaid. This amount is paid usually at the time of borrowing and again at the time of repayment.

Question 3.—Land mortgage, standing crops, house property, personal security and ornaments are usually given as security. For a loan up to Rs. 500 pronotes are executed on the security of standing crops and ornaments or even on personal security. But for loans exceeding Rs. 500 land and houses are mortgaged and regular deeds are properly executed and registered. It may be explained that such cases in which more than Rs. 500 are borrowed are very rare in Court of Wards villages as the tenants in these estates have not the necessary security on which to borrow such large sums.

It is correct to say that the better the title to land the greater the indebtedness. Landlords are more heavily indebted than the tenants. There are hardly any occupancy tenants in this district.

I cannot say about the landlords in the district generally what the percentage of their indebtedness is. Of the four main estates in my charge three are indebted. Of the tenants it is estimated that 80 per cent. of them are in debt.

From the enquiries that I have been able to make I am led to think that the amount of debt raised on land mortgage is increasing in the district. But to confine myself to the estates in my charge I would say that the debts secured on land mortgage in these estates are decreasing for the reason that the Court of Wards is paying off the debts and the proprietors are disqualified and cannot raise fresh loans. In the case of tenants, I do not think the indebtedness of this class is increasing for the simple reason that they have hardly any land security to offer. In my opinion the unsecured debts or debts secured otherwise than on land mortgage for which the tenants are responsible is about 50 per cent. of the secured debt for which the estate is responsible. These remarks apply only to the Court of Wards villages in my charge.

Question 4.—The methods of enforcing payment of debts from agriculturists are as follows :—

Part-payment of interest and even of principal in the majority of cases is made voluntarily. In the case of about 60 per cent. of borrowers the whole amount could be paid up in time if the creditor insisted. But he finds it to his advantage not to insist on full payment until the limitation of three years is expiring. The pronote is then renewed and compound interest is charged. But if the pronote is not renewed and mutual settlement is not possible, decrees are obtained against the borrowers; and their houses, crops, cattle and utensils are attached and sold to satisfy the decree. Arbitration is sometimes resorted to successfully and the Court of Wards, *panchayats* recently established are also doing their little bit to help in arbitration.

There is no difference between the rate at which the cultivator borrows grain or repays it and the prevailing rate in the village or the market. There are bazars in the adjacent villages, twice a week, from where a cultivator can and does ascertain the prevailing rates from time to time. The days of these bazars for the different villages are so arranged that there is a bazar in some village in the vicinity almost daily and thus the prevailing rate can be ascertained daily, if so desired.

Question 5.—The tenant does take full advantage of the facilities provided by the Agriculturists Loans Act so far as Government can provide money for such *taqavi*. It may, however, be added that Government does not and cannot provide sufficient money for being advanced as *taqavi* in times of distress. On the other hand, the tenant does not take full advantage of the facilities provided under the Land Improvement Act for two reasons. In the first place, his tenancy is not secure and he has

only a life-interest; he therefore does not want to invest money in the improvement of this land. In the second place, in the Court of Wards villages, the estate does what it can out of its own funds to provide these improvements in the form of irrigation wells, wire-fencing, etc.

As a rule no Government *taqavi* is advanced in ordinary years. In times of distress the amount allotted to a district is generally insufficient. *Taqavi* should be given more liberally if funds permit. The preparation of lists and the distribution of *taqavi* is generally delayed to the last moment. When an agricultural calamity has actually set in, and there is no hope of escaping, *taqavi* is sanctioned and distributing officers are required to distribute it before the sowing season is over. Considering the short time at his disposal he has to rely in the preparation of lists and distribution of money on *qanungos* and *patwaris*. Help is often taken also from the *zamindars*. In the majority of cases neither of them give unbiassed opinion. This defect can be removed by requiring distributing officers to start the preparation of lists as soon as there are signs of an agricultural calamity in a district. The lists should be prepared so far as possible after visiting the villages concerned by the sub-divisional officers, tahsildars, and naib-tahsildars. When the officer is in the village itself there is not much chance of his being deceived by the *patwari* or the *zamindar* and they may be consulted when necessary. Once the correct lists are ready the distributing officer will have no difficulty in distributing the *taqavi* in a short time when the distress or calamity has actually set in. The agriculturists will also know from before which of them is likely to get *taqavi* from Government in case there is actually a famine or drought. Those whose names are not included in the list and who actually stand in need of money will be able to make their arrangement for a loan elsewhere. With the limited funds at his disposal, the distributing officer tries to give relief to a large number of agriculturists with the result that in some cases even a rupee is given to an individual tenant as *taqavi*. This becomes a mere farce and gives no relief to the tenants. If a tenant requires only a rupee or two to purchase seed for sowing his small holding, surely he can raise this small sum in the village and save himself all the trouble and expenses of coming from his village to the place where *taqavi* is distributed. A minimum sum should be fixed according to local requirements and no *taqavi* under that sum should be given. It is much better to give real relief to a fewer tenants by advancing a sufficient amount to each than to give no relief by advancing small sums to a large number of them.

Under the present system much hardship is experienced by borrowers at the time of repayment of *taqavi*. It will be of advantage both to Government and to the borrowers if *taqavi* is collected through *zamindars* on the same lines on which canal rates are collected. *Taqavi* due from tenants who die heirless leaving no assets, or who abscond, should be treated as a bad debt and should be freely remitted. It should not be recovered from others on the ground of joint responsibility.

Question 6.—Combination for the production of particular crops is desirable but not possible. Cultivators do not combine owing to lack of education, mutual mistrust and jealousy.

Question 7.—There are the following defects in the present system of agricultural borrowing :—

(i) The exorbitant rate of interest and its method of calculation as described in the answer to question 2 above. The poor tenant cannot get rid of this huge burden throughout his life.

(ii) If the debt is not paid the moneylender takes everything such as cattle, utensils, standing crops and other household articles, which becomes unbearable for the tenant and often compel him to live in misery.

(iii) There is a custom generally among moneylenders that they engage poor borrowers as their servants to work in their fields on reduced rates of wages and they have to submit to this as they cannot go against the wishes of their creditors. Thus those who would otherwise make very good agriculturists keep small holdings themselves and spend their time in attending to the cultivation of their creditors.

These defects are due to the illiteracy of the tenantry, their conservatism and, above all, to the want of facilities for borrowing money on terms more favourable to themselves.

MR. ALI ZAMIN.

The only practical remedy that I can suggest is the establishment of co-operative societies in each village and the education of the masses through these societies. Legislation restricting the rate of interest will not be effective as the village *bania* will easily devise means of charging a high rate of interest and yet remain within the limits of the law. If the agriculturist is given transferable rights in his land his credit will surely be raised and he may be able to get a loan on more favourable terms. But it will not be free from another more serious evil. Land will soon pass into the hands of these non-agriculturist moneylenders and the real agriculturist will be his sub-tenant, if not a mere labourer in the field of the moneylender.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—Crops are brought to market by cultivators themselves, without their having to pay any brokerage, etc. As a rule no *dalals* are employed. In small quantities they are taken to the nearest village bazars. In large quantities they are brought to the big bazars in cities.

Crops meant only for sale in the market are taken directly by the cultivators to the particular *mandi* meant for such crops. Ordinary grain is usually taken to the nearest market.

Question 2.—There are no exporting firms in this district. My information is that banks too do not advance money for marketing of crops. The only person who does business in this line in this district is the grain dealer. He advances money for six months on condition that at the harvest time he will buy grain at the market rate and will also take 2½ seers as interest in the case of wheat and 5 seers in the case of coarser grain per rupee.

There are practically no co-operative credit societies in the estates in my charge. Co-operative societies can assist but they have no bins or other place where they could store the grain. Moreover, the grain produced by the various tenants is of such varying qualities that they will sell at low prices if they are mixed up. Marketing by co-operative societies could be arranged if all the tenants were to raise a particular crop of the same quality.

Question 3.—There are the following charges which a cultivator ordinarily pays in marketing his crops. If he sells his crop in the village to the local moneylender he has to pay one pice per rupee on *gur* and grains, and two pice per rupee on *dhania* and turmeric as weighing dues to the weighing contractor.

In big bazars he pays—

(1) *Arhatia*, 5 per cent.
(2) Sweeper, 5 seers (*kachha*) per cart.
(3) *Kahar* (water carrier), 5 seers (*kachha*) per cart.
(4) Octroi dues, two annas per cart.
(5) Weighing dues, a half pice per rupee.

There are no *dalals* or *beoparies* here.

I have given above the charges on grain. For *gur* and *kirana* the sweeper and *kahar* etc., are paid in a lump sum of Re. 1-4 per cart, but the *arhatia* gets the same 5 per cent.; the weighing charges for these products are one pice per rupee.

There are no other incidental charges.

Question 4.—A cultivator in our area stores his grain in large earthen vessels. Owing to the nature of the soil he does not keep it in *khattis*. No other method can be suggested as the present system suits local conditions of soil and climate and also the requirements of the cultivators.

In the markets the grain is stored in gunny bags inside the house. It is not stored for long and is exported almost immediately. The method of storage is not very defective but a regular bin would surely be an improvement.

Question 7.—I do not know of any instances where cultivators combine together to market particular crops. Such a combination is highly desirable but not possible in the present state of affairs. It will be possible only when a spirit of co-operation is developed among the tenants.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—The following estimate has been prepared in respect of village Itkuti in tahsil Lakhimpur, pargana Bhur, district Kheri. The village belongs to the Majhgain estate, which is under the Court of Wards :—

Number of tenants.	Total area of their holdings.	Total rent	Debt less than one year's rent.	Debt more than one year's rent but less than two years' rent.	Debt more than two years' rent.
		Rs a. p	Rs a. p.	Rs. a. p.	Rs. a. p.
33	258·99	980 5 9	456 8 0	..	..
20	172·90	635 9 9	..	759 0 0	..
47	98·19	402 10 6	..	..	2,284 8 0
100	530·08	2,018 10 0	456 8 0	759 0 0	2,284 8 0
			Total debt Rs. 3,500-0-0.		

Out of this whole debt of Rs. 3,500 no debt is on land mortgage and all is unregistered. Rs. 500 are on ornaments and the remaining Rs. 3,000 are on pronotes. There is no debt on houses as the agriculturists have no rights to mortgage them in this area. It may be added that in the case of debt on pronotes the moneylender always looks upon the crops and other assets of the tenant as the security for the repayment.

Question 2.—The principal creditors of the agriculturists are village moneylenders, grain dealers, and of course, in abnormal years, Government and the Court of Wards.

The richer agriculturist lends to the poorer from 10 to 15 per cent. of his income. This kind of transaction generally takes place in kind, and cash is given only to the relations living separately. There are, however, a number of agriculturists who in addition to agriculture are also doing a regular and very flourishing moneylending business among the poorer cultivators.

Question 3.—In the case of tenants land is not passing from the hands of efficient farmers into the hands of creditors who are not themselves efficient farmers, for the reason that tenants have no transferable rights in the land. I do not think there has been any such transfers of land also in the case of taluqdars' estates in this district. There have been some such cases among petty *zamindars*, but not in a marked degree.

Question 4.—I give below a statement showing the indebtedness of the land-owning classes in respect of the estates in my charge. I cannot give the figures in respect of the district generally :—

Name of estate.	Gross income.	Government land revenue.	Total account of debt due on September 30, 1929.	Remarks.
	Rs.	Rs.	Rs.	
Isanagar	1,77,100	37,000	1,96,260	
Majhgain	1,24,200	31,565	95,744	
Jhandi	1,44,700	33,464	1,50,138	
Kotwara	68,100	12,114	20,033	This is, in fact, a solvent estate. This temporary loan was raised to pay a compromise decree.

Question 5.—The following are some of the special causes of the indebtedness of this class :—

(1) A desire to live above their means, sometimes by adopting the standard of the living of their richer brethren, and often through a false notion about the importance of their position.
(2) By spending money recklessly on some sort of hobby.
(3) By spending large sums of money on ceremonies such as marriages, funerals, etc.
(4) Mismanagement of their estates.
(5) Litigation, and
(6) Extravagance generally.

Question 6.—The land-owning classes have better security to offer and can get loans on a lower rate of interest than the agriculturists. This rate varies generally from 6 to 12 per cent. per annum.

Part E.—Land mortgage banks.

Question 1.—The longest period for which a landlord may obtain a loan on the mortgage of his land is generally six years in the first instance. In the majority of cases he fails to pay the interest which is added to the principal. If at the end of six years the creditor finds that there is sufficient margin between the value of the mortgaged property and the amount of loan (principal and accumulated interest) due from the borrower the mortgage is renewed. The period for which it is renewed will depend on the said margin. The mortgage may also be renewed by including other land of the borrower, which was not covered by the previous mortgage. If the mortgage is not renewed litigation starts and drags on for years.

There are only statutory tenants in this district. They have no heritable or transferable rights in land and cannot get long-term loans on the security of land.

Question 2.—Long-term advances are available on the security of *zamindari* and also of house property situated in big towns and cities.

There are very few moneylenders who have got sufficient capital to advance big loans for long terms. On the other hand, the moneylender finds that he can make better profit by investing his small capital in small loans for a short period. The land-owning class has also lost its credit in the market for the reasons that in a large majority of cases litigation has to be resorted to before any payment can be enforced. All these causes combined make it hard for a landlord to get a large sum of money as a long-term loan, except on a high rate of interest and on such terms as would make it sure for the lender that he would get possession over the mortgaged property in course of time.

The Hindu law of inheritance, under which a son is entitled to a share in the ancestral property as soon as he is born and in the life-time of his father also acts as an impediment to long-term credit.

Question 3.—Non-transferability in the case of tenants does act as an impediment to long-term credit.

Question 4.—There are hardly any occupancy rights in this district.

The only modification of the law that would increase the value of occupancy holdings as security for long-term loans is to create occupancy rights and to make these rights transferable. But I am not in favour of such a step as in that case land will easily pass from the hands of the real agriculturist to the moneylender.

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

Question 7.—The value of land should be calculated at 20 times the net profits after payment of land revenue.

The value of land in this district does not differ according to the crops grown on it. It is calculated on the net profit and varies from 20 to 30 times of that profit.

The quality of soil, room for expansion of cultivation, and the locality of the land are taken into consideration in the valuation of land subject to the above limit of 20 to 30 times.

There is no marked difference in the prices of land obtained by sale on a court decree and that obtained by private negotiation.

My calculation of the annual net yield of land is that in an acre of land of average quality the tenant generally obtains—

				Rs.	a.	p.
Kharif	...	...	...	32	0	0
Rabi	...	...	...	16	8	0
Bhusa and *karbi*	...	...	...	3	0	0
		Total	...	51	8	0

For the raising of these crops the cost of cultivation would amount to Rs. 34-12, leaving a net income of Rs. 16-12. Out of this income the tenant will pay Rs. 6-8 as rent to the *zamindar*. The agriculturist's net profit will thus amount to only Rs. 10-4. This one acre of land will sell for Rs. 100.

Part G.—Small industries allied to agriculture.

Question 1.—The only subsidiary industries allied to agriculture in these estates worth mention are cattle-breeding and *gur*-making. Tobacco is grown on a small scale but not manufactured.

Question 2.—Cattle-breeding is a very paying industry, and the tenants generally get a good price for their cattle.

Question 3.—In addition to cattle-breeding the other industries which the tenant will find profitable are dairy-farming and tanning. Working capital can be obtained through co-operative societies.

(For oral evidence see pages 224—231.)

ORAL EVIDENCE.

Lucknow, January 29, 1930.

Present :

Mr. E. A. H. Blunt, C.I.E., O.B.E., I.C.S., M.L.C.	*Chairman.*
Rai Bahadur Babu Mohan Lal, M.A., LL.B., M.L.C. ...	*Members.*
Dr. Radhakamal Mukerjee, M.A., Ph.D.	
Rai Bahadur Pandit G. S. Upadhya, B.A.	
Mr. Mohan Lal Sah, M.A., LL.B.	
Dr. L. C. Jain, M.A., LL.B., Ph.D.	*Secretary.*

(*Witness* : Mr. Ali Zamin, B.A., *Special Manager, Court of Wards, Lakhimpur-Kheri.*)

The Chairman : I see that you refuse to commit yourself to any proportions regarding the debt incurred for various reasons?—Yes.

You certainly cannot give the actual figures : that is obvious. But we will reduce the number of groups. In your experience do you think the tenants borrow a larger amount for productive purposes, for instance, seed or expenses of cultivation or plough cattle, than they do for such unproductive purposes as marriage or the payment of an earlier debt, etc.?—I think a larger proportion is for productive purposes.

Larger proportion?—Yes.

Also, a majority of the number of borrowers?—Yes. Marriages and such things do not occur every year, whereas they have got to raise money for seed and bullocks, etc., every season and every year.

Suppose you take the debt of any particular man at any particular time, the probability is that the unproductive debt would be larger than the productive debt. I will explain this point. The unproductive debt for marriages, etc., is relatively a larger amount and is also slowly paid off after a long time, while the productive debt is relatively small and paid off earlier?—Yes.

If you look at the total amount borrowed by a man over a long period of years it is undoubtedly true that he borrowed more for productive purposes than for unproductive?—I think so.

I gather from your answer to question 1, third paragraph, Part A, that when any villager borrows he does not really do so for any single definite purpose, but that he borrows for general purposes, for instance, for the expenses of his household generally? In other words, if he borrows Rs. 100 he will not commit himself to spend it on cattle or seed, but he will spend some on cattle, some on seed, and some on other things?—I am sorry that I conveyed that impression; I do not think so. He generally borrows for particular purposes. For instance, he loses a bullock and he borrows to purchase another. At the same time it is quite possible he may be in need of seed, and then he would borrow particularly for seed.

He borrows for *khangi* purposes also?—Of course, I do not think he would specify that he wants it for clothes, etc. He would borrow in a lump sum for *khangi zaruriyat*. If he wants seed he would borrow for seed particularly.

Having borrowed would he spend on it?—I think that the money which is borrowed from moneylenders for particular purposes is spent on those purposes, because he has not got to pretend there why he is borrowing money; while in the case of *taqavi*, he pretends because he will not get it if he wants to spend it on marriages, etc.

That is so. In the matter of grain-borrowing, I suppose it is right to say that grain is borrowed either for seed or food?—Yes, or sometimes for paying labourers.

Paying in kind?—Yes.

It is true, in a wide sense, that the villager practically keeps all the *kharif* crop for his food?—Yes.

And sells the *rabi* crop?—Yes.

Roughly, that is correct?—Yes.

It is pretty clear that the amount of food he keeps, from whatever source, is insufficient to last him till he gets a fresh supply, and he has got to borrow for food: about what period would you put it at?—That will depend on the size of the holding and his family, and also the amount of production.

Perfectly. Just take the case of a normal size holding, a normal family, and everything normal.—(*Witness*) I should think that in the case of *kharif* that would probably last him till March, and his *rabi* grain would be ready by April: so it is for a month or six weeks. In the case of *rabi* there is a complaint by the end of August or September that the tenants have not got anything left. I should put it six weeks each way.

I think the tenants keep their *kharif* and sell the *rabi*?—I think there is an exception in the case of Ganjar, district Kheri. *Kharif* is the chief crop there. It is 10 annas in the rupee, while *rabi* is only 6 annas in the rupee. They grow mostly *kharif* and pay up rent and everything from it. For instance, there are a number of tenants in my district who pay up the whole rent for the year from *kharif*—rice, *juar*, *andi* (castor), which are commonly sown there. That is an exception.

Basti is another exception. As regards the short and long-term debts, the seed, bullocks, and so on, subsistence, expenses on cultivation, and that type of debt is short-term?—Yes.

And the long-term is the rest of it?—Only for marriages in the case of tenants.

It is true that a great deal of short-term debt becomes long-term debt?—Yes.

Ultimately it becomes ancestral debt?—It does.

In your reply to the second question in Part A you distinguish between cis-Sarda and trans-Sarda in the rate of interest. Can you tell me the reason?—In trans-Sarda the people are more primitive and they are not much in touch with the outside people. They have got to depend on the village moneylender.

What is trans-Sarda?—Nepal side is trans-Sarda, and this side is cis-Sarda.

North side is trans-Sarda?—Lakhimpur is cis-Sarda. In Lakhimpur, Gola Gokarannath, and all those places the rate of interest is lower than on the other side.

Several people mention the calculating of interest called *oop*. The principle there seems to be that a tenant borrows in grain. You give him a maund and you get a maund and-a-quarter or a-half; but, first of all, is it calculated what the maund is worth?—I must explain. Suppose, at the time of sowing, wheat is selling at 8 seers for a rupee. A man borrows 8 seers of wheat, *i.e.*, he has borrowed one rupee worth of wheat. Now, at the time of the harvest, say, wheat is selling at 10 seers for a rupee. He has got to pay one urpee worth of wheat, *i.e.*, 10 seers instead of 8 seers. Thus he will have to pay 10 seers *plus* this *oop*, *i.e.*, 2½ seers.

Rai Bahadur Babu Mohan Lal: The interest also?—*Oop* is the interest.

I think the moneylenders charge two annas per rupee over and above this *oop*?—My information is that this *oop* counts as interest.

The Chairman: Probably it varies in different places.

Rai Bahadur Babu Mohan Lal: No, Sir. This is the usual practice in the whole province. At the time of lending grain the moneylenders give less than the market rate, and at the time of taking it back they take something over the market rate *plus* interest.

The Chairman: That does not matter much.

Rai Bahadur Babu Mohan Lal: This *oop* is over the market rate. This is the *mahajan's* rate?—Yes.

The Chairman: How many estates have you under your charge?—There are four main estates, and also one small estate of a *guzarada*.

You have given the income and debts of these estates?—I have given them in one of my answers.

I suppose these estates passed into your hands—I mean the Court of Wards—because they were indebted?—Yes, except one, and this was because the boy was a minor.

As regards the debts of these *taluqdari* estates, do you consider that debt high or not?—Not actually at present. When they were first taken they were highly indebted : now they are not highly indebted.

Can you give me a sort of estimate of the amount of indebtedness in your district? I do not want the exact figure. How many times the revenue is an average landlord indebted?—I have been there for about a year, and I have, therefore, got hazy ideas about the whole district. The biggest estate there is the Oel estate with an income of ten lakhs. It has been under the Court of Wards for thirty years, and it is a solvent estate. If you take into consideration the whole indebtedness of the district it will substantially diminish the average.

What have you to say on the subject of *taqavi*? What do you consider—for the moment ignoring the petty exactions that go on, which are common in any case where money passes hands—is the real main trouble there? Is it lateness of distribution, or is it that the amount is insufficient, or is it the trouble that tenants are put to get it?—The main trouble is lateness of the starting of operations for distribution, and not the distribution itself. You make up your mind very late that there is actually a famine. That, of course, is at the bottom of the whole trouble. The result is that the subdivisional officer, the tahsildar, and the naib-tahsildar have got to prepare lists in a hurry, and the lists are not satisfactory as to the persons to whom *taqavi* should be given. Further, at the eleventh hour the distributing officer finds that there is not sufficient money at his disposal and he has to send away some of the people. Then they go to the moneylender and borrow at a high rate of interest. If a system were introduced, as I have already said in my written reply, that lists were prepared as soon as there are signs of any trouble in the district, much of the trouble would be obviated.

You want that action should be taken much earlier?—Yes, I have myself done the distribution of *taqavi*. I tackled Rs. 50,000. I had to prepare lists in three days' time : that was the beginning of November, when the time of sowing was passing away. I would suggest that by the 15th of September, if there was any apprehension of a drought or a famine, the preparation of lists should be started. Then in the case of all those who are not to get *taqavi*, they should be told so.

Last year, that is, in 1928-29, 120 lakhs taken as a whole was not enough even for half the requirements.—(*Witness*) Even if you had distributed twice that amount it woud have gone to deserving cases.

Rai Bahadur Babu Mohan Lal : Instead of giving *taqavi* in small amounts to a number of persons, if it is given to a fewer number of persons in full, would it be better?—I have said so in my reply. It is better to give sufficient to a few than to give insufficient to many.

The Chairman : That raises a practical problem, namely, whether you can command all the money that is required. It is quite obvious that when the time comes for Government to spend a very large sum of money they cannot get it. The problem is of improving your credit. If Government cannot do it, how is this to be done?—I do not think we can get money from the banks or in the open market at the same rate of interest which you charge from the tenants. If the question of interest does not come in, you can raise money.

We do get money from the banks because they hold a large amount of government securities.—(*Witness*) An ordinary moneylender will not come forward to lend money for *taqavi*.

Would he be willing to distribute *taqavi* himself?—Not under Government orders.

Will he be willing to take on his shoulders the burden of supplying all money without Government interference?—The moneylenders, I mean those residing in the villages, have got a peculiar tendency of their own. They are willing to advance to those who have been borrowing from them; but, in the case of new customers, they hesitate.

Surely that merely means that every man has got his own moneylender?

Rai Bahadur Babu Mohan Lal : It is true.

The Chairman : That implies that everyone in the country has got a moneylender?—Yes, at least the agriculturists.

Then we are driven back to the position that the moneylenders have not got enough money for the needs of the country. If every man has got somebody from whom he can borrrow, and even then he cannot get a loan, it means that the moneylenders have not the capacity to give all the money required?—He does not want to expand his business.

Rai Bahadur Babu Mohan Lal: In villages the moneylenders cannot meet the full demands. That is why they have got a permanent sort of clients.

The Chairman: In order to meet the full demand I think the moneylenders will have to borrow themselves?—This probably they won't do. They have to limit their business.

What I am trying to get at is the fact that the only means of getting money is by a regular train of moneylenders right up to the top?—Yes.

Eventually they have to get their money from a bank or the Government, or whoever holds the money market?—Yes.

That link is one which does not exactly exist at the moment?—No, it does not exist.

How about co-operation? You have got a competition of moneylenders. How does this affect the situation?—In the case of those villages where there are co-operative societies, and where they have got the tenants as members of those societies, I do not think the tenants, in a majority of cases, take any money from the moneylenders. They borrow more from the societies than from the moneylenders. These co-operative societies have been a sort of help, and they have been supplementing the demands of the villagers who are thus getting out of the hands of the moneylenders.

Co-operative societies own funds which they ultimately obtain from their own borrowers, that is, from their deposits?—Yes.

We are thus driven to the possibility of inducing the tenants to spend less money. In other words, they should try to put money by for a rainy day?—Yes.

How are you going to do that? One has to realise that of the total amount of expenditure a certain amount is profitably spent and a certain amount is spent because it is unavoidable, but there is a large percentage which is certainly unproductive. Some of this unproductive expenditure is unavoidable in the shape of marriage ceremonies.—(*Witness*) Yes.

How are you going to induce tenants to realise all these factors and to put by the surplus when they have it? When they have a surplus they spend it or lend it to somebody else.—(*Witness*) This can be done only by education through co-operative societies. This is the chief thing which the Co-operative department has not done so much as it ought to.

Rai Bahadur Babu Mohan Lal: They are doing it.

The witness: Yes, but you depend upon your supervisors. The best thing is to train some of the members and let them instruct other members.

Rai Bahadur Babu Mohan Lal: In the working there may be defects. If these societies are better financed and properly managed then they can meet the demand of these tenants better than any other institution?—Yes.

The Chairman: Then, we get back to the position that practically the only real remedy is more co-operation and better co-operation, especially in the sense of better instruction?—There is absolutely no doubt about it.

That will induce the cultivator, in the first instance, to invest his money, so that he may get it when he wants it, and this will further prevent wasting his money and going to the wrong persons?—Yes.

Rai Bahadur Babu Mohan Lal: If any provincial bank is started and finances the co-operative societies with sufficient funds, do you think that the relief thus afforded to the tenants would be much better than that afforded by village *mahajans*?—Yes, it would be much better. You can increase the number of co-operative societies and expand the scope of their activities. The best thing probably would be to finance the co-operative societies through a central bank or a provincial bank.

You cannot suggest any better method for the solution of this problem?—No.

Dr. Radhakamal Mukerjee : There is no single line of approach towards the solution of this question of indebtedness. Indebtedness is sometimes due to the fact that the holdings are rather small, and the security is not such as the village *mahajan* would want. In some cases the holdings are too small.—(*Witness*) So far as the question of security goes?

We shall come to this later. You will agree that under-sized holdings cannot be debt-free?—I would confine myself to my own district: I do not think that it will hold good there. There are heaps of land with good soil lying vacant for cultivation. I am getting applications from tenants to give up land. I know the case of a tenant who holds 50 bighas and he wants to give away half of this land.

Without thinking of any areas which are for settlement or colonization, in the village area already settled, is there a proportion of holdings which is too small to be debt-free?—Of course, these are holdings which are too small, but there are tenants who have not got sufficient cattle, or they find it more convenient to work in the fields of others as labourers to earn money. The majority of them are not prepared to have a bigger holding so far as Kheri is concerned. If they wanted to have a bigger holding they could have it.

Cultivators who have too small holdings can buy land at reasonable rates?—There is no question of buying; they get it on lease. From my experience of some of the eastern districts the proposition that you are putting forward holds good, because pressure on land is very great there. It does not hold good in Kheri.

The Chairman : Talking of larger holdings is very nice, but when there is no more land to give it ceases to be a practical question. The solution is migration to other places?

Dr. Radhakamal Mukerjee : Another solution which is proposed in Bihar is that where the holdings are under-sized and cannot feed a peasant's family, they should not pay any revenue or rent just as you have certain scales of income in the Income-tax Department which are income-tax free. What do you think of this proposition?—I would not support that proposition, because in course of time, as holdings are divided between heirs and successors, probably a time would come when nobody would pay anything.

Laws have been advocated to prevent holdings being split up into further fragments below a unit which cannot maintain a peasant's family. Such laws have been passed in many countries in Europe and some kind of laws of the nature are being proposed in Bombay.—(*Witness*) All the same, I do not approve of this proposition.

The Chairman : What happens to the villager who has not sufficient land?—He takes to some industry. Moreover, if under-sized holdings are combined together this would provide employment to those who have not got any cultivation.

Dr. Radhakamal Mukerjee : Coming to the question of securities, you have said that in your areas there are very few occupancy tenants. What is the sort of security against which a *sahukar* would lend money to the tenants?—The crops of the man and generally his own personal security.

The rate of interest in the case of tenants is higher than that in the case of *zamindars*?—Yes.

Have you come across any cases of informal lease of land to mneylenders?—Yes.

Do the moneylenders belong to the agricultural class?—I should think everyone has got a little cultivation of his own. He may not belong to the agricultural class.

Rai Bahadur Babu Mohan Lal : When the tenants sub-let or lease their land to the moneylenders it is in lieu of debt?—That is being done in the Kheri district.

Dr. Radhakamal Mukerjee : We have got some evidence to show that in the case of such lease of land the lessee has far less interest than the tenant, in the improvement of the land because he is liable to ejection, and for this reason there has been some improvident use of the land. If there had been no improvident use, the land has not been utilised to such an extent as it must have been in the case of the tenant.

The Chairman : He knows that it may be redeemed by the tenant.

Dr. Radhakamal Mukerjee.—Is this sub-letting a widely-prevalent practice?—I should say that say that it is not a widely-prevalent practice.

MR. ALI ZAMIN.

That is the only source of security for the tenant?—The greater source of security is his personal credit.

Rai Bahadur Babu Mohan Lal: These are exceptional cases. I have never come across such cases in Hardoi.

Dr. Radhakamal Mukerjee: We have got evidence from some other districts. Would you restrict sub-letting?—I do not think it should be restricted. We have got laws already on the subject.

You know that there are restrictions in Bengal, Bihar, the Central Provinces, and in Oudh also, and in every case the restrictions have somehow been got over?—Yes.

Do you think that something more effective is necessary so that the land may not pass into the hands of those who would not be as efficient farmers as the tenants themselves?—It may not pass into the hands of others unless it is *zamindari* right.

You are aware that in the short-period lease land is not utilised properly, because the lessee is liable to ejection?

The Chairman: He knows that he may be ejected by the landlord.

Dr. Radhakamal Mukerjee: How could you effectually obtain the best utilisation of the land in the circumstances?—He cannot be ejected for three years. At the same time if it could be proved that it was not really leased but mortgaged the lessee would be ejected. But they generally take a sub-lease.

You do not think that more effective restriction of sub-letting is necessary?—No.

The Chairman: When you say that these holdings are sub-let to moneylenders what sort of moneylenders are they?—Village moneylenders.

Banias?—Not necessarily.

He would be a tenant himself generally?—Yes, or possibly the landlord.

If he is a shop-keeper?—He will take it and will give it to a third person.

That at once modifies the position that my friend takes up. When the land is taken over by the moneylender that moneylender is an agriculturist.

Rai Bahadur Babu Mohan Lal: Suppose a tenant has got less land than he requires and there is another tenant who has got more land. If the latter gives some land to the former, will the former cultivate the land much better than the original tenant himself?—That is another proposition.

Then sub-letting is to be in every case?—Sub-letting real and actual mortgage in the shape of sub-letting.

So you agree with me that sub-letting in the real sense for the purpose of cultivation does not deteriorate the land?—Not at all.

The Chairman: My point is that in nine cases out of ten the mortgagee or the lender himself is a tenant or an agriculturist, and in that case land will not be spoilt?—If I may be allowed I would explain the actual position in the Kheri district. What actually happens is that in one village there are a number of tenants some of whom are well-to-do. But they do not do moneylending business, pure and simple. They are not *mahajans*. They have a little money which they can spare. There are a few other tenants who are poor but fortunately they happen to hold the best land in the village. That well-to-do tenant who has got an eye on that land advances a little money to this man who owns the best land from time to time, and, when he thinks that he would not be able to repay, he tells him "you sub-let this land and I will return it to you when you have paid off your debt." The man is induced to go to the *zamindar*. In my estates the *zamindar* is the Court of Wards. The tenant makes an application that he is relinquishing his land and makes a request that his land be given to such and such man. If he comes to know that it will not be given to that man then he will withdraw his relinquishment at once. That is the actual case of transfer. But this transfer, of course, does not mean that the land passes into the hands of a regular moneylender but actually goes to the cultivator.

Rai Bahadur Babu Mohan Lal: It goes to the richer tenant who pays?—Yes.

Dr. Radhakamal Mukerjee: Does he pay rent to the landlord?—That man goes out entirely. He ceases to be the tenant. What actually happens is that this man

who was the original tenant and who had sub-let ceases to have anything to do with the land. It is only in the case of those mortgages which are made in the shape or form of a sub-lease that the rent is paid by the sub-lessee to the tenant-in-chief.

The Chairman : But it does not harm the land?—No.

My personal views are that in no circumstances whatever does the passing of a holding as opposed to proprietary rights ever do damage to the land—(*Witness*) Because the real cultivator will be an agriculturist. But it does damage the land when the *zamindar* gives the land to a new man.

When you get bad *mahajan*, who begins to bully the tenant, there is danger to the land?—Yes.

Rai Bahadur Babu Mohan Lal : In the case of many landlords there is rack-renting?—There should be distinction between the actual sub-lease and mortgage which may be in the form of a sub-lease. In the case of mortgage there will absolutely never be any difference between the rent paid by the mortgagor to the mortgagee and by the mortgagee to the landlord. But in the case of an actual sub-lease there may be some little margin in the rent paid.

Dr. Radhakamal Mukerjee : Suppose a tenant's bullocks die and he is waiting for another season. It is then he sub-lets his land.

Rai Bahadur Babu Mohan Lal : In that case there is better farming?—Perhaps it may be the case that a tenant wants to support his poor relations or there may be a widow who may not cultivate her land herself.

Dr. Radhakamal Mukerjee : Is the security of land utilised to secure credit?—

Only as a mortgagor.

Rai Bahadur Babu Mohan Lal : In Oudh it is rare or never. It is only when the debts are accumulated and when he cannot pay them. In that case he takes the risk of transferring. If the *zamindar* does not agree the whole transaction falls through. No *mahajan* will advance money on this. This will be the last chance for him.

Mr. Sah : What rates of interest do you consider as exorbitant?—Anything above 8 per cent. or 12 per cent.

Are you aware that it is difficult to borrow at 6 per cent. in the open market even by the Government?—Government just borrowed at 5½ per cent. I would consider anything above 12 per cent. as exorbitant.

Even considering the security do you consider that 15 per cent. charged by the co-operative societies is exorbitant?—I was under the impression that they charged 12 per cent.

As regards marketing charges can you tell us the amount that is paid to the *zamindar* as *haq zamindari*?—It is probably a misnomer.

Is it octroi?—It is not octroi. Octroi is not paid to the *zamindar*, but to the municipality.

What is the maximum period for which a long-term loan can be obtained, in the case both of tenants and landlords?—In the case of tenants of course, probably it is a year and a half. It is another matter that the loan may drag on, but generally it cannot be more than two years. In the case of landlords it is for 10 or 12 years.

What is the maximum period?—Twelve years.

Are the payments accepted in instalments?—Very seldom. But in some cases they are.

If the father borrows for a certain purpose is the son protected? How does the Hindu law act as an impediment?—I may tell you from the experience of cases which the Court of Wards is fighting. At present when the moneylender advances money he is afraid of litigation. But litigation does take place. It is quite a different thing that he may eventually win the case, but sometimes the moneylender does lose his money. I will give you a concrete case which I have got. There was a man named——. He borrowed money on April 24, 1919, and executed a deed of mortgage. It was a simple mortgage. It was stated in the mortgage that he was taking money for *zaruriyat khangi*; that is a very comprehensive term. Now he did not pay it off, and the estate which was the debtor's was taken under the Court of Wards. We got a preliminary decree; we got the final decree. We applied for sale, and the result was that

we got a decree for the sale of property. The man approached the Court of Wards and said that this matter might be settled out of court. The matter hung on for years and years, and everybody thought that he was not earnest and he simply wanted to gain time. Then he went to the Deputy Commissioner and made him believe that the Special Manager was putting obstacles in his way. The Deputy Commissioner got himself interested in the matter. The man was never earnest, and ultimately, on January 20, as the property was encumbered and nobody was willing to purchase it, the Court of Wards had to purchase it. But on January 18, two sons of the judgment-debtor, one aged 20 and the other aged 1½ years under the guardianship of his elder brother, filed a suit asking that two-thirds of the property should be released because of the provision of the Hindu law on the plea that the money was borrowed for *randi-bazi* and *sharab-khori*. It is just possible that they may win the case as it would be very difficult for the Court of Wards to prove that the money was borrowed for legal purposes.

Rai Bahadur Babu Mohan Lal: I will explain what is Mitakshara law. The son gets interest in his father's property from the date of birth, and, if any money in hard cash is advanced to the father, the burden of proof that the money was advanced for legal purposes is on the creditor. It is very difficult to prove after ten or twelve years—(*Witness*) Specially when the debtor and his son collude!

The question of Civil law is very difficult, and therefore *mahajans* are very callous in advancing money.

Mr. Sah: Your objection is to the transfer of land from the hands of the agriculturist to the hands of the non-agriculturist. Will you object to the arrangement by which land could be transferred to the landlord or co-operative banks for credit purposes?—How will it give any relief to the tenant, because in that case, of course, he will get land to cultivate, but then he would be a sub-tenant of the bank?

But they will be mortgagors of the bank, and. if they do not pay up, their tenancy right will be sold. But payment will be in easy instalments. (*Witness*) If that be the case then it will be transferable only to land mortgage banks and on condition that the loan will be repaid on easy terms. About the Hindu law, my suggestion was that if a sort of inquiry were made before a loan was advanced by the mortgage bank and a finding is given by the District Judge that this loan is being taken for legal purposes, productive or unproductive, and that the property mortgaged is ancestral, and that finding, after it has been given, should be binding on the debtor's heirs and successors, then that will establish credit very much and it will remove chances of litigation.

Rai Bahadur Babu Mohan Lal: But how many times will you get such a finding?—This may be done only in the case of land mortgage banks.

(The Chairman thanked the witness, who withdrew.)

APPENDIX.

Statement showing the estimated cost of raising crops and income from those crops in one acre of land of average quality in Ganjar-trans-Sarda in district Khera.

Kharif .. *Juar.*

Rabi .. Mixed wheat and barley.

Cost.	Rs.	a.	p.
(1) Five ploughings for *kharif*, including one for actual sowing, at Re. 1-8 per ploughing ..	7	8	0
(2) Four ploughings for *rabi*, including one for actual sowing, at Re. 1-8 per ploughing	6	0	0
(3) Manuring for *kharif*	6	8	0
(4) *Kharif* seed (15 seers)	1	8	0
(5) *Rabi* seed (25 seers)	3	8	0
(6) Weeding charges in *kharif*	6	12	0
(7) Harvesting	3	0	0
Total cost ..	34	12	0
Rent for one acre of land	6	8	0
Total ..	41	4	0
Net profit	10	4	0
Grand Total ..	51	8	0

Income.	Rs.	a.	p.
Kharif produce, 9 maunds 30 seers. Deduct 6 seers for *bisar*, leaving 9 maunds 24 seers to the tenant. Price at 12 seers per rupee ..	32	0	0
Rabi produce, 4 maunds 10 seers. Deduct 5 seers for *bisar*, leaving 4 maunds 5 seers to the tenant. Price at 10 seers per rupee ..	16	8	0
Bhusa and *karbi*	3	0	0
Grand Total ..	51	8	0

Statement showing the estimated cost of raising sugarcane and income from the same in one acre of land of average quality.

A.—CIS-SARDA TRACT IN DISTRICT KHERI.

COST.	Rs.	a.	p.
1. Eight ploughings at Re. 1-8 per ploughing ..	12	0	0
2. Construction of one *kachha* well	3	0	0
3. Irrigation three times at Rs. 3-4 each time ..	9	12	0
4. One ploughing after first irrigation	1	8	0
5. Sowing charges	4	0	0
6. Seed (19¼ maunds)	14	4	0
7. Dressing of the field after sowing	3	4	0
8. Manuring	12	0	0
9. Digging to mix the manure with the soil ..	3	12	0
10. Hoeing charges in May and June	4	1	0
11. Hoeing in August	3	4	0
12. Harvesting and cartage to the sugarcane pressing mill	4	0	0
13. Rent of pressing mill and pan	9	12	0
14. Preparation of *gur*	24	8	0
15. Earthen pot for storing *gur*	2	0	0
16. Rent of one acre	16	0	0
Total ..	127	1	0
Net profit ..	46	4	0
GRAND TOTAL ..	173	5	0

INCOME.	Rs.	a.	p.
Total produce, 39 maunds of *gur* at 9 seers per rupee	173	5	0
GRAND TOTAL ..	173	5	0

B.—TRANS-SARDA TRACT IN DISTRICT KHERI.

COST.

		Rs.	a.	p.
1.	Digging of land (*Gurai*)	6	8	0
2.	Six ploughings at Re. 1-8 per plough	9	0	0
3.	Sowing charges	4	0	0
4.	Seed (19½ maunds)	14	4	0
5.	Dressing of the field after sowing	3	4	0
6.	Manuring	6	0	0
7.	Digging to mix the manure with soil ..	3	4	0
8.	Hoeing charges in May and June	3	4	0
9.	Hoeing in last July	3	4	0
10	Harvesting and cartage to the sugarcane pressing mill	3	0	0
11.	Rent of pressing mill and pan	9	12	0
12.	Preparation of *gur*	23	8	0
13.	Earthen pot for storing *gur*	2	0	0
14.	Rent of one acre	8	14	0
	Total ..	99	14	0
	Net profit ..	41	15	0
	GRAND TOTAL ..	141	13	0

INCOME.

	Rs.	a.	p.
Total produce, 39 maunds of *gur* at 11 seers per rupee	141	13	0
GRAND TOTAL ..	141	13	0

Mr. PRAKASH CHANDRA MISRA, B.A., Special Manager, Court of Wards, Hardoi.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The method generally adopted by the agriculturists to carry their produce to the market is to cart them in their own vehicles. The bullocks usually employed are the same as are used for ploughing the land. The fodder is also carried in the same carts.

Question 2.—The above is the most economical as well as the quickest method of taking the produce to the market centres, and ordinarily no money is required exclusively to finance the marketing of the produce. In cases where the tenant does not possess bullock carts very little is left to him to take out to the market. A large proportion of his produce is absorbed in discharging his rent and in making repayments of seed, as well as the labour employed by him in carrying out the sowings. Anything that is left is taken to the market by his neighbouring tenants.

There is only the Sandila Central Co-operative Society in existence. It is about to go into liquidation as its affairs are being subjected to an enquiry by a commission appointed by the United Provinces Government; but this society never helped in the marketing of crops, nor was it found necessary.

Question 4.—As soon as the produce comes in the cultivator has initially to meet the demand of his landlord, and immediately after that of the moneylender from whom he may have taken his seed and cash also for subsistence. These two combined together nearly exhaust all his resources and very little is left for him to keep in store. Whatever he does store for purposes of daily consumption is generally stored in large earthen jars locally called *kuthias*.

Although this method is a primitive one, yet no methods of improvement are required in the present impoverished state of the tenantry. When they have got little or nothing to store, improved methods of storing are more or less out of question.

The grain dealers generally store their stock either in pits or godowns. In the latter they are kept in bags. The system of keeping in pits is, of course, uneconomical. In the first place, if kept for a long period, it tends to impair the purity of the grain which lessens its market value. Moreover, additional expenses are involved in carrying the grain to the pit and from thence again to the market; and occasionally rents for the pits have also to be paid. The best place for the storage of grain would, of course, be the one which is closest to the place from where it is ultimately sold to the consumers. The system of keeping in pits needs elimination, while that of storing in bags appears to be sound under the present financial conditions.

Question 5.—Grain in storage is not used here as security for obtaining credit. This practice is prevalent mostly in Hapur in the Meerut district.

Question 7.—There are no instances of cultivators combining to market particular crops. An association of this nature is certainly desirable so that it may be possible to carry the produce all at once at the most favourable moment of the market and before the price takes a downward trend.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—The law forbids the transfer of tenancy rights in this district and fixed-rate and permanent tenure-holders are non-existent. The occupancy tenants do occasionally transfer their rights in land to the moneylenders. In some cases the land is sublet to the moneylender for a number of years which enables him to recover his advance.

Debts incurred against houses, ornaments, crops and assets generally are not always registered, and it is not possible to distinguish as to any specific amount of

debt incurred against any particular asset. The creditor generally takes into account the solvency of the debtor as a whole in relation to the particular sum which he may intend to advance.

Question 2.—The principal creditors of the agriculturists are the local *banias*. The co-operative society at Sandila has also advanced liberally, but unfortunately it is very soon going into liquidation.

The number of rich agriculturists who can lend money to other tenants is practically negligible.

Question 3.—There is no special class of tenants who can be termed as "efficient farmers." The land is held by the cultivators of the ordinary class generally, and if one is ousted from possession his place is taken by others of his class whose number is legion. The creditors do not take to cultivation themselves.

Question 4.—There are four estates under this Court of Wards and their debts are—

	Rs.
(1) Bharawan	3,57,921
(2) Kakrali and Asaish	7,13,132
(3) Bhogaitapur	32,561
(4) Jalalpur	1,11,629

Question 5.—There are several causes for the indebtedness of the landowning classes. Social customs account for some of it, *e.g.*, large sums have to be spent on the occasion of marriages of daughters, over obsequies, and on other religious occasions. The expanding needs of life and the general raising of the standard of living is also responsible to some extent for it. The rapid growth of population with the same limited means of income and the division of property from generation to generation also brings about encumbrances in an increasing degree.

Question 6.—The land-owning classes have not to pay any special charges or rates of interest in respect of their borrowings, but they are always higher than what commercial people charge one another.

Part G.—Small industries allied to agriculture.

Question 1.—There are no subsidiary industries allied to agriculture in existence.

Question 3.—(*a*) Spinning in spare hours appears to be the only subsidiary industry possible as it is difficult to arrange for capital for other enterprises. The moneylender class will oppose the raising of any capital for such purposes rather than subscribe for it. The landlords and tenants are mostly out of funds.

Part E.—Land mortgage banks.

Question 1.—Long-period loans are rarely available either to landlords or to tenants, the only exception being the case of a usufructuary mortgage, where the mortgagee in securing good terms is desirous of transferring the proprietary rights to himself.

Question 2.—Long-period advances are only available on land security with transfer of possession. Simple mortgages, as a rule, covenant for the repayment of money on demand. Any specific period of payment is very seldom agreed to.

The difficulty of the long-period borrower is that the moneylending class is always eager to multiply its capital rapidly by lending at high rates of interest and recovering the money at short periods.

Question 3.—Tenants on account of the non-transferability of their holdings are unable to secure long-term credits on any terms.

Question 4.—An occupancy right does not serve as an adequate security for long-term credit on account of the provision in the law that a transferee even by sub-letting at nominal rent is liable to be ejected along with the tenant, if the sub-lease is for a period longer than that permitted by law.

If the law is amended in a way that grants the occupancy tenants the right to mortgage their holdings with the restriction that the mortgagee will not be entitled to possession in any case, and will not be entitled to recover in any year more than one-fourth of the value of the produce of the land mortgaged, then it will increase the borrowing power of the tenant without the consequential danger of his being ousted

in the long run from the land and his being constantly harassed for repayment. The creditor will also have sufficient security for his money by way of recovery of the one-fourth of the produce every harvesting season.

Question 5.—The establishment of land mortgage banks will certainly solve to a great extent the problem of long-term advances, but if they are hedged by too many stringent conditions, such as that of the borrower being required to mortgage all his immoveable property other than land and in addition to furnish two personal reliable sureties, their utility is likely to be much impared and a very limited number of men will be able to take advantage of them. It will be practically impossible for any borrower to bring forward two reliable persons to stand surety for him for a period of fifty or sixty years. No one in the present unorganized state of the country will undertake to bind himself and his successors for periods as long as that. The borrower himself will shrink from taking money from the bank by putting all his assets into its hands and losing all his future credit and financial solidarity—may be for generations. The borrowers under these circumstances will, in all probability, have recourse to other moneylenders, who may charge even higher rates of interest, but will not fetter him to such heavy impositions and for such long periods. The bank can value the property with as much strictness as it may please and advance the money on a lesser figure than fifteen times the estimated annual net income after deducting the land revenue. The mortgaging of every immoveable property of the borrowers will turn them into "All-absorbing Banks" rather than "Land Mortgage Banks proper."

To make the bank popular and effective, it will be necessary, in my opinion, to enact special legislation in its favour. The personal laws of different communities impose much restrictions upon the title of the mortgagor. After the mortgage, other claimants generally crop up who impugn its validity. If the bank, each time it wants to enforce the mortgage and realize its money immediately for breach of contract, finds itself entangled in litigation, it will, in all likelihood, become a losing proposition which will endanger its existence. Means must be found to secure to the bank an absolute title, once it has mortgaged the property, so as to preclude the transaction being challenged at any subsequent stage. This can be done by enacting that the property mortgaged with the bank will be deemed to have passed to it with an absolute title. The property which the bank intends to mortgage should be specified in a notice to be promulgated in the village, 15 or 20 days before the intended transaction, for any objection or objections to be forwarded to the bank within that period. A recorded entry in the revenue papers for twelve years of the mortgagor or his predecessor in title should be deemed to be sufficient to establish his title. If no objections are received within the stated period the bank can enter into the transaction forthwith with an absolute title over the property. If objections are received the bank must form its own opinion after obtaining legal advice as to their validity and enter into the transaction with full knowledge of the other claims which, if not preferred within time, will be deemed to have been waived for the period the bank mortgage remains in force.

Question 6.—At the divisional headquarters of each division there should be one "chief land mortgage bank," the functions of which should be confined to the direct advancement of loans of sums over Rs. 2,500 or Rs. 3,000. It should have its branches spread over the remaining districts of the division, and they can be known as "district land mortgage banks." The activities of these would be limited to dealing with all the items below the sum with which the "chief land mortgage bank" would deal. For the efficient management of these district banks the "chief land mortgage bank" should be held responsible. It should guide the policy of the district banks and serve as a link between them for arranging the transfer of funds, etc., at a given time. The "chief land mortgage bank" will be the financial unit for the division. The district bank should be under the direct scrutiny of the chief bank to whom they should look for guidance in matters of administration, policy, and arranging of finances. All the divisional chief banks should again be under the direction of the central provincial bank. Its funds will be constituted of the surplus of the divisional banks and their reserve fund, to be utilized by it for rendering assistance to the divisional banks in the discharge of their financial obligation.

It would be very desirable if the "land mortgage banks" can have a share capital of their own and thus be able to work quite independently. But in the present sceptic state of the country it is very doubtful if the capital could be raised that way. It should start with 15 or 20 lakhs per division at least, so as to be able to give some-

real relief to the needy proprietary body. The share capital should be available for subscription to anyone who may chose to pay for it. If the share capital is not taken up by the public, as is apprehended will be the case, then the bank should be allowed to raise a loan in the open market. The Government of a province should stand as security for it in the first instance. The floating of loans just at the commencement against the security of mortgages obtained by the banks is not likely to be successful. When the banks have obtained some stability and have gained the confidence of the people money would certainly flow in by this method.

The provincial banks must be under the management of expert financiers with some local knowledge of the province's economic conditions. They will be a paid body, but as Government will have to be involved in some way or other it would be desirable to have the Finance Member of the Government as one of its *ex-officio* directors as well, to look after the interests of the Government specifically and that of the bank generally. The management of the divisional bank should be from amongst the persons chosen by the district banks to represent them there. As regards the district banks, shareholders in possession of a specified number of shares should be given the right to vote for the local managing body. If no suitable persons are available, the director of the provincial bank should have the right to make the selection.

The maximum period of the loans advanced should be somewhere about sixty years.

The land mortgage banks should be permitted to raise the capital by all the methods enumerated in clause (*f*) of the question.

The debentures should carry a Government guarantee, as otherwise they are not likely to be freely accepted. The Government should take up the balance as a last resort if the banks are to function successfully. The debentures ought to rank as trustee securities to enable the "Trustee" to secure full benefit out of them.

The financial obligations of Government can only be safeguarded against loss by assigning to it a proportionate share of the bank's land mortgages and giving its claims peference over those of the other investors or shareholders.

In the matter of financial concessions, in my opinion half of the present leviable duties should be levied in the case of land mortgage banks. The registration fees, court-fees and stamp duties should not be totally abolished. If no duties are charged a great loss would occur to the public revenues which would not be justified. It would be a great relief in itself to the borrower to be able to secure money on easy terms and for long periods. The methods of foreclosure and sale should, of course, be simplified so as to save the bank the cost of litigation and to secure an early settlement of claims. Power to manage defaulting estates should also be given to the banks so that the borrower may be saved from the transfer of his property and the bank may be able to realize its dues. But when all the dues up to a period have been realized the bank should forthwith release the property and give the borrower a chance of paying up the future instalments on fixed dates.

The psychology of the people of this country is not yet so developed as to justify the forming an all-India highly-organized banking association or to adopt anything of the German "cartel" system. The establishment of the provincial banks should be the aim for the present; later on, as circumstances permit, they can be co-ordinated together.

Question 7.—The only safe method of valuing land is to be guided by its present profits. Regard must be had of the alluvial and diluvial character of the land and the nearness of settlement which affects the profits. The value of the land does not depend upon the nature of the crops it grows, but on the profits it yields, and, in some measure, on the refractory or docile nature of the tenants as well and the other factors just mentioned. The multiplicity of co-sharers of diverse characters tends to diminish the price, which is higher where there are single proprietors or fewer, peaceful ones.

A vendor by private negotiations can bring all the available sources of competition into play and tap all possible outlets to gain the utmost he can. The price he obtains is, therefore, usually in excess of that which is fetched by sale for default of revenue or by court decree. In the latter case the purchasers are fully conscious of the fact that the property will have to be sold and they keep back their offers and are only likely to purchase if they can make a good bargain.

The proportion of the annual net yield of average quality land to its market value udner normal conditions is approximately 1 : 15. Thus land yields grain worth Rs. 40. The tenants pays rent Rs. 10 and landlord pays revenue Rs. 10; profits are 20. Thirty times that is Rs. 600. Now 40 is to 600 as 1 is to 15.

MR. PRAKASH CHANDRA MISRA.

Supplementary written evidence.

Question 1.—(*a*) *What remedy would be available to the creditor in the case of long-term advances to a tenant, if the latter dies before the repayment of the debt or is ejected by the landlord for non-payment of rent?* (*b*) *Will your scheme under which the creditor can attach one-fourth of the produce be enforcible in the case of the successor of the tenant also?* (*c*) *If one-fourth produce of the land is attachable by the creditor, will it leave sufficient for the producer and his family's maintenance?*

Answer: (*a*) Fixed-rate [permanent tenure-holders have got transferable rights in their tenancies, so in their case the land itself would be a sufficient security for the loan in case the tenant dies or loses possession of the land. Such tenants can transfer and mortgage.

Occupancy tenants who pay a heavy rent are not likely to take the risk of losing their holdings deliberately, but in case of their death the law provides such a numerous set of successors that it will only be in rare cases that a tenant would be found to die heirless. Before making the advance it will be the duty of the bank people to see whether in case of the tenant's death there is any chance of the tenancy lapsing to the landlord. If such is the case, then they ought to take the security of one or more tenants or tenants of recognized status (those who pay good rent are (हैसियतदार).

The above is applicable in the case of ex-proprietary tenants also.

In the case of statutory tenants, the only way to have any security is to advance the money on the joint security system (जंजीराबन्दी) because their tenancy is for life only and they can defraud by leaving the holding without notice.

(*b*) If by successor is meant a person totally unconnected with the predecessor of the tenant, then the answer is in the negative. If he takes over the tenancy either by inheritance or by survivorship, then he will be under the same liabilities as his predecessor in interest.

(*c*) If one-fourth produce of the land is attachable by the creditor, it will leave sufficient for the producer and his family's maintenance as will be evident from the following calculations :—

According to the Census Report of 1921 practically every cultivating family has at least a pair of bullocks (p. 162).

According to the same report every 8 or 9 acres of agricultural land require a pair of bulloks to cultivate (p. 161, Chapter XII). Therefore the size of a normal holding is 9 acres (cultivated).

The same report says at p. 31 that the average number of persons per house is 4·8 (subsidiary Table VII of Chapter I). In this table the word used is not "family" but "house." For census purposes the two words mean the same thing.

According to the quinquennial crop experiments for the year ending 1926-27 the average yield of wheat per irrigated and unirrigated acre in Hardoi* is as below. (This is the outturn that may be expected in a year of average character) :—

Unirrigated 900 lbs. per acre.
Irrigated 1,250 „ „ „
Average = 1,075 „ „ „
say 1,000 „ „ „ (for purposes of simple calculating).

Area of a normal holding as said above is 9 acres.

∴ yield of wheat = 1,000 × 9 = 9,000 lbs. or 112 maunds and 20 seers (say 113 maunds).

Normal price of wheat per maund in Hardoi as given in the Season and Crop Report of the United Provinces for the year 1927-28 (1335 Fasli) is Rs. 4-12-0.

∴ price of 113 maunds will be Rs. (4-12 or) 19/4 × 113 = Rs. 536-12-0.

Suppose the tenant pays Rs. 10 as rent per acre for the holding.

∴ rent of 9 acres (normal holding) = Rs. 90

Deduction of one-fourth income for the bank = Rs. 536-12 × ¼ = Rs. 134-13.

∴ Total deductions = Rs. 134-3 + 90 = Rs. 224-3.

∴ Net sowing (Rs. 536-12—Rs. 224-3) = Rs. 312-9.

The net income of the house of 4·8 persons is thus Rs. 312-9.

∴ The net income of one man for one year = Rs. 66.

and for one month = Rs. 5-8-0.

This income of Rs. 5-8-0 is by raising wheat only. But generally the cultivator raises other crops, vegetables if he can, and does manual labour in off seasons which give him an extra income of Rs. 2 approximately per mensem.

Therefore the total income of a cultivator is Rs. 7-8-0 per mensem or Rs. 8 odd, which is a little above the minimum, I suppose, to keep his body and soul together. Thus it will be seen that the attachment of one-fourth of the produce will keep the cultivator fit and will leave enough for him and his family.

Question 2.—*You say in your note that the transfer laws of different communities impose restrictions upon the title of mortgagors. Will you kindly let us know what these restrictions are?*

Answer: The first restriction is that Hindu female owners of property have only a life interest in it and consequently the mortgage entered into by them can only be binding for their lifetime. It also sometimes happens that transfers made by them (females) are impugned on the ground of their names having been got entered for the consolation of their hearts (तसकीन दिल) There are also instances in which recorded co-sharers have been out of possession of the property for a long period and somebody else has been in adverse possession of it, though he is not shown to be as such in the papers.

The "Manager" or *Karta* of the joint Hindu family is only entitled to transfer or encumber the property for the sake of legal necessity (e.g., discharging of prior debt, marriage of a daughter, the performance of obligatory religious ceremonies, etc.). The onus of proving that such a necessity existed is on the "mortgagee" and if the successors or other members succeed in proving that the mortgage was on account of the licentious or gambling habits of the mortgagor, the mortgage will be rendered null and void. A personal decree may be passed against the debtor, but the security of the mortgage will be extinguished.

Among Muhammadans there is the dower debt (*mihir*, महर) which does not become known and is the first charge on the property. If the amount of it is so heavy as to absorb the whole of the property—and very often the dower is put down at a very high (fantastic) figure—then it would be no use mortgaging such a property.

(For oral evidence see pages 241—244.)

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.	*Members.*
Babu Lakshmi Das, B.A.	
Rai Bahadur Pandit G. S. Upadhya, B.A.	
Mr. Mohan Lal Sah, M.A., LL.B.	
Rai Bahadur Babu Mohan Lal, M.A., LL.B., M.L.C. ...	
Dr. L. C. Jain, M.A., LL.B., Ph.D.	*Secretary.*

(*Witness* : Mr. Prakash Chandra Misra, B.A., *Special Manager, Court of Wards, Hardoi.*

Rai Bahadur Pandit G. S. Upadhya : You are Special Manager, Court of Wards?—Yes.

I find that there are four estates under you and that they have incurred a large amount of debt?—Yes.

You say that the expanding needs of life and that the general raising of the standard of living is also responsible to some extent for it. In your opinion the present standard of living which they have adopted is too high for them?—Yes.

Are these estates owned by Thakur *zamindars*?—Three are owned by Muslims and one by a Thakur : Kakrali and Asaish, Bhogaitapur and Jalalpur belong to Muslims and Bharawan to a Thakur.

In your opinion the Musalman *zamindars* also have had to incur large expenses on account of the marriages of their daughters?—Yes, and a ward himself took a debt of about Rs. 25,000 for his own marriage. This was done during the Court of Wards régime.

Had they to pay special *dalali*, or had they to incur any special charges for getting these loans?—Not in the time of the Court of Wards, but they might have incurred them previous to their estates being taken over by the Court of Wards.

So far as your knowledge goes they have not had to execute pronotes or bonds for larger sums than they actually received?—That is not within my knowledge.

Rai Bahadur Babu Mohan Lal : I may tell you of an instance. There is a *taluqdar* near about Hardoi who has executed pronotes for Rs. 5,000 although he received only Rs. 500.—(*Witness*) His estate was under the Court of Wards and within a year it was released. He had very many fictitious pronotes and the net profits were not sufficient to meet interest charges.

Dr. Radhakamal Mukerjee : You have said that the chief method of marketing adopted generally by the agriculturists is to carry their produce to the *mandi*. You have no village buyers or peripatetic dealers who come to purchase grain there?—There are small village markets where every Monday and Thursday a sort of small *mandi* is put up and the tenants from the neighbouring villages go and sell their produce there.

I mean the village buyer or a peripatetic dealer who goes to the village and gets the produce from the neighbouring village itself and sends it to the central market.—(*Witness*)—There are some.

Rai Bahadur Babu Mohan Lal : You have said in your answer to Part B, question 4 : "The grain-dealers generally store their stock either in pits or godowns.

In the latter it is kept in bags. The system of keeping in pits is, of course, uneconomical. In the first place, if kept for a long period, it tends to impair the purity of the grain." Have you any personal experience for making this statement?—I have experience of the Moradabad district, and what I saw I wrote. There the *khatti* system is prevalent to a great extent, and the *ghun* sets in which very much impairs the quality of the grain,

You say that if it is kept in bags it will be sound. If it is kept in bags in the rainy season it is eaten up by the worms and is not fit for sowing unless the bags are kept in *bhusa* or in a air-tight place. Is that so?—If these bags are stacked on a platform sort of thing I do not think they will be spoilt.

Even if they are kept in the open?—No, in a *kothri* or room.

If it is kept air-tight?—This is not possible in a village.

If it is not air-tight it gets impaired and eaten up by the worms?—Probably.

Dr. Radhakamal Mukerjee: You grow sugarcane in your district?—It is grown in Hardoi.

Rai Bahadur Pandit G. S. Upadhya: Is there the *khandsali* system?—Not in the estates under my charge.

Rai Bahadur Babu Mohan Lal: This is in the Hardoi district, but not in the estates under his management.

Dr. Radhakamal Mukerjee: Are there commission agents of exporting firms going about to collect grain: that is, to purchase grain?—There are some.

The Chairman: What sort of agents are they? What are the firms to which they belong?—They are not recognised firms. They belong to the *bazar*, *bania*, or the moneylender. They go to the mufassil market of the villages to purchase some grain if they can get hold of it.

Practically in small quantities?—Yes.

Dr. Radhakamal Mukerjee: Does the Sandila *arhatia* advance for the purchase of village grain?—He does in certain cases.

Rai Bahadur Babu Mohan Lal: You say that the occupancy tenants do occasionally transfer their rights to moneylenders. Have you come across cases in which occupancy tenants in the Hardoi district have transferred their land to moneylenders?—I do not know of any specific cases, but that was my experience as I learnt during my touring season.

The Chairman: Will you tell us what you mean by the transfer of rights? Is it sub-letting to the moneylenders just for three years or so and which is allowed under the law?—Yes.

Not the actual transfer of occupancy rights?—No.

Dr. Radhakamal Mukerjee: In your estates is the moneylender agriculturist or non-agriculturist?—Mostly agriculturist.

If the land is sub-let to him, does he till it himself?—He tills himself or hires coolies.

To what caste do those moneylenders belong?—In one of the estates they are Brahmans and in other estates it is the Bania and the Kisan caste.

Rai Bahadur Babu Mohan Lal: You say that the land-owning classes have not to pay any special charges or rates of interest. Is it in your experience that of late the rate of interest is going down in the case of land mortgages?—Not in my experience.

Dr. Radhakamal Mukerjee: You have mentioned that there are no subsidiary industries to agriculture. You are aware that in a good portion of the year the agriculturists have got little work to do, and even in the ordinary season when there is much work in the fields, some holdings are so small that the full labour of the family may not be utilised?—My conclusion is based on the fact that most of the tenants in their off-season go to the neighbouring industrial towns. Some of the estates in the Unao district border Cawnpore and they get across the Ganges and obtain employment in the mills. Similarly, Sandila labourers go to Lucknow and get employment there.

MR. PRAKASH CHANDRA MISRA.

This is very interesting. There is an exchange between field and factory labour?—Yes.

In what months do these agricultural labourers go to Lucknow and Cawnpore?—They go in the months when their crops are fairly grown up. The recent rains have been good and have saved them a lot of labour. They have, therefore, gone to Cawnpore and will come back in March when the harvest time comes.

That is, it will be for four months?—Not four, but two and a half months. Moreover, they do leave some relatives to look after their fields.

They are employed as unskilled labourers?—Yes. Then there was the construction of the Sarda Canal, and there they were employed mostly in their spare hours.

Do agricultural labourers chiefly go or the tenants also?—Actually the tenants themselves do not go, but sometimes, in the case of big families when there are adult members, they go in for this sort of factory labour.

Have you not come across industries like hand-spinning, basket-making, rope-making and bamboo-work, in the villages?—Not as an industry.

The Chairman : They make them for their own needs?—Yes.

Rai Bahadur Babu Mohan Lal : Have you come across *gur*-making?—On a small scale in one of the estates.

You say : "Long-period advances are only available on land security with transfer of possession. Simple mortgages, as a rule, covenant for the repayment of money on demand." My experience is that it is not so. Have you come across any simple mortgages which are for a term of years, namely, five, seven, eight or ten years, as the case may be?—In one of the estates under my charge there are simple mortgages, but there is no instalment for paying interest or the principal amount. As soon as the mortgage period matures money is demanded.

As a matter of fact there is a period, whatever it may be?—Yes.

Then payment is not on demand.

Mr. Sah : What is the maximum period mentioned in the mortgage-deeds?—It may be two, three, or five years, etc.

Then they do not wait for twelve years, but they demand as soon as the period matures?—Yes.

Babu Lakshmi Das : You say : "The moneylender class will oppose the raising of any capital for such purposes (subsidiary industries) rather than subscribe for it. The landlords and tenants are mostly out of funds." What reasons have you got to make this statement? How do you know that the moneylending class will oppose the raising of this capital?—Because it will be a loss of interest to them.

If extra industries are opened they can have extra investment. I think they will help rather than oppose?—I thought like that.

Rai Bahadur Pandit G. S. Upadhya : Perhaps you may be thinking of those moneylenders who themselves are running such business concerns?—That was also in my mind.

In that case there may be opposition to competition and not otherwise?—Quite so.

Rai Bahadur Babu Mohan Lal : You say that the financial obligations of Government can only be safeguarded against losses by assigning to it a proportionate share of the land mortgage bank's mortgages and giving its claims preference over those of the other investors or shareholders. Why do you propose that the Government should have preference over ordinary investors?

Mr. Sah : In case the Government is given the preference, do you think that a sufficient number of ordinary investors would be forthcoming?—Yes.

Would not the purpose be served if all mortgages were assigned to the Government as Trustee for debenture holders as well as for its own money that it invests?—It should be.

Rai Bahadur Babu Mohan Lal : Why do you give preference to Government as against ordinary investors? Do you think that it will be in the interest of the bank?—I cannot answer that.

Mr. Sah : If you give preference to the Government, would you limit the dividend or the profits in the case of Government to a certain percentage, that is, the Government will not get more than 5 or 6 per cent.?—The Government may get less as suggested.

Supposing there is a surplus and other shareholders are getting more, then the difference will go to the reserve fund?—Yes.

Rai Bahadur Babu Mohan Lal : You say that the proportion of the annual net yield of average quality land to its market value under normal conditions is approximately 1 : 15. That is not ordinarily the way in which the actual value of the land is calculated. It is on the profits of the land and not on the produce?—I have said that in the body of my note.

You say that the produce of the land will be taken instead of the profits of the land. The sugarcane may yield more than wheat or barley, though the land may be of similar quality?—Yes.

Do you stick to the point that the value of the land is to be calculated by the produce, or have you changed your opinion that the profits of the land should govern the value?—The annual net profits; and it is also governed by the nature of the land, as also the nature of the tenants. There are often refractory or troublesome tenants.

Mr. Sah : In your reply to question 4 of Part E you have given a method for allowing occupancy tenants a better security—a right to mortgage their holdings. One of the methods is the one that you have suggested. Another method is that the transfer of rights be legalized in the case of land mortgage banks and co-operative societies, and not in the case of other creditors. Do you agree to this?—I think it may serve the purpose as well.

You suggest there should be one land mortgage bank at the headquarters of each division with branches in districts. Do you think that there will be sufficient capable men, that is to say, would you be able to have a sufficient number of directors in each division?—A division has got as many as six or eight districts.

Do you think that a sufficient number of business heads and those who take interest in such matters will be available?—I should think so.

Do you know that it would entail increased working expenses?—In what way?

Mr. Sah : If there is one land mortgage bank for the whole province, it will mean one bank and only one board of directors; whereas if you have got ten land mortgage banks in ten divisions, you will have ten boards of directors and central banks, which will mean ten times more expenses.

Rai Bahadur Pandit G. S. Upadhya : I do not think the witness has experience of a land mortgage bank.

The Chairman : It is a very difficult subject, and I see that you have noted on it in your note.

Rai Bahadur Babu Mohan Lal : It is only his opinion not based on experience.

The Witness : My service is only five years.

Dr. Radhakamal Mukerjee : About land mortgage banks, none of us have any experience.

Rai Bahadur Babu Mohan Lal : You say in your note that the transfer laws of different communities impose restrictions upon the title of mortgagors. Will you kindly let us know what these restrictions are?—I have noted on it in my supplementary written evidence—joint Hindu family and the dower debts of Muslims and other things.

Mr. Sah : Do you think that each division will be able to contribute 15 to 20 lakhs for land mortgage banks?—If they seriously mean to have a bank, they can. We have got a good number of landed proprietors and *zamindars*, and *taluqdars* especially in Oudh.

Do you think that they will be able to contribute when they themselves will be requiring loans?

Rai Bahadur Babu Mohan Lal : I do not think the witness has any experience of this.

(The Chairman thanked the witness who withdrew.)

MR. PRAKASH CHANDRA MISRA.

Mr. DEBI SINGH BISEN, Special Manager, Court of Wards, Gorakhpur.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist in Gorakhpur district generally borrows from local moneylenders and co-operative societies, and in special cases from Government.

He borrows for the purposes mentioned below to the extent indicated against each—

For repayment of earlier debts	5 per cent.
,, payment of accumulated interest	2 ,,
,, marriage and other social functions	10 ,,
,, famine and other kinds of distress	4 ,,
,, payment of land revenue or rent	20 ,,
,, seed	10 ,,
,, expenses of cultivation	2 ,,
,, litigation	15 ,,
,, purchase of plough or other cattle	10 ,,
,, sinking of wells	2 ,,
,, subsistence	20 ,,

The proportion of debt is 90 per cent. from local moneylenders, 8 per cent. from societies, and 2 per cent. from the Government.

Ninety-five per cent. of the debt is incurred in cash and 5 per cent. in kind.

The loan which is given in cash is issued 95 per cent. for a long period and 5 per cent. in kind for a short period.

Question 2.—For cash advances the rates of interest are 19 per cent., 25 per cent., 37½ per cent. generally, and 75 per cent. rarely.

For loans in kind for seed, from one-fourth of the capital to half of the capital (*i.e.*, from 25 per cent. to 50 per cent.); for other loans in kind, 25 per cent.

Interest is calculated six-monthly; sometimes annual compound interest is charged.

The rates of interest are in my opinion exorbitant.

Excluding interest, presents are also given to the moneylenders as, for example, *gur*, *ghi*, and various other articles of the kind.

Question 3.—No security is given in the case of borrowing for agricultural purposes.

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

The comparative indebtedness of landlords is 60 per cent., occupancy tenants 30 per cent., and non-occupancy tenants 10 per cent.

Land mortgage debt is increasing, unsecured debt decreasing—secured debt being 90 per cent. and unsecured 10 per cent.

Question 4.—Debt is realized from agriculturists by pressing demands and through law courts.

At the time the cultivator borrows grain it is given at less than the market rate, and at the time of collection it is taken in excess of the prevailing rate. There is no means by which cultivators can ascertain the prevailing rate in the market from time to time.

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

He borrows up to double of the amount of *taqavi* in abnormal years to that in ordinary years.

The defects in the present *taqavi* system are that the agriculturist does not get the advance in time and to the extent of his requirements. To improve it, the advantages of *taqavi* should be explained to the cultivator, the methods of distribution of *taqavi*

should be simplified and the patwari should have no hand in the matter. The distributing officer should personally ascertain the status as well as the full requirements of the applicants on the spot and distribute it there.

Question 7.—The causes of the defects in the present system of agricultural borrowing are :—(*a*) The charging of compound interest; (*ii*) illegal charges, and (*iii*) poverty. The remedies proposed are reduction in interest, introduction of co-operative societies and teaching of the ways of how to be thrifty.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—Generally the *bania* of the village buys the grain from the agriculturist, and sometimes the latter himself takes the corn in carts or in some other way to the local markets and sells it there.

Crops used for domestic purposes are not brought to the market at once, but those which are not used for domestic consumption are sold either in the market or through the *bania*.

Question 2.—Generally, the marketing of crops is financed by the grain merchants who charge interest at 6 per cent., 9 per cent. in general and sometimes 12 per cent. The bank and exporting firms lend no money for these purposes. There are co-operative societies in this district, but they do not assist by lending money for the purpose either. In my opinion if the societies are working properly and have sufficient capital of their own there will be no harm if they take this up.

Question 3.—In the case of marketing his crop the cultivator ordinarily pays the commission agent half to three-fourths per cent. and the broker three-eighths per cent. brokerage.

These charges vary with different crops.

There are other incidental charges as *zamindari*, *gaushala*, weighman's charges, etc.

Question 4.—The cultivator generally stores his grain in houses, covered with *bhusa* and in long earthen jars. The better method is to keep the corn in bags and then cover it with *bhusa*.

In markets grain is kept in sacks. No other method seems more suitable.

Question 7.—Cultivators do not combine together to market particular crops. Combination seems desirable in the case of sugarcane.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—In this district nearly 60 per cent. of the agriculturists are heavily indebted. The debt amounts to nearly Rs. 20,000 in village Gambhirpur.

Sixty per cent. of the debt is covered by registered instruments, and 40 per cent. secured on unregistered documents.

Question 2.—Generally the agriculturists borrow from professional moneylenders, grain dealers and from co-operative societies.

The richer agriculturist lends 5 per cent. to the poorer.

Ninety per cent. is borrowed from local *mahajans*, 8 per cent. from co-operative societies, and 2 per cent. from Government.

Question 3.—As the result of the enforced payment of debt, land and the rights in land are passing in a marked degree into the hands of creditors who are not themselves efficient farmers.

As this process is going on, it causes the cultivator to produce less or less efficiently.

Question 4.—Sixty-five per cent. of the landowners are indebted.

Question 5.—They have got no managing capacity; they spend much in litigation, and their expenditure is too high in marriages and such other ceremonies.

Twenty-five per cent. of their debts are due to their living beyond their means, 45 per cent. to litigation and 30 per cent. to mismanagement.

Question 6.—The land-owning classes have to pay from 6½ per cent. to 25 per cent. interest per annum.

MR. DEBI SINGH BISEN.

Munshi RIAZ MUHAMMAD KHAN, Special Manager, Court of Wards, Kurwar, Sultanpur.

Replies to the questionnaire.

1.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The chief creditors of the agriculturist in this district, and probably in other districts of Oudh, are the village moneylenders, secondly, the co-operative societies, and, thirdly, the Government. In the western districts of the United Provinces the moneylenders are mostly *banias*. In this district and probably in Oudh the moneylenders are mostly Brahmans and, in a lesser degree, Thakurs. Moneylenders from outside the province of Oudh are also to be found in some places. They are generally Punjabis who lend money in cash and also supply cloth on short-term credit. People from other classes also lend money, but their number is so small that it may be called negligible.

As a general rule borrowing takes place mostly for the costly *rabi* seeds, agricultural implements and cattle, and, in abnormal years, with scarcity or famine, also for subsistence and agricultural labour. After this comes litigation, specially in places where the cultivated area is not adequate to support the population. This district is an instance. Borrowing for marriages and other social functions and for other objects are also to be found but not in the same degree as for the objects specially mentioned above. Seventy-five per cent. of the debtors borrow for seed, cattle and agricultural implements.

Eighty per cent. of the debtors go to the village moneylender, and of the rest 10 per cent. to Government, and 10 per cent. to co-operative societies.

Of the total debt incurred by the agriculturist 50 per cent. is in the form of grain and 50 per cent. in cash.

The loans for seed are generally on short-term credit, *i.e.*, it is realised at the end of each *fasl* every year. Its percentage is about 50 per cent. as I have said before. Debts for cattle and other objects is generally on long terms.

Question 2.—Rates of interest for cash advances vary greatly in each locality according to the securities given. Borrowers with permanent interest in land and big tenants with sufficient property in cattle, etc., borrow at 12 per cent. Those without any such means have to pay as much as 25 per cent. to 37½ per cent. per annum.

Loans in kind.—Repayment generally takes the form of *sawai*, that is to say, an increase of 25 per cent. on the quantity of grain borrowed. These loans are however on short-term credits, *i.e.* for six months only.

Other loans in kind are to be found only rarely.

Compound interest is generally charged, that is to say, on long-term credit after one year and on short-term credit after six months.

In my opinion the rates of interest are generally exorbitant.

The incidental charges are—

(i) Cost of stamp, which includes a certain extra cost paid to the stamp vendor, *i.e.*, at least from one to annas 2 in a rupee besides the actual cost of stamp.

(ii) Fee to the scribe, which means half of the cost of the stamp-paper used.

(iii) Registration fee at the prescribed rate and also the unprescribed fee to the registration office people. This is usually equal to the cost of the stamp. Very few registration offices, it is regretted, can claim a departure from this custom, and if any particulars are required in connexion with hypothecation of the land, the *patwari* also comes in for his own share. In repayment of the loans in kind the borrower is also mulcted into paying a little more by misweighment. He has also to pay for the travelling expenses of himself and others concerned in the transaction. My idea is that a borrower of the agriculturist classes of Rs. 100 actually gets Rs. 80.

Question 3.—The usual forms of security for agricultural loans are pawning of ornaments, mortgage of moveable property, such as cows, buffaloes, standing crops, and land mortgage which is usually in the form of subletting the land for a certain period.

MUNSHI RIAZ MUHAMMAD KHAN.

It would be more correct to say that petty land-holders are more heavily indebted than the big occupancy tenants. Small occupancy tenants, however, stand on a par with the petty land-holders in this respect.

Of the petty land-holders, which include persons paying Rs. 100 or so as land revenue, 75 per cent. are indebted, while the extent of indebtedness of those land-holders who do not cultivate the land themselves is even more.

Of the land-holders who pay more than Rs. 100 and less than Rs. 600, 50 per cent. can be said to be in debt. Amongst the land-holders who pay above Rs. 2,000 land revenue, and which may be called the middle class in this country, there is a certain amount of immunity from debts. Big tenants with permanent interests are also, like the middle class of land-holders, free from debt. Of the tenants without permanent interests, or occupancy tenants with small areas, 75 per cent. are in debt.

On the whole the debts on land mortgages, whether of landlords or tenants, are, I believe, increasing.

Question 4.—The usual methods of enforcing payment of debts from agriculturists are (i) pawning of ornaments, (ii) taking of *ghee* at a rate higher than the market rate, (iii) sub-leases of land, (iv) taking of crops, (v) sale of cattle, and, if all these methods fail, (vi) sale of material of houses in execution of decrees.

For the ascertainment of the prevailing market rates the cultivator is very often left to the mercy of the grain dealers who apply arbitrary rates.

Question 5.—The greed of the low-paid officials, from the *patwari* to the tahsil officials, often stands in the way of the cultivator taking full advantage of the facilities provided by the Agricultural Loans Act and the Land Improvement Act.

Very often allotments under these heads are not adequate and cannot meet the full demand.

In abnormal years, *i.e.*, with agricultural distress, the cultivator borrows more *taqavi* than in ordinary years. I think there is an increase of 20 per cent. of borrowers of *taqavi* in abnormal years.

The defects in the present *taqavi* system are that it entails disproportionate cost to the borrower in the form of travelling expenses, tips to low-paid officials, including that paid at the time of realisation, and also the rigorous enforcement of the payment of the debt.

The establishment of agricultural banks would improve the system.

Question 6.—I do not think any combination exists amongst cultivators, to sow a particular crop. It would however be better if the Agricultural and the Co-operative departments direct the sowing of a particular crop in a particular village, with regard to soil and the best market values obtainable at the time, and the demand for that crop.

Question 7.—Practically, there is no system for agricultural borrowing. Age-long social customs and conservatism and want of education are responsible for the present conditions. Education and the establishment of agricultural banks within easy reach are suggested as remedies. These banks or societies should help the tenant with loans, suggest the crops which pay most, and should generally act as an agent in getting the best value for the crops by selling them at a time and place most advantageous to the grower.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The staple crops in this district are wheat and paddy. Small cultivators sell their produce to the larger ones or to itinerant *banias*, and the latter bring it to the market or *mandis* by whatever the available means of transport.

Crops which form the staple food of the population are also sold in retail in village markets, while the surplus goes to the *mandis* through the *banias* or the money-lenders, who also include large tenants. The latter sell it to the *arhatias* and the wholesale grain merchants.

Question 2.—Generally, the custom of lending money in advance for marketing of crop does not exist in this district; probably it is to be found in the western districts of the United Provinces with their large grain *mandis*.

As far as I am aware the co-operative societies in this district do not assist in marketing crops either by lending money or otherwise. I think they should.

MUNSHI RIAZ MUHAMMAD KHAN.

Question 3.—The local moneylenders make a middleman's profit by buying at a cheaper rate and also something by misweighment.

The *arhatias* usually make the following charges :—

(*a*) Weighing dues, (*b*) a small fraction called *muthi* for the watchman of the market, (*c*) a similar *muthi* in the name of a local temple or deity, (*d*) something is deducted for charities.

All these charges are made by the *arhatias* themselves and disposed of in the manner they like.

Brokers are not generally found in this district.

The wholesale grain merchants make the same charges as the *arhatias*.

Cotton is not produced here. Wheat and sugarcane are treated almost similarly.

Other extra charges are in the form of time and labour spent in taking the crops to the *mandis* till the time the price is received; also perhaps something for eating.

Question 4.—Small tenants have little or no surplus. Their produce generally finds quick disposal in paying off their rents and other debts previously incurred. Large tenants generally store their produce and purchases by partitioning off a portion of a room of their houses by means of *tattis*, as a protection from the ravages of rats and other insects, and *bhoosa* is put on the top. In places where moisture is to be found at great depths, *khattis* are made by scooping out earth. Where moisture does not permit this, *dehris* or *kurthias* (earthen bins) serve the purpose of grain bins. I consider the latter to be a better form of storage,—others are to be condemned on sanitary grounds. It would be better if co-operative societies undertake the improvement of the means of storage, preferably by providing grain bins made of corrugated iron-sheets, with proper locking arrangements against ravages by men and insects.

In market grain is generally stored in sheds or *kothri*. The system is as insanitary as it is wasteful. In fact these markets often become mediums in spreading infectious diseases. As such I would personally like to put a ban on these markets in all urban areas. Their proper places are outside the town and no person should be allowed to open a market without a licence. One of the conditions of the licence should be the erection of proper grain bins at suitable places, which can effectually stop rats and insects from finding entrance into them.

Question 5.—Unlike the western districts, such as the *mandis* in Hathras, Chandausi, Hapur, etc., etc., the system of securing credit on grain stored in *khattis* and godowns does not exist in this district.

Question 6.—The system introduced in America in 1916 for licensed warehouses will, I think, solve the problem of the disposal of agricultural produce in India, provided, of course, it is run in the spirit, and warehouses are not monopolised by one class of people. Sufficient provision will have to be made in the law against the warehousemen going to insolvency courts for a declaration of bankruptcy. Unless very strict measures are adopted, the class of people known as *mahajans* in India will make every attempt to make the movement a failure because it means robbing them of their professional property.

Question 7.—To my knowledge no combination of cultivators exists in this district or elsewhere. Such a combination is, however, desirable, and this is possible if there is a reliable agency to do the business for them such as a co-operative society or agricultural bank.

Question 8.—The system of weighment prevailing here has been described above. It can be said to be anything but satisfactory. Weighment employed should never be the creatures of the *arhatias* or grain merchants. In all *mandis* or bazars there should be licensed weighing depôts, which can also store grain if so desired by the growers.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—In my opinion 75 per cent. of the tenantry is in debt in one form or the other.

Question 2.—The principal creditors of the agricultural classes are—

Firstly, professional moneylenders (such as large tenants and solvent *zamindars*). After them come Government and co-operative banks and societies.

MUNSHI RIAZ MUHAMMAD KHAN.

Of the indebted agriculturists 70 per cent. in the *taluqdari* villages go to the richer agriculturists for their loans. Out of the remaining 30, 5 per cent. go to Government, and a similar number to co-operative societies, and the rest, to professional moneylenders. In non-*taluqdari* villages I think 25 per cent. go to the solvent middleclass *zamindars*, 50 per cent. to professional moneylenders, and 25 per cent. to Government, co-operative societies and banks.

Question 3.—I think that as the result of the enforced payment of debt, land and the rights in land are passing in a marked degree from the possession of people who are efficient farmers into the hands of creditors who are not themselves efficient farmers. As I have said elsewhere, the bulk of the creditors in the district are the Brahmans who consider it below their dignity to touch the plough. Mostly they do the cultivation with the help of low caste people, most of whom are either in debt to them or who hold the land from them in one form or the other.

It is really a pity that the real cultivator who does the spade work has to suffer in the present conditions. The instability of his tenure must naturally lead to deterioration of the land and produce.

Question 4.—The small *zamindars*, like small agriculturists, are mostly in debt. As I have said elsewhere middleclass *zamindars* who pay Rs. 1,000 or more Government revenue can claim a certain amount of freedom from debt. Even this class of people whose sole income is from rent cannot keep out of debt for a long time unless they supplement their income from some other sources such as service, grain dealing, moneylending and other professions.

Question 5.—In my opinion the following are the contributory causes of the indebtedness of these classes :—

(i) Litigation, for which I hold the present system of law and courts to be responsible.
(ii) The gradual but steady rise in standard of living without a corresponding increase in income.
(iii) The want of employment for educated middleclass people.
(iv) Prohibitive and unproductive educational expenses.
(v) Want of trade on the co-operative system in which middleclass people can profitably invest their surplus money.
(vi) Wasteful social customs are also to a slight degree responsible for this indebtedness.

Suitable want of employment for the middleclass is, I think, mainly responsible for the indebtedness. If conditions do not change, the time is not very far off when there will be no middleclass amongst land-owners in the real sense.

Question 6.—The charges for the *zamindars* in connection with these loans are almost the same as have been described in the case of cultivators.

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

Question 1.—As far as I am aware, the Government lends money for *taqavi* for seed, bullocks and digging wells. I believe the Imperial Bank of India plays little or no part directly in providing agricultural credit. The same remarks apply to the present joint-stock banks.

Co-operative banks lend money to the agriculturist, but indigenous bankers and professional moneylenders have a prominent part in providing agricultural credit.

Other organisations, such as companies trading in fertilizers and agricultural implements, have very little to do directly with agricultural credit generally. Probably, farms run on modern lines have some direct dealings with such companies.

I think that the existing credit facilities are not adequate. Co-operative and agricultural banks within easy reach are suggested as remedies. Such banks should be established in selected circles and should be managed solely in the interests of the agricultural classes.

Properly speaking there is no system of agricultural credit, except the system of credit by Government and co-operative societies. Agricultural banks, on co-operative lines, as suggested above, should be established. The Government should pay the balance, if the fixed capital is not or cannot be realised from the sale of shares. These

banks should lend money to the agriculturist at easy rates of interest. They should also purchase or take their produce and sell it to the best advantage of the agriculturist. In short, they should do all they can to save agriculturists from being fleeced by usurious *banias*.

Question 3.—There is some co-ordination between the various agencies, for instance, Government and the banks, grain merchants and moneylenders.

I think there is scope for improvement in this direction, specially amongst the co-operative banks and the agriculturist.

Part E.—Land mortgage banks.

Question 1.—Loans can be obtained from moneylenders for long periods—

(*a*) By landlords for several years according to the amount of debt required, the rate of interest and the value of property offered as security, and from the Government under the Land Improvement Act.

(*b*) By tenants according to the extent of moveable property. The loans in this case are generally for a shorter period than the loans advanced to landlords.

Fifty per cent. of petty and middleclass landlords, I believe, go to the moneylenders. Of the remaining 50 per cent., 40 per cent. borrow from amongst their more prosperous people or big land-holders and businessmen, while the big land-holders and the *taluqdars* which, I believe, represent 10 per cent. of the land-owning class, in case of necessity borrow money from banks. Of the tenants 80 per cent. borrow from professional moneylenders, large tenants and very few from co-operative banks or similar agencies.

Question 2.—Long-period advances are generally made on the security of land with proprietary or other transferable rights.

The main difficulty for the long-period borrower is the high rate of interest and, to a certain extent, the cost of securing the debt, such as high stamp-duty, etc.

Question 3.—Non-transferability in the case of tenants does act as an impediment to long-term credit.

Question 4.—Occupancy right is a better security than non-occupancy right, but cannot be said to be adequate.

In the present conditions, any modification of the law with the object of increasing the value of security for long-term advances on agricultural leases, will be prejudicial to the interests of the land-holders who have so much capital invested in the country. I think any further modifications in the law in the interest of the tenants will be rightly resented by the land-owning classes; it would be much better to do away with the land-owning classes by paying them off at a proper rate of compensation, but it would be unjust to reduce their rights in the interests of tenants without any adequate compensation.

Question 5.—I think the establishment of land mortgage banks on the lines adopted in America would go far in solving the problem of long-term advances in this province.

Question 6.—The bank should be organised on the lines adopted in America.

There should be one bank for farmers and small land-owners who do farming, and another for big land-owners (*i.e.*, *zamindars* and *taluqdars*).

I think there is no objection to there being some co-operation between the two banks, but their liabilities must always remain separate.

Land mortgage banks should have a capital of their own, but to ensure confidence in the public, there should be a government guarantee by supplementing the capital to the extent of at least 25 per cent.

The share capital should be available for subscription to the land-owning classes only.

Not only should the Government undertake the obligation of subscribing the balance if the share capital is not taken up by the public, by way of aid, but also to restore the confidence of the public so badly shaken by the failure of such banks or institutions in the recent past.

The management of such a bank, its directorate, the rights and votes of shareholders, etc., should be similar to those adopted in America, with of course the changes necessary to the present conditions of the country.

MUNSHI RIAZ MUHAMMAD KHAN.

The maximum period of the loan advanced by a land mortgage bank should, I think, be for 30 years. The bank should have a margin of 10 years' profit in commuting the value of the land.

Land mortgage banks should obtain the working capital from all the heads mentioned in the question, *i.e.*, deposits, debentures and a central institution.

The debentures should have a government gurantee both for the principal and the interest.

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

If the Government undertake any financial obligation, it should be safeguarded against loss in the same manner as other creditors' interests are safeguarded against loss.

I think all the five arrangements suggested in clause (*i*) of the question are necessary in the interests of the proper working of the bank.

It is not necessary that provincial land mortgage banks should be co-ordinated under an all-India central institution, but if it is so co-ordinated it should be done in a way that the fullest autonomy is secured to provincial institutions.

Question 7.—There should be no difficulty in fixing a standard for each locality or each district for calculating the value of land. The annual profits should form the basis for such calculation. Ordinarily, in the present circumstances the value is thirty times the profits of the land. The bank should have a margin of 10 years' profit and should calculate 20 times the profit of the land.

The value is calculated on the annual profits of the land. The annual profits furnish the value of the land in each case.

Rates of grain are, I think, the chief factors in determining the value of the land.

People get better prices in sales of land by private negotiation than in sales by Government auction for non-payment of revenue or in execution of decrees. The chief cause for the difference is that in one case the sales are made by the owner himself and in the other it is made by others. Moreover, the vendees in the first two cases have comparatively little opportunity to make inquiries regarding the owner's title and the previous circumstances, etc. Besides this there are so many incidental charges (legal and illegal) that the owner cannot get as much as he can from sale by private negotiation.

Under normal conditions the average annual net profits of land is between 3 to 3½ per cent. on the capital.

Part G.—Small industries allied to agriculture.

Question 1.—To my knowledge the following subsidiary industries allied to agriculture exist in this district :—

Gur-making, sugar-refining on a small scale, and growing of tobacco and vegetables in certain places.

Among the fruits the chief crops are mango and *mahwa*. Other industries do not exist or exist on a small scale.

Question 2.—These industries are being carried on on a very old system, if it can be called a system at all. They can be developed by the introduction of new varieties such as good mango grafts, lichis, and other fruits for which the soil is congenial, and, if the produce can be sold at Lucknow or Fyzabad and such other places, the producer can get much better prices. For this purpose co-operative societies should be formed to act as agencies.

Question 3.—Orchards and spinning, poultry-farming, cattle-breeding and dairying are suggested as industries to be attended to in spare or off-season times.

Working capital may be secured on co-operative lines with Government aid to be given till a suitable time. The latter may be withdrawn gradually as the people have learnt to stand on their own legs.

Part J.—Internal remittance and negotiable instruments.

Question 1.—*Hundis* and drafts on banks are the only available facilities to the public for internal remittance. *Hundis*, however, are not in vogue in this district, presumably because there are no reliable agencies.

MUNSHI RIAZ MUHAMMAD KHAN.

Establishment of industrial banks in each district with its ramifications in the mufassil would, I believe, solve the question to a great extent.

Question 3.—Supply bills may be useful in big centres.

Issue of cash certificates on a larger scale and the reduction in the cost of supply bills and money-orders are suggested as remedies.

Question 4.—The use of bills of exchange could be extended by a reduction of duty.

Question 5.—I believe that the extension, cheapening and improvement of Post Office agency for handling internal remittances are useful suggestions.

Question 6.—So far as I am aware *hundis* are not used in this district in any noticeable degree.

Question 7.—So far as I am aware money can be borrowed on the security of railway receipts and invoices, etc., only in places which are trade centres such as Cawnpore, Chandausi, Hathras, etc., but this cannot be done in all places. These instruments are accepted only when presented by reliable agencies. Frauds by individuals are the chief difficulties in their acceptance generally. The remedy against these frauds mainly lies in the hands of the Railway department. If they are prepared to verify the requisite information free of cost the system will, I think, be popularised.

II.—Indigenous banking.

A.—Organisation of indigenous banking.

Question 1.—Of the indigenous bankers there are only moneylenders who advance money to the agriculturists only. Generally these persons do other business besides moneylending.

Question 2.—Agriculture is mainly financed by indigenous bankers. In trade indigenous bankers also play a part but not to the same extent as in agriculture. In industry they mostly make middlemen's profits.

Question 3.—I estimate that an indigenous banker, having dealings with agriculturists, has a net return of 18 to 20 per cent. on his capital. The net return of a banker dealing with the trade is estimated between 12 to 15 per cent., and in industry from 10 to 12 per cent.

Question 4.—There may be such financial houses in big trade centres in this province like Cawnpore but not elsewhere. None exists in this district. The absence is, I believe, an indication of the general depression in trade.

C.—Advances by indigenous bankers.

Question 1.—Indigenous bankers in this district give loans in the following methods :—

(i) Pronotes,

(ii) Pawning of ornaments, and

(iii) Small loans to agriculturists having constant dealings with them, are given without any bond or pronote. Sometimes blank stamp-papers are taken and returned when the debts are discharged. Thus one stamp-paper is often used more than once to evade the duties.

Securities differ greatly, that is to say, from personal security to the hypothecation of property.

Rates of interest vary from 12 to 25 per cent.

Question 2.—In money the rates of interest vary from 15 to 25 per cent.

In kind generally the *sawai* system is adopted.

Establishment of agricultural and industrial banks will, I think, force indigenous bankers to reduce the present rates of interest.

The interception of the benefit by the village moneylenders would depend on the methods adopted by the industrial or agricultural banks suggested to be established.

Question 3.—No special facilities are given to clients to inspect their accounts; on the other hand, all possible obstacles are placed in their way.

Munshi Riaz Muhammad Khan.

G.—Consolidation of indigenous banks.

Question 1.—I think it is possible to consolidate and improve the indigenous banking system on the lines adopted in Germany, as described in the note appended to the questionnaire. It is, however, doubtful if such a measure will prove serviceable to the community so long as the present lot of indigenous bankers become chief controller of the banks and also its partner. To my mind it appears that the adoption of this system will only tend to create a monopoly which will eventually be more harmful to the country by the elimination of competition.

Question 2.—Indigenous bankers would secure an increased clientèle if they were recognized by Government.

The condition of such recognition should essentially be (1) granting of loans on prescribed rate of interest, (2) presentation of annual accounts and balance sheet, (3) adequate representation of all classes of people. The appointment of staff should be subject to the control of the Government. The Government should also be a partner at least till the time the banks are established on firm ground.

Question 3.—The measures mentioned above will not be palatable to the usurious village *mahajans*—especially at the commencement.

Question 5.—I think the indigenous banking system has no connection, at least directly, with the principal markets within or without the province, except in so far that the large dealers in trade or trade agents get their money from the principal money markets. I think such a connection is possible as well as desirable under the first three of the methods described in the question. The fourth is to be condemned as tending to create a monopoly.

My main object in adopting the first two proposals is to introduce a healthy competition and thereby save the agriculturists and the artisans from being fleeced by indigenous bankers.

Indigenous banking at present is being carried on mainly by people who have little or no moral education, and can be done in a much better way by educated people. I do not think there is any danger in doing away with their knowledge and experience.

With the Government's share and control the depositing public will, I believe, have greater confidence in the new joint-stock bank than in illiterate *mahajans* of doubtful integrity.

It should be made a condition of their charter that these banks will have to invest as much of their capital in the locality, or at least a certain percentage of it, as is necessary in that locality.

I think a joint-stock bank in the forms suggested will be able to attract enough business to make its establishment profitable.

It is desirable, though not essential, that a Central Reserve Bank be established to create the bond of connexion between all the elements of the banking system. It will be better to link indigenous banks directly with the Central Reserve Bank.

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

Question 1.—I agree with the statement made.

The chief difficulties are—

(i) The corruption of the subordinate staff of the courts. The creditor, even if he succeeds in realising the decree passed by the court in his favour, cannot possibly recover all he has actually spent on the litigation. He has at least to lose 20 per cent. of the money spent by him excluding the amount of the decree.

(ii) The courts stick too much to the technicalities of the law to think of justice to the creditors. The first attempt of the court is to dispose of the case on the ground of a technical error in the plaint, even if it is within the court's power to rectify the error. The judicial discretion given to the courts is not exercised very often.

(iii) The processes for recovery are so dilatory that creditors often get disgusted.

(iv) The original courts are not within easy reach of creditors living in the country. In some cases the expenses of the journey necessary for attendance in courts on each date are prohibitive.

(v) Litigation is generally considered to be very costly, even if the illegal expenses are left out of consideration.

MUNSHI RIAZ MUHAMMAD KHAN.

(vi) The greatest difficulties experienced by a creditor come with the execution of decrees, which is mainly in the hands of a corrupt subordinate staff. One can imagine these difficulties when one knows that a *chaprasi* in Oudh is entrusted with the execution proceedings.

The courts should be held in a central place within their jurisdiction, so that they may be within easy reach of the parties.

The law and the courts charged with its administration should not sacrifice justice to mere technicalities. As soon as the decree is passed in favour of the plaintiff, the courts should require the defendants to deposit the decretal amount in the court within a reasonable time allowed by the court, and, failing that, good securities should be taken from him for payment of the amount due. If the judgment-debtor fails to pay, the amount should be recovered from the securities or sureties accepted by the court.

Cost of litigation should generally be reduced.

III.—Investment habit and attraction of capital.

A.—Encouragement of saving and investment habit.

Question 1.—Except the post office, post office savings banks and postal cash certificates there are no banking resources in my locality. These are not adequate.

Question 2.—Except savings banks there are no means or institutions for encouraging the habits of saving and investment.

These provide full facilities for the investment of savings, except that the rate of interest is very low. They require improvement and extension.

Question 3.—To a great extent the people of my locality are in the habit of investing in gold or silver.

Question 4.—Postal cash certificates are popular, but not sufficiently so.

To encourage their popularity the rate of interest should be increased and the existing terms of issue should be reduced.

Question 4A.—I think a national savings movement similar to that in England will find favour at least with the educated classes. Scheme no. 1 seems to be more sound and feasible in view of the conditions in India.

Question 5.—Post office savings banks afford adequate facilities to the investing public, but raising of the rate of interest will attract more deposits.

Mostly people who earn daily wages or servants with monthly wages take advantage of the various facilities for investment offered by the post office.

Raising of the rate of interest would attract other classes.

Question 6.—Postal cash certificates and treasury bills are not so attractive as to introduce competition against the banks. If the allegation is true, I regard such competition as healthy.

Question 8.—It would promote the savings habit if municipalities were to afford savings bank facilities, with the same restrictions as in the post office savings banks.

Question 9.—Government, the Imperial Bank of India and other banks purchase and sell securities for their clients and charge commission.

Post office cash certificates should perhaps be the best form of investment for small agriculturists and small investors.

Question 11.—Very few of the people are so fortunate as to have surplus money. The illiterate fortunate keeps his money in the ground, while the literate one invests it in some profitable form, or in gold in the form of ornaments. They generally use it in purchasing landed property or in building houses or in providing for their children's education or their marriage.

Question 12.—Very few farmers have the good fortune of having a surplus. Those who have generally bury it in the ground or invest in live stock.

They lend to fellow agriculturists on the same terms as the *mahajans*.

Question 13.—I do not agree with the allegation that in India the banking and investment habit is of very slow growth. On the other hand I consider that mostly people are of very frugal habits and the standard of living is itself very low. My idea is that people generally are too poor to think of banking or investment. I agree that the people do not realise the benefits of investment on co-operative lines.

Munshi Riaz Muhammad Khan.

Extensive propaganda is needed in educating the people to invest their surplus money in productive works on co-operative lines under the control of the Government for at least some time to come.

B.—Cheque habit.

Question 1.—The cheque habit is growing in India, but not in an appreciable degree.

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

Question 3.—Only literate people use cheques.

Question 4.—I agree with the suggestions that payment of government servants and bank employees by cheques, and freer receipt of cheques in payment of government dues will further promote the cheque habit.

I think it would be better for post offices to open cheque accounts. Restrictions on such accounts in matters of interest, etc., should be similar to those of savings banks.

Question 5.—For the illiterate to use cheques will give rise to many complications and frauds which will not be realised by the illiterate depositor himself.

C.—Vernacular scripts in banking.

Question 1.—I think vernacular scripts will be useful in banking.

Question 2.—I think *sarrafi* should be done away with to make room for Urdu or Nagri characters because very few people know *sarrafi*, and bankers can make any entry they please without the knowledge of the client.

Mr. W. GASKELL, C.I.E., I.C.S., Commissioner of Income-tax, United Provinces.

Memorandum.

I do not claim to have any specialized knowledge of banking or moneylending in this province, although I have necessarily seen a large number of cases and also have acquired a certain amount of experience in other ways than in connexion with the Income-tax department.

2. Banking operations are naturally divided into two broad clauses :—
(i) the financing of trade, and
(ii) the grant of loans to other persons who require them. That is to say, since this province is largely agricultural, primarily to landowners and tenants.

Trade naturally tends to focus itself in towns and cities and often to create, or at all events to enlarge, them. Whenever trade in a city or town becomes of sufficient volume to attract the attention of a joint-stock bank, a branch is almost inevitably opened there, and it is well known that in certain towns or cities in this province the banking facilities are almost in excess of the real requirements of the place, and that the branches of banks sometimes do not meet the expenditure incurred on their maintenance. An interesting instance of the manner in which trade attracts banks will be found in important grain centres such as Ghaziabad and Hapur. Owing to the banking crises which have occurred in the last 25 years—in particular the crisis which occurred when the People's Bank of Lahore closed its doors about 22 or 23 years ago, and that of 1913-14 which involved the failure of the Bank of Upper India—joint-stock banks have tended to keep their resources in a much more liquid form and, therefore, to devote themselves almost entirely to trade when the goods pledged as security can be easily realised and, moreover, the turnover of capital is rapid. Experience at the times mentioned showed that a bank which depended for a very large proportion of its working capital on short-term deposits could not invest its funds unduly in long-term loans such as are required by persons who borrow on the security of land or property, and also that it was not possible to find the whole of the capital required for industrial undertakings, including the construction of buildings and the installation of machinery, where the capital was necessarily locked up in a form not readily capable of rapid realisation. Since joint-stock banks cannot finance loans on land or property to any great extent and are not prepared to advance money to persons lacking in substance, such borrowers naturally have recourse to the ordinary moneylender who largely trades on his own capital and can afford to wait for realisation of his money in the one case or adapts himself to the inevitability of some loss in the other. In every district, therefore, the indigenous moneylender performs a necessary and, viewed from one aspect, useful function. The grades of moneylenders are obviously numerous, beginning with those who are capable of lending large sums and ending with those who deal with artisans and small agriculturists.

3. The rates of interest naturally vary with the amount of the loan and the nature of the security offered. Where money is lent on a first mortgage of landed or house property the rates are favourable and may range from 6 to 7½ per cent. In cases where the borrower is of some status and considered to be reliable, money is lent at the rate of about 12 per cent., and the same rate applies where some security in the shape of movable property is deposited with the moneylender. As the credit of the borrower diminishes, the rate of interest rises until the figures of 37½ per cent. so often quoted, and of 43 per cent. paid on the *qistbandi* system, are reached. The latter figures imply an almost complete absence of security and the losses in this kind of business are considerable. In other words, the moneylender looks to the average return on his money.

including his losses in fixing the rate of interest, and from what I have seen I should not place the net yield at more than 18 to 20 per cent. As an instance of the effect of credit on rates of interest I may quote an interesting case which once came before me. A landowner of some wealth got into difficulties and proceeded to borrow large sums of money. He mortgaged his property in the first instance with a bank for 6 per cent., then obtained money on pronotes at 12 per cent. from ordinary moneylenders. As his position became worse—a fact which was well known—the rates of interest steadily rose till they reached 24 per cent., while, moreover, the moneylenders in the later stages of the proceedings exacted bonds for twice the amount which they lent. The final state of the proceeding was when the landowner raised money on second and third mortgages of his property. Needless to say, in the end the usurers did not recover any sum approaching the loans originally made by them or their interest.

In this connexion I may note that I have come across not a few cases in which moneylenders with large capital at their disposal spread their investments over the several kinds of loans. About half of their money was lent on the security of property at 6 per cent., and half the remainder on fair security at 12 per cent., while the balance was lent on the more speculative form of loan with interest running up to 37½ per cent. I never quite understood the reason, but as I have come across many cases of traders who seem to take pleasure in indulging in speculations which may possibly—within limits—wipe out their profits from other resources, I have often wondered whether the investment by moneylenders of a portion of their funds in what might be regarded as risky transactions did not add a little zest to life.

4. The statements prepared by income-tax officers indicate that the capital of moneylenders who come within the purview of the income-tax department aggregates some 20 crores of rupees (see appendix). This estimate, however, can only be approximate owing to the circumstances described in the next paragraph and is probably an under-estimate. Moreover, this sum must be increased by an amount, which it is impossible to indicate with any pretence of accuracy, as representing the small moneylender in towns and rural areas whose income is less than Rs. 2,000. Again, the statistics do not take account of the numerous cases where one trader pays interest to another on account of commodities supplied. Some years ago such interest was probably larger than it is now since wholesale dealers used to carry large stocks of goods which they sold to retailers on credit, the latter repaying their debts as they disposed of their goods. There has been a tendency, however, in recent years—due to the wide fluctuation in prices—for the wholesale dealer to carry only sufficient stocks for his immediate needs and to throw the financing of trade on to the manufacturers. Be this as it may, the wholesale dealer is able to finance quite a considerable number of retail traders since the latter turns over his stock three or four times in the year, and it is interesting to note at times the large trade which is often carried on with comparatively small capital.

5. A noteworthy point in the statistics is the comparatively low amount invested in moneylending in the densely populated rural districts in the east of the province. This is borne out by the yield of income-tax in those districts which is comparatively small. It is a well-known fact that several (it may be all) of these districts have deficit treasuries, and the inference is possible that the need for the moneylender has been removed by the earnings of residents of the district in places like Calcutta, Rangoon, and even distant Java.

6. Income-tax officers have given an account of the way in which books are frequently kept. Bankers and moneylenders of position frequently produce books kept in accordance with the most approved principles of accountancy as they are prepared to pay the amount of tax due from them and appear to have acquired trust in the methods of the income-tax department. But there are still a very large number who do not trust the department and who also entertain strong hopes that if they do not produce their accounts they will escape full assessment. The work, therefore, of assessment is one of extreme difficulty, and income-tax officers can only form an idea of the income of many moneylenders by a close examination of the documents produced before the registration department and of the cases which are filed in the civil courts—particularly in the small cause courts in the larger cities. As already said, any estimate cannot be considered to be at all precise.

7. I am unable to form any opinion of value on the subject whether any effectual steps can be taken to organise the resources in the hands of bankers and

moneylenders so as to increase the amount of credit available. One fact, however, is very clear. The moneylender belongs to a very shy race, and is extremely reluctant to let anyone know his business. I have referred to the difficulty experienced by the income-tax department in obtaining books. A moneylender will frequently appear before an income-tax officer with a list of documents which he knows to be ascertainable from the registration department or a few notes of hand the existence of which is fairly well known to other people and is likely to come to the ears of the income-tax officer. The bulk of his transactions, however, he prefers to conceal, and instances are on record where the number and magnitude of the transactions (especially where pawning is concerned) are such as no income-tax officer, even with a vivid imagination, would have guessed. Such, therefore, being the secretive nature of the moneylender I feel very much doubt whether this class would combine for the purpose of increasing banking facilities. This, however, is a purely negative attitude and is of no assistance in solving the problem now under consideration: only actual experiment can decide. A scheme like that described in the brief note on land mortgage banks appended to the questionnaire might prove attractive. But it is essential that business should be conducted on hard lines, that any temptation to speculative investments should be avoided and that loans should be for productive purposes. I would again stress that the element of speculation has for some reason or other a peculiar attraction in India, and from instances which I have seen, but which I am unable to quote, I think that this is a tendency which must be strongly resisted and that the resistance must be secured in the most rigid form possible, although this would involve the contraction of credit in certain instances where persons had little or no security to offer. It might be possible to secure loans on easier terms by the grant of special facilities to moneylenders on the condition that they should maintain books of accounts open to inspection. But the rate of interest is largely a matter of credit and security and I doubt whether any great reduction can be secured by this method. Conceivably the rates of interest might be easier if the method of realising loans in the courts were expedited and if insolvency were made a less facile matter; but speed in realisation is not the matter of most vital importance if one may judge from the rates of interest charged on loans made on the security of land when recovery is often a very protracted matter. One may be permitted to express the opinion, without being considered to be cynical, that any extension of credit except for the purposes of trade and agriculture is not expedient. The social customs of India demand much expenditure on the unproductive form of ceremonies, and as social obligations frequently force a man to spend on ceremonies every anna which he possesses or can borrow, an extension of borrowing facilities might be disastrous. I remember very forcibly a discussion which I had in a village in the Jhansi district with a number of *zamindars* who informed me that the greatest boon which the Government had conferred on them was in the shape of the Bundelkhand Land Alienation Act which had destroyed their credit with the moneylender. They informed me that they could not now waste money on ceremonial expenditure because the moneylender would not advance it to them.

APPENDIX.

The statement below* has been compiled from statistics supplied by income-tax officers and shows the extent of moneylending in towns and rural areas and for commercial purposes. It has clearly not been tabulated on uniform lines as some officers have included a number of transactions under the head "rural" which others have treated as being in towns. Moneylending for commercial purposes has also possibly been combined with town moneylending in one or two centres, but the chief cities concerned under this head have been treated separately. It would take time to rectify these matters and officers are at present engaged in heavy assessment work, so that I do not hesitate in presenting the figures as they are. The committee will probably be able to utilise them and, except in the cases where there are large cities like Cawnpore, Allahabad, Benares, Agra, Lucknow, etc., will decide to treat the figures for districts as a whole since the loans taken in towns are by no means confined to townspeople; obviously moneylenders tend to live in the more populous centres, partly because the volume of business is larger there and partly for purposes of protection.

2. The statement, of course, does not deal with the cases of moneylenders whose income is less than Rs. 2,000. In a very large proportion of the other cases reliable books are not produced and estimates are framed of the interest considered to have been received. From these figures the income-tax officers have deduced figures of capital, and in some cases have tended to adopt too high a flat rate of interest. The variations merely indicate the difficulty of compiling the statistics, and their very existence may be helpful to the committee in enabling them to value evidence received from other sources. I have, therefore, left the figures untouched. The committee will also recognise that moneylending is frequently combined with other business, and also that the statistics do not include the cases where one trader, *e.g.*, in the wholesale trade, temporarily finances another, *e.g.*, in the retail trade, in the purchase of the commodities in which he deals.

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Statement showing the extent of moneylending in the United Provinces.

Serial number.	Name of district.	Village moneylenders.		Town moneylenders.		Commercial moneylenders.	
		Capital estimated to be employed.	Estimated interest.	Capital estimated to be employed.	Estimated interest.	Capital estimated to be employed	Estimated interest.
		Rs.	Rs.	Rs.	Rs	Rs.	Rs.
1	Dehra Dun ..	4,20,000	40,000	39,90,000	3,90,000		
2	Saharanpur ..	37,80,000	5,00,000	49,40,000	3,90,000		
3	Muzaffarnagar	97,80,000	12,30,000	22,00,000	2,40,000		
4	Meerut ..	63,50,000	8,90,000	41,90,000	6,20,000		
5	Bulandshahr..	63,90,000	7,50,000	52,90,000	4,10,000		
6	Aligarh ..	18,30,000	1,90,000	31,70,000	3,00,000		
7	Muttra ..	60,50,000	5,90,000	15,50,000	1,50,000		
8	Etah ..	58,10,000	5,90,000	20,00 000	30 000		
9	Agra ..	19,10,000	4,60,000	52,80,000	6,30,000		
10	Mainpuri ..	12,00,000	2,50,000	9,00,000	70,000		
11	Bareilly ..	16,00,000	3,20,000	13,50,000	2,20,000		
12	Bijnor ..	35,40,000	3,40,000	34,80,000	3,20,000		
13	Budaun ..	18,00,000	3,20,000	18,00,000	2,20,000		
14	Moradabad ..	13,20,000	1,30,000	61,30,000	7,60,000		
15	Shahjahanpur	5,00,000	1,40,000	24,00,000	2,80,000		
16	Pilibhit ..	30,00,000	80,000	12,00,000	1,60,000		
17	Farrukhabad..	10,00,000	10,000	28,00,000	2,20,000		
18	Etawah ..	50,00,000	90,000	27,00,000	1,90,000		
19	Cawnpore ..	90,00,000	2,00,000	40,00,000	6,00,000	60,00,000	4,50,000
20	Fatehpur ..	80,00,000	2,00,000	..	..		
21	Allahabad ..	2,00,000	60,000	32,00,000	1,80,000	15,00,000	90,000
22	Jhansi ..	13,80,000	2 70 000	38,00,000	..		
23	Jalaun ..	8,50 000	1,90,000	15,00,000	1,30,000		
24	Hamirpur ..	5,50,000	1,10,000	1,60,000	30,000		
25	Banda ..	2,50,000	30,000	1,00,000	10,000		
26	Benares ..	7,90,000	2,40,000	62,70,000	60,000	40,00,000	3,00,000
27	Mirzapur ..	3,60,000	1,10,000	15,80,000	3,50 000		
28	Jaunpur ..	4,00,000	78,000	10,50,000	1,10,000		
29	Ghazipur ..	3,00,000	30,000	6,50,000	60,000		
30	Ballia ..	4,00,000	40,000	6,00,000	60,000		
31	Gorakhpur ..	18,00,000	3,60,000	49,00,000	3,80,000		
32	Basti ..	20,70,000	2,50,000	8,00,000	99,000		
33	Azamgarh ..	3,00,000	30,000	12,00,000	1,20,000		
34	Naini Tal ..	2,00,000	40,000	2,00,000	30,000		
35	Almora ..	1,00,000	10,000	2,30,000	30,000		
36	Garhwal ..	1,00,000	10,000	2,40,000	30,000		
37	Lucknow ..	8,00,000	1,30,000	90,00,000	13,50,000		
38	Unao ..	2,00,000	40,000	7,00,000	1,00,000		
39	Rae Bareli ..	16,60,000	1,60,000	3,30,000	30,000		
40	Sitapur ..	11,50,000	2 80,000	51,80 000	5,20,000		
41	Hardoi ..	1,20 000	20,000	12,00,000	1,80,000		
42	Kheri ..	6,00,000	1,60,000	13,90,000	2,20,000		
43	Fyzabad ..	10,00,000	2,10,000	29,80,000	2,90,000		
44	Gonda ..	12,50,000	1,90,000	1,30,000	20,000		
45	Bahraich ..	18,00,000	2,70,000	2,90,000	50,000		
46	Sultanpur ..	6,50,000	1,30,000	3,50,000	40,000		
47	Partabgarh ..	9,00,000	2,20,000	..	..		
48	Bara Banki ..	14,50,000	1,90,000	9,60,000	60,000		
	Total ..	7,64,80,000	1,11,70,000	10,66,80,000	1,16,00,000	1,15,00,000	8,40,000

MR. W. GASKELL.

Rao Bahadur Pandit LACHHMAN SITA RAM KHER, B.A., Assistant Commissioner of Income-tax, Cawnpore.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist usually borrows from (1) Government, (2) co-operative societies, (3) village moneylenders and (4) commission agents in towns. From Government the loan is usually in the form of *taqavi* for seed, for purchase of cattle and for sinking wells. It is usually the village moneylender who plays the largest part in financing the agriculturist.

He borrows for the most part for the following purposes :—

(i) Repayment of earlier debts.
(ii) Marriages in his family.
(iii) Famine and other kinds of distress.
(iv) Payment of land revenue or rent, seed, purchase of cattle and sinking of wells

Seed and subsistence cover nearly 60 per cent. of his borrowings.

It is only in times of famine and distress that Government gives *taqavi* for seed and, so far as I am aware, it is mostly at such times that there is a demand for *taqavi*, for sinking of wells, etc. In such times there is a large demand for sinking of wells, etc., the reason being that such *taqavi* is considerably larger in amount than that for seed and a part of the amount advanced is used by the cultivator or the *zamindar* for his own subsistence. During such times the proportion of the debt given by the Government will easily exceed that given by other agencies. At other times the largest proportion, even up to 85 or 90 per cent., is advanced by the village moneylender. Of the remaining 10 to 15 per cent. nearly a half is advanced by co-operative societies and about as much by the town commission agent. The advances by the last mentioned persons are made only to large agriculturists who bring their own crop to the market.

The proportion of the debt incurred in cash and grain would probably be in the neighbourhood of 70 and 30 per cent., respectively. Most of it is incurred for a short period because it is generally repayable with the arrival of the crop.

Question 2.—The rates of interest on cash advances vary from 24 to 45 per cent. Generally on larger amounts the rate is lower than 24 per cent. and on small amounts it is higher. As regards loans in kind the cash value is seldom taken into consideration, the tenant paying at the arrival of the harvest the same amount of grain that was advanced *plus* 25 to 50 per cent. interest in kind. The rates in some places are 25 per cent. and in others 50 and these, I believe, are determined by the ordinary law of supply and demand. Where there is a larger number of persons advancing grain in kind the rate is lower.

The rates are certainly exorbitant. But it must be borne in mind that there is little security for the amount advanced.

Question 3.—The security for loans for agricultural purposes is usually the standing crops, occasionally ornaments, seldom land, house property or agricultural implements. In some places where an occupancy tenant is in default his holding is taken over and cultivated by the village moneylender until the loan has been paid.

Question 5.—The cultivator does not take full advantage of the *taqavi* system. The reason is that the village moneylender is more accommodating than the officials collecting the *taqavi*.

RAO BAHADUR PANDIT LACHHMAN SITA RAM KHER.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—There are three ways in which crops are brought to the market—(1) the cultivator sells them at weekly or bi-weekly village markets to the grain dealers, often men of small means, (2) to the village moneylender and (3) in some cases directly to the commission agent. As an exception I may mention the case of manufacturers of sugar and cotton ginning factories situated in the rural areas. In both these cases very often the produce is bought direct from the tenant and utilised in the factories.

Question 2.—With the exception of the town commission agent who advances money to attract clients I am not aware of any case in which advances are made for marketing of crops, nor of any co-operative society which assists in the matter. Nor do I think such assistance necessary, because marketing does not cost the tenant much for at that time his own bullocks are available and he is able to cart the crops to the nearest market himself.

Question 4.—The grain is stored in *khattis* or *kothas* and also in big earthen jars. Grain is apt to be spoilt by moisture in *khattis* and by weevils in *kothas*. The only way to improve the storage is to make the *khattis pakka*.

Question 5.—Grain is freely used as security for obtaining credit.

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

Question 1.—Government play no appreciable part in providing agricultural credit for the production of crops except in times of scarcity. The Imperial Bank of India plays no part whatever nor do the joint-stock banks. To a certain extent the co-operative banks do in so far as they advance loans to co-operative societies the members of which are agriculturists. But to a large extent it is the indigenous bankers who provide the necessary credit, whilst advances are also made to a certain extent by companies for the growing of sugarcane in some districts : this latter is, however, not of much importance.

The existing credit facilities are, I think, sufficient.

The only defect in the system is that it involves the tenant into paying a very high rate of interest, the cause of which is lack of security. The only way that suggests itself to me for rectifying this is to give the tenant a right of transfer of his holding, such as a fixed-rate tenant has. The question, however, is not easy of solution.

II.—Indigenous banking.

A.—Organisation of indigenous banking.

Question 1.—There are mainly three classes of moneylenders—(1) the village moneylender, (2) the town moneylender and (3) the commercial moneylender. Apart from these there are the Kabulis who do not, however, count for much in the districts in the Cawnpore charge.

The village moneylender advances cash at rates varying from 24 to 45 per cent. and grain on what is known as the *sawai* or *deorha* system in which interest works out at 25 to 50 per cent. The town moneylender advances loans on the security of mortgages of land, simple bonds, pronotes or ornaments. The commercial moneylender deals mainly in *hundis*, pronotes or deposit receipts. The Kabulis operate among the poorer classes of Anglo-Indians and among the mill-hands or menial servants.

Indigenous bankers do combine other business with their own. Among the village moneylenders the main business is the advancing of money, the side business being usually dealing in grain. The subsidiary business of town moneylenders is sometimes cloth, sometimes gold and silver and not unoften the management of property which has passed into the hands as a result of foreclosure of mortgages. The gold and silver business is usually the side line of the commercial moneylenders and the commission agents. The Kabulis have no side business so far as I am aware.

Question 2.—So far as agriculture is concerned it will not be an exaggeration to say that it is principally financed by the village moneylender. As regards trade it is financed by the commercial moneylender as also to a smaller extent by the town moneylender. The part played by the indigenous bankers in financing industry is inconsiderable.

Rao Bahadur Pandit Lachhman Sita Ram Kher.

Question 3.—Some rough estimate of the capital invested by indigenous bankers is possible but not that of the entire resources at their command. See the appendix to this note.

In my opinion the net return to a village moneylender varies from 20 to 30 per cent. I consider 10 per cent. of the income approximately as the loss due through bad debts and 2½ to 5 per cent. as the expenses including legal expenses. The town moneylender advances loans usually on good security and rates of interest in his case vary from 7½ to 18 per cent. It will not be unwise to take 12 per cent. as the average rate in his case; and allowing 5 per cent. of the income for management and legal expenses I should consider the net return in his case to be 11½ per cent. It is obvious that in his case bad debts are a rarity although the legal expenses are greater. In the case of the commercial moneylender the net rates vary from 4½ to 9 per cent. and allowing for expenses of management, etc., the return should not be less than 7 per cent. In the case of the Kabulis there is, of course, no question of expenses of management. Their bad debts are likely to be pretty high, but the rate of interest charged is so high that they are not likely to affect the net return appreciably. I am not, however, certain as to the return on their investments and would not like to risk any opinion.

Question 4.—The joint-stock banks and the Imperial Bank by reducing the rate on remittances have practically superseded the financial houses of the kind mentioned in this question. The cause of supersession is the low rate of remittances which made it unprofitable for the indigenous bankers to carry on the business.

Question 5.—The methods pursued by indigenous bankers in keeping accounts have been dealt with by the Income-tax Officer, Cawnpore, at length and I do not propose to repeat them here. In principle the method of keeping accounts is the same although the system of accountancy differs in many places outside Cawnpore in this charge. For instance, some people adopt what is known as the mercantile system while others adopt the cash system. There is yet a third class of people who adopt a mixed system, *i.e.*, cash in the case of some customers and mercantile in the case of others—usually the latter when the clients dealt with enjoy credit with them.

B.—Raising of funds by indigenous bankers.

Question 1.—The forms of *hundis* commonly in use are (i) *mitidar* and (ii) *pohenchey-dam*. The former is employed as an instrument for securing loans while the latter is meant for remittance purposes. The other forms of credit instruments are (1) bonds, (2) mortgage bonds, (3) *purjas*, or deposit receipts, (4) pronotes and (5) *sarkhats*. The *sarkhat* is not very much used. As to the other forms they are frequently used except the *purjas* outside Cawnpore. In Cawnpore *purjas* are rapidly taking the place of *mitidar hundis*. The reason for this is that a *purja* requires no stamp being only a deposit receipt while *mitidar hundis* require stamps of different values according to the amount.

Question 2.—In the case of the village moneylender the capital is continually reverting and is available for re-investment at short intervals. Consequently there are few occasions on which he draws on resources beyond his capital. He deals entirely with his own capital. As regards the town moneylender he draws to some small extent on the commercial moneylender for his requirements. He seldom draws upon the joint-stock banks or the Imperial Bank. His loans are long-term loans and with the exception mentioned above it will not be wrong to say that he also works practically wholly with his own capital. The commercial moneylender is able to draw not unoften upon the Imperial and joint-stock banks.

The only class of moneylenders who can obtain assistance from the Imperial Bank and other joint-stock banks are the commercial moneylenders, and they acquire funds from them by means of *hundis*. I understand that a *hundi* usually means to a bank a double security—the personal security of the drawer and that of the drawee.

The defects in the system are obvious, the main defect being one of want of co-ordination among the different credit agencies. It is not easy to suggest the remedy. But I mention one or two facts I know. On the one hand there is among the town moneylenders a prejudice to borrow money from the banks for the purpose of advancing loans while, on the other hand, joint-stock banks are extremely shy of advancing money on security of landed property. So far as the first point goes what is needed is propaganda. As regards the latter I believed that the joint-stock banks are over-cautious in this matter. The town moneylender is not always sure when the money invested by him will return while the bank might press its claim immediately after the stipulated period.

RAO BAHADUR PANDIT LACHHMAN SITA RAM KHER.

Question 3.—Indigenous bankers receive deposits occasionally on the terms that the deposits are not withdrawn during the busy season, *i.e.*, March to May and November to January. The rate of interest allowed is 7 annas 9 pies per cent. per month.

C.—Advances by indigenous bankers.

Question 1.—All that I need say is that the system of cash credit is extremely rare here, *i.e.*, in the Cawnpore charge. It does not (?) occasionally happen that a man mortgages, say, a house or a shop with a moneylender—usually the commercial moneylender—and instead of obtaining the consideration for it in one lump sum he draws on the moneylender according to his requirement subject to the maximum amount for which the property has been pledged. The interest is allowed in such cases on daily balances at an average rate of 7½ per cent.

Question 2.—I have already described the rates of interest which an agriculturist has to pay both in money and in kind. As regards the other incidental charges the agriculturist who borrows from the *qistwalas* has to pay four annas as *likhai* or writing charges. This amount is usually deducted from the amount advanced to the borrower, *i.e.*, the borrower instead of getting Rs. 10 gets Rs. 9-12 only. It is within my knowledge that commission is taken by moneylenders. This is usually in the case of long-term loans. Often among a certain class of people it is customary to charge 5 per cent. as commission on the sum advanced. For instance, if Rs. 100 are to be advanced the borrower actually gets Rs. 95 only.

To improve the organisation of banking in such a way as to reduce the present rates of interest is possible but not practicable without considerable extension of the co-operative societies and the starting of joint-stock banks at many more places than they exist at present. What I mean is that no substantial results can be obtained without having a bank, State-guaranteed or otherwise, at the headquarters of, say, each tahsil in a district. There is some risk of the reduction being intercepted by the village moneylender unless it is eliminated through the extension of the co-operative movement or the joint-stock banks are prepared to advance money on the security of property.

Question 3.—I am not aware of any difficulty experienced by clients of the indigenous bankers in inspecting their ledger accounts.

D.—Exchange and money market.

Question 1.—In the Cawnpore district there is an exchange and money market at Cawnpore. *Hundis* from outside Cawnpore pass through Cawnpore on account of its being an important trading centre, such *hundis* being transmitted to the port towns for the most part. Grain is exported from mufassil towns to seaports like Calcutta, Bombay and Karachi, while cloth, *kiran*, sugar and hardware are exported from Cawnpore to mufassil districts. *Hundis* drawn by mufassil grain merchants are sold by them to cloth and sugar merchants in the mufassil districts and they in turn send them to Cawnpore. From Cawnpore they are sent to the port towns which are linked with it through the export and import trade.

Question 2.—The *dalals* visit various business houses to find out their requirements. They get 2½ annas per thousand on demand drafts and 5 annas per thousand on *mitidar hundis*, *i.e.*, usance bills, from the seller.

Question 3.—The rates for *hundis* purchased and sold for internal remittances differ according to the supply and demand. They vary from Rs. 99-14 to Rs. 100-2 for a *hundi* of Rs. 100. As regards *hundis* to obtain credit the rate depends entirely on the credit of the borrower and the condition of the market.

The rate is lower in the slack season which coincides with the monsoons.

The Imperial Bank of India rate of remittances has almost ruined this part of the business.

Question 4.—The local market is influenced by *kirana*, cloth and sugar committees at Cawnpore and an organisation of *ghi* merchants at Etawah, which control the business in their respective spheres. The point has been dealt with more fully by the Income-tax Officer, Cawnpore.

Question 5.—During the Diwali and Holi days the local market at Cawnpore is closed for four or five days so that customers from outside cannot transact any business. I have also noticed that the weights of different places differ and sometimes for different commodities.

RAO BAHADUR PANDIT LACHHMAN SITA RAM KHER.

E.—Defects of indigenous banking.

Question 1.—All the classes of indigenous bankers are held more or less in great esteem. This is naturally due to their influence on their clientèle and the extent of that influence differs according as the banker is a village or town banker. He commands a very high respect in villages.

Question 2.—Insolvency courts are sometimes considered a great nuisance. I should not be surprised if they are abused. A man declared insolvent sometimes starts business in another name a few months after.

Question 3.—Some check on the resort to insolvency courts seems to be called for. I cannot outline the actual change required. It is also necessary that the accounts of the official receiver should be subjected to efficient audit.

Question 4.—There are undoubtedly defects such as the excessive rate of interest charged, the commission taken and the *likhai* charged which need to be rectified. But it is extremely difficult to suggest any remedy.

Question 5.—The question whether indigenous bankers are able to meet all acceptable demands is a very wide one. I am aware of cases in which the demands cannot be met locally and the borrower has to go outside to different districts.

The resources of indigenous bankers can be extended by education and linking of the town moneylender with the joint-stock banks.

F.—Co-ordination.

Question 1.—There are instances to show that a small pawnbroker was able to obtain funds from a larger house of similar business on pawning ornaments and also to show that two or three persons of the same class had combined to advance a loan jointly when the resources of any one of them were not enough to meet it. No relations whatever exist between indigenous bankers of different classes so far as I am aware. The commercial moneylender is able to obtain money by means of *hundis* from the Imperial Bank of India and joint-stock banks.

The Imperial Bank does not help any other moneylender except the commercial moneylender.

Question 2.—No co-ordination exists between indigenous bankers and other banks except as in my answer to question no. 1 above.

It is extremely difficult to organise a provincial bankers' association to secure greater co-ordination in the present state of things.

Question 3.—The question of difficulties in the collection of cheques on indigenous bankers does not arise as a cheque system does not prevail.

G.—Consolidation of indigenous banks.

Question 2.—I consider it very doubtful that indigenous bankers would secure an increased clientèle if they were recognised by Government. If they are to be recognised by Government a condition of recognition should be the exhibition of balance sheets, which I do not think the bankers will agree to.

Question 3.—The attitude of indigenous bankers to measures for their regulation will be one of hostility.

Question 4.—A considerable amount of money which lies idle during the monsoon is remitted from Cawnpore to port towns.

APPENDIX.

The Cawnpore charge consists of the following districts :—

(1) Allahabad.	(10) Almora.
(2) Fatehpur.	(11) Bareilly.
(3) Partabgarh.	(12) Naini Tal.
(4) Farrukhabad.	(13) Lucknow.
(5) Etawah.	(14) Unao.
(6) Mainpuri.	(15) Hardoi.
(7) Shahjahanpur.	(16) Cawnpore.
(8) Pilibhit.	(17) Banda.
(9) Budaun.	(18) Hamirpur.

RAO BAHADUR PANDIT LACHHMAN SITA RAM KHER.

The figures for the income from interest compiled from assessment records of 1928-29 seem to justify the following rough estimate of the capital of the various classes of moneylenders :—

	Rs.
(1) Commercial moneylenders	80,00,000
(2) Town moneylenders	3,14,00,000
(3) Village moneylenders	1,36,00,000
Total ...	5,30,00,000

I must mention here that an estimate on the basis of the interest income assessed cannot be regarded as having pretensions to accuracy because there is a number of small moneylenders operating who are not assessed to income-tax, nor does the department take cognizance of *zamindars* and some of the well-to-do cultivators who carry on to a small extent moneylending in their own respective spheres. Another point to be mentioned is that the interest figures, specially in the case of the town moneylender, are based on actual receipts which are not necessarily the same every year being largely affected by such conditions as the failure of crops and other agricultural calamities. On the other hand the capital has been estimated with an eye to the actual receipts of interest in a particular year. Subject to these limitations the figures reported represent, not the total indebtedness of the agriculturists, but the probable extent of the resources of the various kinds of moneylenders.

(For evidence see pages 277 to 287, and for supplementary evidence see page 288.)

Thakur RAM SINGH, B.Sc., Assistant Commissioner of Income-tax, Benares.

Replies to the questionnaire.

II.—INDIGENOUS BANKING.

A.—Organisation of indigenous banking.

Question 1.—Indigenous bankers can be classified in the Allahabad district as follows :—

(i) Bankers who advance money on mortgages and pronotes only.
(ii) Bankers who deal in *hundis* largely and also on *sarkhats*.
(iii) Bankers who advance money on mortgages, pronotes, *hundis* and *sarkhats*.
(iv) Moneylenders who advance money on the *qist* system.
(v) Moneylenders who advance money on pawning of ornaments and gold and silver bullion.
(vi) Moneylenders who advance gold and silver bullion to goldsmiths, workmen and petty *sarrafs*.
(vii) Private limited companies doing banking business.
(viii) Grain lenders.
(ix) Other bankers, *e.g.*, Punjabis and Kabulis.

The business transacted by each class is given as below.

(i) Money is advanced on mortgages on the security of *zamindari* and other landed property. Generally property is hypothecated in the mortgage-deed, but sometimes usufructuary mortgages are made in which case the possession of property is delivered to the mortgagee. Sometimes it also happens that the mortgagee leases back the property mortgaged with him to the mortgagor who becomes the lessee of the property. In such cases, the mortgagee-lessor receives money by way of interest on the money advanced by him. The rate of interest on mortgages generally varies between 6 and 12 per cent. per annum. It falls to Rs. 4-8 per cent. per annum in the case of relations and acquaintances, and goes up to 24 per cent. The rate of interest always varies with the nature of security offered.

Money is advanced on pronotes to respectable and well-to-do people. The rate of interest in this case also varies between 6 and 12 per cent. per annum. Higher rates of interest are charged where the banker thinks that the credit of the person taking the loan is good but that he may take time to repay the loan or that resort may have to be made to court to recover the money.

I may also add here that big loans are generally settled by the parties and sometimes through the negotiation of respectable brokers. The latter are paid six pies per cent. in the case of cash credits and *hundis*. In the case of big pronotes and mortgages, the brokers charge about 2 per cent. Sometimes the bankers themselves charge 2 to 5 per cent. as discount at the time of making big advances to rajas and big *raises*. This they call *nazrana* and a raja or other big man has to pay it as he does not want to mortgage his property to conceal his indebtedness.

(ii) Bankers of this type take *hundis* of respectable traders and also advance money on *sarkhats* to men having good credit in the bazar. The rate of interest charged on *sarkhats* is 9 to 12 per cent. per annum. If it is a slack season, the rate charged is 9 per cent. and sometimes less, when it is reduced to 6 per cent. But when there is much demand for money in the market, the lowest rate charged is 9 per cent., otherwise the rate is 10½ to 12 per cent.

Business in *muddati hundis* (payable after fixed periods) is declining and the banks also do not accept them. Interest charged in this case is like that on pronotes, but it is deducted by the bankers before advancing the loan.

There is also a decrease in the *hundis* payable on demand (called *darshani*) on account of facilities available to the public from the banks and also of sending their money in currency notes through insured covers. The rate of these *hundis* is one anna to two annas per cent., and sometimes higher rates are charged when there is a large demand for money in the market. Higher rates are also charged where the credit of the person drawing the *hundi* is not very great.

The banks offer facilities to the public in remitting their money to stations where they have got their branches by telegram. But the money will be paid to those people only who have got accounts with their branches. In this way, the person sending money saves interest of a few days, as the money can be paid through a telegram the next day at the latest, whereas through *hundis* or through insured covers it is likely to take two or three days, and if currency notes are sent in half portions, then a week elapses before the money reaches its destination in full. For this very reason big amounts are sent through banks which charge one anna to two annas per cent. and therefore the demand of *hundis* is decreasing. At the same time, there is risk in purchasing a *hundi* which may be dishonoured at the time of payment, while there is no risk when money is sent through well-established banks.

Sarkhats are freely used as there is much saving in stamp duty. One anna stamp is only used, whereas, in the case of *hundis*, the stamp duty is one and a half anna per cent.

(iii) This is a type of moneylender who do moneylending on a limited scale. As their capital is not large they cannot advance big loans and therefore they take up any transaction which they find convenient. The rate of interest is the same as mentioned above.

(iv) There are big moneylenders in these provinces who advance money on *qists*. They work in several districts through their agents. The most common kind of *qist* is of advancing Rs. 10 repayable in 12 monthly instalments of Re. 1 each. To a lay-man it would appear that the rate of interest charged is Rs. 2 for every Rs. 10, *i.e.*, 20 per cent. But, strictly speaking taking the period for which the money remains invested the rate of interest works out to 44 per cent. A statement showing how this is worked out is attached as appendix "A."*

The other types of *qists* also vary in different parts of these provinces. In some places Rs. 11 are advanced which are recoverable in 12 monthly instalments of Re. 1 each, while, in others, Rs. 20 are advanced recoverable in 25 monthly instalments of Re. 1 each. The rate of interest in these two classes is less than that charged on the common type of *qist* of Rs. 10 repayable in 12 monthly instalments of Re. 1 each.

(v) Moneylending of this type is usually done by *sarrafs*. The rate of interest on petty ornaments is one pice per rupee per month or Re. 1-9 per cent. per month, and sometimes interest is charged at 2 per cent. per mensem; but in the case of ornaments of higher value, *i.e.*, of gold, the rate of interest is reduced to 9 per cent. to 12 per cent. per annum. Sometimes petty *sarrafs* pledge the ornaments with big moneylenders and big *sarrafs* at a lower rate of interest than they charge from their customers. Thus the difference in the two rates of interest is their profit, and they have to do so as they work with a limited capital.

Pawning of gold and silver bullion is not extensive.

(vi) Moneylenders of this type advance gold and silver bullion to goldsmiths and petty *sarrafs*, at a profit of four annas per cent., and at the same time they take *sarkhats* from them in which they charge interest at 9 per cent. per annum. Workers are also advanced on the same terms.

(vii) Private limited companies doing banking business in these provinces are very few. They do not command the same respect as is enjoyed by the Imperial Bank of India and the joint-stock banks of repute. These private banks do nearly the same business as is done by other banks, but their cheques are not accepted by the local banks at par. The Imperial Bank of India and other joint-stock banks charge four annas per cent. for collection of cheques issued on private limited banks. The latter advance much of their money on mortgages of property as the Imperial Bank of India and the big joint-stock

*Not printed.

banks do not advance money against such mortgages now. For these reasons, these banks sometimes charge higher rates of interest; in some cases they have charged 18 to 24 per cent. per annum.

(viii) The business of this kind is confined to villages mostly where it is done by the *zamindars* and the local *banias*. Generally, the grain is advanced on the *sawai* (25 per cent.) system and in some places the *deohra* (50 per cent.) system is also in vogue.

(ix) Punjabis and Kabulis are well known for their moneylending business. Generally, they advance money to such people as are unable to get it from other moneylenders and bankers on account of their belonging to the riff-raff class, which is notorious for its desperateness. Punjabis and Kabulis generally advance small loans at two annas per rupee per month, and their rate of interest goes up to four annas per rupee where they think they have to deal with desperadoes and *badmashes*, but they succeed in recovering their money from them also by force and intimidation. They do not care much for the police and other authorities and, therefore, on account of their physical strength, they overawe the *badmashes* as well. Punjabis and Kabulis also supply cloth on the credit system in which they charge a very high rate of profit which varies between 25 and 50 per cent. If they supply cloth in summer seasons then the price is to be paid back at the harvest reaped in *Kartik*, and if it is supplied in winter then the money is to be repaid at the harvest reaped in *Baisakh*.

The bankers of the first class do not do any other kind of business, but others do combine their moneylending business with other business, *e.g.*, of cloth, gold and silver, etc., etc. In some cases moneylending is their primary business and in other cases it is subsidiary.

Question 2.—Generally the indigenous bankers do not finance agricultural operations. *Zamindars* are advanced money against the mortgage of their *zamindari* but tenants are not allowed such advances as they are not permitted by the Tenancy Act to mortgage their holdings. The case of permanent tenure-holders and of fixed-rate tenants in the permanently-settled districts of these provinces is different as they transfer their holdings. Such tenants can easily secure loans against the mortgage of their holdings. Since the establishment of co-operative credit societies, members of these societies take loans from them for seed, etc. The Government advances *taqavi* loans for permanent improvements, *e.g.*, construction of wells, and in times of scarcity and famine. Government also advances *taqavi* loans in small amounts for purchase of bullocks, seed and also subsistence.

The village *bania* is the only banker who helps poor tenants in their agricultural operations throughout the year. He also comes to their rescue where they are unable to get help from their *zamindars* for seed, etc.

Indigenous bankers advance money to approved traders by allowing them cash credit through *sarkhats*, and in this case the traders who take loans are required to clear their accounts once every year. In cities, property can be easily mortgaged and bankers freely accept such mortgages; traders thus utilise borrowed money in their business.

Some of the bankers, like other banks, keep goods in their custody and advance money against them to the traders. This enables a trader to take delivery of his goods piece-meal as he finds it convenient to make payments to the banker by instalments.

Petty traders and hawkers are advanced money on the *qist* system. The hawkers are also advanced money which is to be repaid by them with interest that very evening. The rate of interest charged usually is one anna per rupee per day.

There is no important industry in the district of Allahabad. There is an industry of utensils-making in Saraj Aqil, tahsil Sadar, and of manufacturing steel trunks in the town proper. Both these industries are not helped by the bankers, as the traders themselves get the articles manufactured in their own factories and some of them are well-to-do people and do not require loans. The artisan class is advanced loans on the *qist* system.

Question 3.—It is not possible to arrive at an accurate estimate of the resources of indigenous bankers in the Allahabad district but a rough estimate can certainly be made. The capital of bankers of class (i) is quite large. Excluding the capital of *zamindars*, vakils, doctors and employees who occasionally advance money against mortgages, it would amount to about 25 lakhs. The capital of class (ii) would be about 15 lakhs as much of the *hundi* business is done by bankers who also do commission business and also do

other trade, *e.g.*, grain. The capital invested by them in the commission business and other trade has been ignored in making the estimate. The capital of class (iii) is about 7 lakhs as bankers of this type also do other business, and capital invested in it has been excluded in making the estimate. There are not many important moneylenders of class (iv) in the Allahabad district. A large number of them belong to Lucknow and Moradabad. The capital invested in this business in Allahabad district does no exceed one lakh. The capital of class (v) is about 1 lakh; of class (vi) about Rs. 50,000, the capital of class (vii) cannot be mentioned from the income-tax point of view. That of classes (viii) and (ix) is very small.

Zamindars generally advance grain received in rent or produced from their own cultivation.

The volume of business of each class of bankers is in proportion to its capital. None invests his entire capital. Big bankers always keep some cash in hand: in some cases, their reserve amounts to 25 per cent.

Expenses of bankers of classes (i), (ii) and (iii) are generally heavy as they have to incur expenses in going to court. Bankers dealing in *hundis* have sometimes to meet heavy bad debts on account of the insolvency of the persons drawing *hundis*. The expenses of moneylenders doing the *qist* business are also large and they have also to face bad debts after periods of scarcity and famine. The expenses of other classes, except in the case of private limited banks, are quite small. Punjabis and Kabulis do not know bad debts as a rule. They have only to face them when the trader dies leaving no heirs or assets. They sometimes recover their loans from friends of the debtors if they happened to introduce them at the time of taking loans. The expenses of the private limited banks are in proportion to the volume of the business they do.

The net yield of bankers of classes (i), (ii) and (iii) comes to about 6 per cent., that of bankers of class (iv) to about 24 per cent., and of classes (v) and (vi) to about 12 per cent. I am unable to state the net yield in the case of private limited banks. In the case of Punjabis and Kabulis, the net yield is about 150 per cent.

Grain lenders have to spend very little in their grain-lending business as grain is returned to them at their houses and bad debts are also rare. Therefore, the grain received by way of interest represents the net yield.

Question 4.—There are no financial houses in these provinces 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. Their absence is due, firstly, to lack of co-operation among the bankers. Secondly, these provinces have been backward educationally as compared with the Madras Presidency. As banks had established their branches in all important cities people never cared to establish such houses in these provinces. Thirdly, the business was in the hands of Marwaris largely who have been dealing in this business in their own way along with other trade for generations.

Question 5.—Accounts are generally kept in the well-known *mahajani* system. Some of the moneylenders keep only a ledger account book, while some of the *sarrafs* doing pawning business attach pieces of paper (*parchas*) to the ornaments of the person taking the loan, on which they note the name of the debtor, weights of the ornaments, rate of interest, etc., and they settle the account with the help of these chits of paper.

B.—Raising of funds by indigenous bankers.

Question 1.—*Hundis* are of two kinds—(1) *darshani hundis* (payable on sight) and (ii) *muddati hundis* (payable on the date fixed in the *hundi*).

There is a big decline in the *hundis* payable after the expiry of the period fixed in the *hundis*. The *hundis* payable on sight are still used, but they are also losing ground on account of the facilities afforded by banks to people who want to send money and the existence of facilities in sending money in the form of currency notes through insured covers.

Samples of *hundis*, promissory notes and *sarkhats* are attached herewith—Appendices "B" to "G."*

Question 2.—Bankers generally advance loans from their own capital. Some own government securities and other kinds of securities and also have fixed deposits with the banks, and in case of necessity they take overdrafts from the banks against their security to meet the demands made on them.

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* Not printed.

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They take overdrafts from the Imperial Bank of India and the joint-stock banks against the security of gilt-edged securities which are left in the custody of the banks. The latter do not allow any cash credit. In certain cases, the Imperial Bank of India and the joint-stock banks accept *hundis* of approved constituents if they are duly endorsed by the person in whose name they are drawn. Such *hundis* are accepted by the banks to the extent to which the credit of their constituents is noted in their confidential note-books. If the Imperial Bank of India thinks that a certain person may be advanced one lakh of rupees, they would accept his *hundi* to that extent, provided it bears the endorsement of acceptance by the person in whose name it is drawn. The banks also take into consideration the credit of the person accepting the *hundi*. In rare cases, banks allow cash credits for small sums.

People of well-known financial position sometimes feel annoyed when they are not allowed overdrafts without security or without sufficient security. The banks cannot be forced to allow cash credits to them without any security.

Question 3.—Indigenous bankers receive deposits for one year and sometimes for shorter periods. Generally they allow 6 per cent. interest, and sometimes allow withdrawal before maturity. They return the money after six months or even within shorter periods if the person who made the deposit wants his money back. In such cases they reduce the rate of interest, though they have been known sometimes even to return the money with interest calculated at full rate. In the slack season, bankers allow lower rates of interest, and when there is much demand for money in the market, they would receive the deposits at 6 per cent.

G.—Advances by indigenous bankers.

Question 1.—I have already described the methods in which indigenous bankers grant loans and allow cash credits in my reply to question 1 under the head A.—Organisation of indigenous banking. Cash credits are allowed to approved traders through *sarkhats* and the bankers want their accounts finally settled once in every year. As regards mortgages it depends upon the terms agreed upon and entered in the body of the mortgage-deed. In the case of pronotes and *sarkhats*, there is always a verbal understanding about the time for payment of the loan and interest and the parties generally act upon it.

There is no security against pronotes and *sarkhats*, while, in the case of *zamindari* and other landed property, property is hypothecated in the mortgage-deeds. In the case of loans against ornaments, the latter are pledged and left in the custody of the banker.

In the case of mortage against property 6 per cent. per annum interest used to be charged, but for the past few years interest at the rate of 9 to 12 per cent. per annum is charged and sometimes loans are advanced at even higher rates. The rate of interest always depends on the nature of the security offered. I know cases where interest at the rate of 24 per cent. per annum has been charged, but such cases are few. In the case of pronotes interest at the rate of 9 to 12 per cent. per annum is usually charged. Sometimes higher rates are charged, *e.g.*, 15, 18 and 24 per cent. The rate of interest depends upon the financial condition and status of the borrower. In the case of *hundis* interest at the rate of 6 to 12 per cent. per annum is charged, which is deducted in advance. In the case of simple bonds (*tamassuk*) interest at the rate of 12 to 24 per cent. per annum is charged.

I have already described about *qists* and pawning of ornaments in my reply to question 1 under the head A.—Organisation of indigenous banking.

Question 2.—An agriculturist is charged the minimum rate of 24 per cent. per annum by way of interest for cash loans and 25 to 50 per cent. per annum for advances in kind. In the case of advances on *qists*, *likhai* is also charged which varies in different places. Generally, it is charged at two annas to four annas per *qist*.

It is not possible to improve the organisation of banking in such a way as to reduce the present rates of interest, and a reduction in the rate of interest will not benefit the agricultural community: the benefit is likely to be intercepted by the village moneylenders.

Question 3.—Generally, bankers do not allow their clients to inspect their accounts, thinking that they would not be able to read them as they are written in *mahajani*. Sometimes they allow respectable clients to see their accounts and not the account books as a whole.

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D.—Exchange and money market.

Question 1.—There is no local exchange and money market in the Allahabad district.

Question 2.—I have already described the part played by brokers in the sale and purchase of *hundis* and in negotiating loans in my reply to question 1 under the head A.—Organisation of indigenous banking. I do not know what part the brokers play in the exchange and money market as there is no such market in the Allahabad district.

Question 3.—*Hundis* are purchased and sold at one anna to two annas per cent. for internal remittance. Sometimes four to five annas are charged when there is much demand for *hundis* in the bazar. The rate always depends upon the credit of the person drawing the *hundi*.

To obtain credit by means of *muddati hundis* higher rates are to be paid. Interest is generally charged at the rate of 6 to 9 per cent. per annum and the rate always depends upon the slackness of the market or otherwise.

There are seasonal variations in the rates at which *hundis* are purchased and sold.

If the Imperial Bank of India increases its rates, then the rate in the bazar also increases. The Imperial Bank of India generally lowers its rate when there is slackness in the bazar and consequently the rate in the bazar also declines.

E.—Defects of indigenous banking.

Question 1.—The public is not generally against indigenous bankers.

Question 2.—Indigenous bankers experience difficulties in fighting their cases in court on account of adjournments which delay the final decision, and consequently they realise their money after several years in some cases. They want that the cases should be speedily decided and decrees also executed without any undue delay. Bankers are also handicapped on account of the Insolvency Act.

Question 3.—Bankers are sufficiently protected in law but for the Insolvency Act. They would welcome the abolition of the Insolvency Act, and the people who do not want to pay back others' money should be made to feel their criminal responsibility. As long as the Insolvency Act remains in force, debtors can successfully defeat their creditors. Moveable property is removed in such a way as to escape the clutches of creditors.

Question 4.—Generally speaking, the dealings of indigenous bankers with their clientéle are quite fair. In some cases the bankers are dishonest and the debtor never becomes free of debt although he has paid twice or thrice the capital. To put a stop to frauds bankers must be made to issue receipts for payments when received from their debtors. An obligatory duty must be placed upon the banker to issue receipts as the debtors of the agricultural and labour classes are mostly illiterate and they cannot demand receipts to incur the displeasure of their moneylender who has advanced money to them in times of distress. Secondly, bankers must be made to maintain regular account books and they should obtain a licence from the Government for doing moneylending business. If any person who does not hold a licence to advance money his claim should be summarily rejected by the courts.

Question 5.—Indigenous bankers generally meet all acceptable demands, but if anybody wants a loan of a higher amount than the moneylender can afford, then certainly the demand has to be refused. If a moneylender is worth five lakhs of rupees and if he be asked to advance a loan of ten lakhs of rupees then he is sure to refuse such a demand. Indigenous bankers sometimes borrow money from bigger bankers and I cannot think of any other way for extending their resources.

F.—Co-ordination.

Question 1.—There is no co-operation between indigenous bankers of the same class or of different classes. Where there are good relations one can borrow money from the other. Ordinarily bankers of importance do not approach other bankers for loans on account of self-respect.

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The Imperial Bank of India and the joint-stock banks do not advance loans to indigenous bankers or others without any security except in special cases where they advance small sums of money to approved customers on credit. Co-operative banks allow loans to their societies and members only. They receive deposits on interest from the public but ordinarily do not allow loans to the public.

The Imperial Bank of India and joint-stock banks do not show any preferential treatment to indigenous bankers over other customers.

Question 2.—There is no co-ordination between indigenous bankers and other banks in the provision of credit to trade and industry generally. I do not think any co-ordination is possible.

Question 3.—Much difficulty is experienced in the collection of cheques on indigenous bankers working in mufassil towns as the local banks would not accept cheques drawn on them at par. Ordinarily, the banks refuse to accept their cheques altogether. If the banks can be made to accept their cheques and collect them for their customers without charging any commission, then indigenous bankers would come into prominence at once and the public will have much facility in banking business. In big banks people have to wait for a fairly long time to cash their cheques.

G.—Consolidation of indigenous banks.

Question 2.—Indigenous banks would certainly secure an increased clientéle if they were recognised by Government.

The conditions of such resognition should be that the balance sheets of the banks should be made public.

Question 2-A.—It would be desirable to set up a class of licensed or registered moneylenders. They should be allowed special facilities and privileges by the State (Government) in recovering their dues. In the first place, the rate of court-fees should be reduced in their cases; and, secondly, their claim for recovery should be placed at par with the co-operative societies or just after their claim, but before the claim of other creditors No restriction should be placed on their moneylending business, but they should not be allowed to carry on other trade, and a maximum rate of interest should be also fixed in their case. It would not be desirable to restrict their lending to productive purposes only, because if this is done where will the poor agriculturist find money for his other needs? If he is to go to other people and pay a higher rate of interest then the present trouble would continue.

Question 3.—Indigenous bankers would welcome the introduction of measures designed to regulate their operations, but they would not like the publication of their balance sheets as in their absence people do not know their real worth and the bankers do not want to expose it.

Question 4.—There are several months in the year when money lies idle in the hands of indigenous bankers. These periods vary according to the time when crops are brought for sale in the market. Educated people have begun to keep money for shorter periods with the banks if the latter are prepared to accept them, otherwise the money remains idle with the bankers. There does not appear any tendency for its being concentrated in important trade centres.

It is not possible to improve the organisation of lending and borrowing so that these funds remain in the district and find remunerative employment there.

Question 5.—The indigenous banking system in Allahabad is connected with the principal money markets of Cawnpore, Calcutta and Bombay through *hundis*.

The establishment of a bank on what are known in Germany as "commandit" principles would be desirable. But as no such bank exists in these provinces, I cannot say how it will work in this country. There is much jealousy among the people here and therefore it will be difficult to work such a bank successfully in this country.

Failing the above proposal, I would suggest the establishment of a Central Reserve Bank by the Government with branches throughout the country. Traders will welcome such a bank as all will have equal facilities and there will be no preferential treatment.

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

Question 1.—The statement given in the questionnaire appears to me correct, being full of real facts. It is common knowledge that much delay takes place in the disposal of suits in the civil courts as described below—

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In cases involving large amounts, *e.g.*, big mortgages, etc., which are field before sub-judges, three to four years elapse including the judgment of the High Court. One to two years are taken in the sub-judge's court, and about two to three years are taken in the High Court for the hearing of the first appeal.

In cases which are filed before the munsifs, the first appeal lies to the district judge, which is ordinarily heard by the sub-judge, as he is empowered to hear their appeals. The second appeal then lies before the High Court. For about three years a creditor has to wait including the period spent at the High Court as follows :—

(i) Six months to a year before a munsif;

(ii) Six months to a year before a sub-judge;

(iii) One or two years before the High Court.

There are twelve Judges working in the Allahabad High Court at present and they have succeeded in reducing the period spent at the High Court for the final disposal of appeals, but the time spent at the High Court is still considerable. The first appeals of 1927 are being heard at the High Court at present, while second appeals are of the years 1927 and 1928. When the second appeals are not admitted, as they are admitted only on points of law, the time taken is much less.

We have also to consider the time spent before the Privy Council. But we leave it out of account for the present discussion as a few cases of this type go to the Privy Council.

A large number of money suits is filed before the Judge, Small Cause Court. Three months to a year are spent in his court. The objections raised before him by the third party are also summarily decided, but then the third party can file a regular suit before the munsif and can stay the execution proceedings.

I have already described above the initial difficulty of time spent in the decision of a monetary suit which a creditor experiences in recovering his money. The period of the pendency of a suit also increases; sometimes on account of adjournments at the instance of the opposite party, and sometimes on account of the heavy file of the presiding officer or on account of his indisposition. I have also said about the third party's dragging the objection before the munsif by filing a regular suit in respect of the attached property. Of course, he will have to deposit the security money, but the time spent in the decision of his case means delay to a creditor in recovering his money.

Then another difficulty which a creditor has to encounter is about the debtor's applying for insolvency. Some people now readily go into the Insolvency Court. In the past people, on account of their good name, shunned the idea of being declared bankrupt, but dishonest people these days take shelter under the proceedings of the Insolvency Court to defeat their creditors. Formerly, a creditor to recover his money used to find out the assets of his debtor, but now on account of the insolvency proceedings he does not take this trouble because he thinks that he will get his share only out of the assets while other creditors will also get their shares for taking no trouble. This idea works in the minds of all the creditors with the result that none cares to trace hidden assets or property of the debtor. Only those creditors whose large amounts are at stake do take the trouble.

In the case of mortgages, intricacies of the Hindu Law play an important part in prolonging the litigation. For this very reason the important banks of the type of the Imperial Bank of India and the Allahabad Bank, Ltd., do not allow advances on the mortgage of landed property. A creditor has, therefore, to meet the objections of the so-called members of an undivided Hindu family. In short, much of the difficulty arises from the side of the debtor.

For the quick disposal of suits, I would suggest the following remedies :—

(i) There should be an increase in the number of judicial officers. I think the Government will collect a large amount of money in the shape of court-fee stamps, because those small creditors who do not go to court now, thinking of the trouble they have to take, will readily file suits when they will realise that they will recover their money in a very short time. The debtors also, on the other hand, will try to liquidate their debts thinking that they will not be able to evade payment easily. As time passes they successfully remove the immovable property and also transfer the immovable property if it is not a subject-matter of the suit.

(ii) The powers of the Judges, small Cause Court, should be raised from Rs. 500 to Rs. 2,000 or even to Rs. 5,000. The officers should be trusted to decide summarily the large monetary suits.

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(iii) Suits relating to immovable property in connexion with morgages up to the value of Rs. 5,000 should also be brought within the competence of the Judges, Small Cause Court.

(iv) The insolvency courts should be abolished.

(v) Persons applying for insolvency, if they happen to be in service, should be dismissed from their posts the moment they are declared insolvent. At present railway employees, for instance, freely go into the insolvency court without fear of losing their service. Half of their pay is attached and they are allowed to enjoy the other half of their salary. Thus the creditors have to wait long in realising their dues. The fear of dismissal from service will deter all these employees from running heavily into debt. At present they quietly borrow from two or three bankers at high rates of interest with the result that they find themselves unable to pay off their debts. To save harassment from the side of the creditors some of them apply for insolvency.

Question 2.—I am not prepared to agree with the conclusion of the Royal Commission on Agriculture in India as given in the questionnaire, because in my opinion the Usurious Loans Act is not a dead letter in the United Provinces as the Judges of the Small Cause Court are using it nearly every day.

The greatest defect is that a reasonable rate of interest has not been fixed in the Usurious Loans Act, and the rate of interest to be allowed depends upon the mentality of the presiding officer. Ordinarily, in the district of Jaunpur, small loans are allowed to tenants and to other poor people at interest amounting to 2 per cent. per month or 24 per cent. per annum, and decrees are allowed at this rate of interest; while in the district of Jhansi, the usual rate of interest is two pice per rupee per month or Rs. 3-2-0 per cent. per month or Rs. 37-8-0 per cent. per annum, and decrees in that district are allowed at this rate of interest.

Another defect is that amounts paid by the debtor within six years are also to be taken into account at the time of passing a decree. The Act cannot touch simply those transactions in which decrees have been obtained.

Sometimes the debtors do not raise any objection about the high rate of interest. The power has been given to a Court to take action on its own initiative where it finds that the rate of interest charged by a creditor is unduly high, but the Court finds itself in an awkward position for want of objection on the part of the debtor.

A suitable rate of interest should be fixed by Statute. What is a reasonable rate of interest is always a question of fact. There are rulings of the Privy Council in which interest amounting to 24 per cent. per annum on mortgages has been held to be reasonable. These rulings relate to the period prior to the passing of the Usurious Loans Amendment Act of 1926. Twenty-four per cent. per annum interest is held reasonable in cases of mortgages, and a higher amount must be considered reasonable when debts are unsecured.

Another remedy in my opinion would be not to allow the closed and settled accounts of debtors to be re-opened at the time of passing a decree. When a debtor willingly settled a transaction, though it was of a high rate of interest, it does not look proper to re-open it in connexion with a subsequent transaction.

(For oral evidence see pages 277—287.)

ORAL EVIDENCE.

Lucknow, February 1, 1930.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C. ... *Chairman.*
MR. MOHAN LAL SAH, M.A., LL.B. ... ... *Member.*
DR. L. C. JAIN, M.A., LL.B., PH.D. ... ... *Secretary.*

Witnesses :—(1) *RAO BAHADUR PANDIT LACHHMAN SITA RAM KHER, B.A., Assistant Commissioner of income-tax, Cawnpore.*

(2) *THAKUR RAM SINGH, B.Sc., Assistant Commissioner of Income-tax, Benares.*

The Chairman : You will remember that years ago the minimum limit for assessment of income-tax was at one time Rs. 1,000 and at another time it was Rs. 500.

Mr. Ram Singh : Yes.

The Chairman : Now it seems to me if you discover figures similar for those lower incomes in those years at that time, then you can establish a proportion between the higher incomes and the lower incomes in these days.

Mr. Kher : There might be this difficulty that the rates at that time were different. There are about five different rates now.

The Chairman : What you will have to establish is the amount of the actual income that has been assessed on interest. I understand you having taken your figures of interest assessed, you could work back to your capital.

Mr. Kher : Yes.

The Chairman : Of course, you will have to do the same thing then. You will simply have to take your interest that was assessed at that time.

Mr. Kher : There was no record.

Mr. Ram Singh : That was the year 1918. In 1919 the minimum was raised from Rs. 1,000 to Rs. 2,000.

The Chairman : That was as a matter of fact just before the new system came in?

Mr. Ram Singh : A little after that. The new system came in 1918 and the taxable minimum was raised in 1919.

The Chairman : Well, if you could not get it that way, you could probably get it by a rough proportion. You could get the total assessment of those years probably from the reports. You would take the proportion of total income under Rs. 2,000 of all sorts in 1919 and apply the same proportion to your figures for those years—1928. It would be a rough proportion. Then, of course, you could tell us even now from your figures what the proportion of income derived from interest is.

Mr. Kher : Yes.

The Chairman : If you gave us that we could apply them to the other cases.

Mr. Kher : Yes, we will give you the proportion.

The Chairman : If you did that it would be merely a matter of working it on the basis of the 1919-20 figures.

Mr. Ram Singh: In those years the income assessed was not known; only the tax that was assessed and collected could be known. But now the Devolution Rules having been enforced we know the income assessed. But the difficulty is that on that income we cannot work out the income derived from moneylending.

The Chairman: I do not say you could. What I say is that you do know the income assessed now, and you also know the total, and you also know the income assessed in 1918.

Mr. Ram Singh: We do not know. We know the tax.

The Chairman: Can't you work back from the tax to the income?

Mr. Ram Singh: It might be possible roughly.

The Chairman: Was not it a fixed tax from Rs. 1,000 to Rs. 2,000?

Mr. Ram Singh: There were different grades.

Mr. Kher: But those grades were done away with in 1918.

The Chairman: What was the position in 1918?

Mr. Kher: There was a four pies rate from Rs. 1,000 to Rs. 2,000, a five pies rate from Rs. 2,000 to Rs. 5,000; six pies from Rs. 5,000 to Rs. 10,000; nine pies from Rs. 10,000 to Rs. 25,0000, and twelve pies above Rs. 25,000.

The Chairman: All I want is some sort of figure on which we can base a proportion.

Mr. Kher: We will give you some rough estimate and explain. We can give you an estimate without any claim to accuracy.

The Chairman: Are you fairly satisfied that your sub-division here between village and town is approximately accurate?

Mr. Kher: It is approximately accurate.

The Chairman: You cannot say more than that because a lot of town moneylenders lend in the villages?

Mr. Ram Singh: It is difficult to make that discrimination.

Mr. Kher: Apart from that there is overlapping also.

The Chairman: Now, you have given us figures for commercial moneylenders proper in only three places—Cawnpore, Benares and Allahabad.

Mr. Ram Singh: Yes, outside these places there are hardly any commercial moneylending firms.

Mr. Sah: Why, there are some in Kashipur.

Mr. Kher: But they must be on a very small scale.

The Chairman: How would you regard a firm like (naming it)?

Mr. Kher: They are indigenous bankers.

Mr. Ram Singh: They carry on both commercial moneylending as well as town moneylending.

Mr. Sah: What do you mean by commercial moneylending?

Mr. Ram Singh: We mean those persons who predominantly carry on *hundi* and deposit business. But so far as this firm is concerned, they carry on both *hundi* as well as town moneylending business.

The Chairman: Well, as regards (naming a firm), are they commercial moneylenders?

Mr. Kher: Some are, some are not.

The Chairman: Here in this statement you have got no banking capital.

Mr. Kher: The figures relate to indigenous business and do not include the capital of joint-stock banks.

The Chairman: You mean where they are joint-stock banks?

Mr. Kher: Yes, joint-stock banks are not included in these figures. According to your definition given in the questionnaire we could not include them in the figures.

The Chairman: You may give us figures for joint-stock banks assessed in the United Provinces—not outside. In doing so you can make a distinction whether they are a private limited company or a public limited company.

Mr. Kher: Yes.

The Chairman: All we want to get from the joint-stock banks is a copy of their balance sheet so far as it applies to the United Provinces and one bank has promised to give me those figures.

Mr. Sah: You have stated in your memorandum that the landlords have no difficulty in securing long-term loans. What is the maximum period for which the long-term loans are granted?

Mr. Ram Singh: I cannot tell you exactly, but I think they get long-term loans for three or four years.

Mr. Sah: And redemption is not insisted on till 12 years?

Mr. Ram Singh: Because the suit is to be filed within 12 years if they do not pay. Generally these loans are advanced with a view to purchasing the *zamindari*.

The Chairman: But is it not a fact that they can to a certain extent lengthen the period by renewing the mortgage?

Mr. Ram Singh: Yes. In that way the period is again increased.

Mr. Sah: And payment is not accepted by instalments?

Mr. Ram Singh: No, according to the conditions. If the conditions are laid down, then they will accept, otherwise they will refuse to accept part payment.

The Chairman: They refuse to accept part payment because they want to make it difficult to repay?

Mr. Ram Singh: Yes.

Mr. Sah: If the occupancy right is given unlimited transferability, would it not lead to the transferability of land from the cultivating classes to the non-cultivating classes?

Mr. Kher: I have already pointed out that there is great discussion on this question, whether the right of land should be given to non-occupancy tenants. Of course, that is one way in which it would be possible to give them credit. But whether it would be advisable to give them right of transfer is a different matter.

The Chairman: And also whether it is desirable to give them any more credit. Do you think that the Land Alienation Act ought to be extended to the whole of the province?

Mr. Ram Singh: Yes. It will do good. It will not allow the *zamindari* or tenancy to pass out of the hands of the people who are doing cultivation work.

Mr. Kher: But the object will conflict with the aims of the Banking Enquiry Committee.

Mr. Sah: Will it not lead to a decrease in the value of land?

Mr. Kher: In Bundelkhand the effect was both to decrease the value of the property as well as to restrict the sale of property. It is good so far as it restricts the sale, otherwise land would have passed into the hands of non-cultivators.

The Chairman: But please don't think that the Banking Enquiry Committee's sole desire is to find out more credit. We have come to the conclusion that a good deal can be done by controlling the credit that there is. It is not merely a question of finding more, but of controlling what you have already got. And it is obvious that an act of this kind makes sales more difficult, but it does restrict credit.

Mr. Sah: Coming to the question of occupancy rights, do you think that the purposes of both borrowers and land mortgage banks will be served if the security is given in their favour to co-operative societies and land mortgage banks?

Mr. Kher: Co-operative societies practically mean agricultural classes.

Mr. Sah: The object, of course, is to redeem the present debts of the tenant and to pay them the money from the land mortgage bank on long-term credit and arrange that it will be payable by instalments.

Mr. Kher: I think it is a good idea.

Mr. Sah: But that could be done only on the security of land. Supposing the occupancy right is not made transferable, it would be rather difficult for the tenants to obtain credit?

Mr. Kher: Yes. You mean to say that the occupancy tenant might be given a restricted right of transfer in favour of your co-operative societies and land mortgage banks?

Mr. Sah: And for genuine purposes.

Mr. Kher: Yes, I think so.

Mr. Ram Singh: Do genuine purposes include a wedding?

Mr. Sah: Genuine purposes will be repayment of earlier debts and other productive purposes, that is permanent improvement of land.

The Chairman: What I feel about earlier debt is that it invariably is not the fault of the present debtor and that you are doing a perfectly legitimate act in assisting him to repay that earlier debt. But I should restrict the occupancy mortgage solely to repayment of earlier debt. If a man wants to build a well it is a small matter; it is a matter of one or two hundred. He ought to be able to do that without mortgaging his land.

Mr. Sah: Now coming to indigenous bankers, what kind of Anglo-Indians take loans from Kabulis?

Mr. Kher: I mean the poorer classes, mostly railway employees.

Mr. Sah: You consider that 10 per cent. is usually the loss on bad debts and 2½ per cent. on the expenses. And these percentages relate to the incomes received by way of interest?

Mr. Kher: Yes.

The Chairman: In other words, the man's interest is not his profit?

Mr. Kher: Not entirely. That is *minus* his expenses of management.

The Chairman: And, therefore, allowing for the flimsy character of the security the high rate of interest is not really as bad as people are apt to think. After all, we all have, even Government has, to cover these bad debts. We have to put on a rate of interest sufficient to do that. And the moneylender is only doing precisely the same thing, only that his bad debts happen to be considerably larger than those of Government, and therefore he has to considerably increase his rate of interest. The amount that we allow for bad debts, *taqavi* or loans to local bodies—whatever it may be—varies from 1½ to 2 per cent.

Mr. Ram Singh: And bad debts will vary with the nature of the security.

The Chairman: Exactly. Government, as a matter of fact, allows from 1½ per cent. to 2 per cent. for bad debts.

Mr. Ram Singh: I think this was the principle when the Government had to borrow during the war. It depends on the credit of the ordinary borrower. Even the United Provinces Government loans were raised at 6 per cent., and were offered at 93.

Mr. Sah: Is not the reduction in remittance charges beneficial to trade and industry?

Mr. Ram Singh: It is certainly.

Mr. Sah: You are of opinion that the cause of supersession of the discount houses is the lowering of rates of remittance due to the Imperial and other banks' exchange activities?

Mr. Kher: That is so.

Mr. Sah: But the discount houses do very large business in discounting usance *hundis*, and of late facilities for re-discounting such *hundis* at banks have increased; also re-discount rates have considerably come down?

Mr. Kher: I cannot answer that question off-hand.

The Chairman: One point that strikes me is that in so far as discounting and re-discounting of *hundis* is purely for remittance charges, other methods of remittance available will probably have some effect on it. For instance, now you can send money by post very easily and the banks with their very large number of branches will be prepared to remit it for you. It is merely a question as far as they are concerned of sending a letter.

Mr. Ram Singh: Yes. I have said so in my reply.

Mr. Sah: And these discounting houses generally do business in usance bills?

Mr. Ram Singh: Yes, they are meant for credit purposes—to obtain credit.

Mr. Sah: Do you think that the reduction or abolition of stamp duty would lead to a revival of the use of usance bills?

Mr. Kher: It may to a certain extent.

Mr. Sah: Just now the position is this, that these *hundis* are generally drawn for 61 days on the average, so that the borrower has to pay about nine pies per month, and that comes to something like nine annas per year. So it means an increase of interest by nine annas per year. So in case the stamp duty is brought to the level of demand pronotes, would it not lead to more use of *muddati hundis*?

Mr. Kher: Yes.

The Chairman: And you would consider that desirable? As far as I can see the present situation is that it is unprofitable ever to have a *muddati hundi* if you can have anything else. At the same time a *muddati hundi* is a most important negotiable instrument, because it suits the person who does not want to pay at once.

Mr. Sah: Some of the indigenous bankers, including commercial moneylenders, have complained to us that they are not able to obtain adequate facilities at the Imperial Bank and other joint-stock banks. How far is this allegation true?

Mr. Kher: The allegation is quite true.

Mr. Sah: Can you point out any cases in this province?

Mr. Kher: The main difficulty is that the banks have no accurate information regarding the financial position of the persons concerned. They are not in touch, and one solution of the difficulty that occurs to me is that the present restriction in the Income-tax Act might be relaxed to a certain extent to enable the Imperial Bank to obtain information from the Income-tax department regarding the moneylenders. How far Government will agree to relax this provision I cannot say. There is a very strict provision in section 54 of the Income-tax Act against divulging any information to anybody who is not concerned. If that is relaxed in the case of the Imperial Bank or some other joint-stock bank, then they will be able to obtain confidential information from the income-tax office.

The Chairman: Of course, that restriction is not in the interest of Government.

Mr. Kher: But it is in the interest of the commercial community itself.

The Chairman: It is a question whether they will agree.

Mr. Ram Singh: Even if the assessee wants to give his assessment papers to the bank, the bank will not accept them.

Mr. Sah: So, of course, this method suggested by Mr. Kher has got its own drawbacks.

Mr. Kher: I am speaking of moneylenders. Other commercial communities are likely to object. But, of course, the provision could be relaxed only in favour of certain classes.

The Chairman: And at the request of the persons concerned?

Mr. Kher: Yes.

Mr. Sah: Do joint-stock banks inspire sufficient confidence in the public?

Mr. Kher: I think that people in the town have complete confidence, but there are parts in the country where people are shy to put their money out in the interior.

Mr. Sah: Have the depositors sufficient amount of confidence in the banks?

Mr. Ram Singh: They have got according to the importance of the bank.

Mr. Sah: Or is it on account of their limited liability the depositors do not trust them as much as they would trust an indigenous banker?

Mr. Ram Singh: No, they would trust a bank more than an indigenous banker.

Mr. Sah: My idea is that people know that if the bank should fail they would not be able to get anything from them.

Mr. Kher: A large number did fail a few years ago. At that time it had a very bad effect on the people. People would not deposit as they had lost their confidence; and there is also a certain amount of prejudice against putting their money in the bank.

Mr. Sah: As regards the indigenous bankers, the public think they will be able to get something.

Mr. Ram Singh: That is true, but big amounts have never been placed with them.

Mr. Sah: Or is it that they do not accept big amounts?

Mr. Ram Singh: They do not accept also, because they cannot immediately utilise that money and they have to pay interest.

Mr. Kher: They have to pay interest at 6 per cent., which, I understand, they cannot get from the bank. At the same time I do not think people will be willing to place big deposits.

The Chairman: There is a point I want to suggest to you. It is really a question of name more than anything, but it is important. When we were in Calcutta there was a considerable amount of discussion as to what constituted a bank. You have the ordinary moneylender who does nothing else but lend money. Then you have the man who receives deposits on top of moneylending, and then you have got the third person who on top of moneylending and receiving deposits also pays or is prepared to pay by cheques. And amongst the people who would take deposits you have those who will only take deposits when they happen to need the money and to the extent to which they would need it—who practically invite deposits—and you have also got the man who would take any amount from anybody. Where would you draw the line between the banker and the moneylender?

Mr. Kher: I should draw the line at the system of accepting deposits. The deposit system is not very prevalent amongst indigenous bankers.

The Chairman: Where would you draw the line—at the voluntary deposit or the invited deposit?

Mr. Kher: At the voluntary deposit.

The Chairman: As a matter of fact we came to the conclusion that for the sake of convenience it was better to put it at the invited deposit.

Mr. Ram Singh: Why?

The Chairman: Because you then have in the fact of a deposit of any amount a clear cut difference.

Mr. Ram Singh: That is true, but generally when one invites deposits people will think he is in need of money.

The Chairman: It is merely a question of what we are going to call an indigenous banker—to what we are going to restrict the name.

Mr. Ram Singh: I think what Mr. Kher has suggested is more appropriate.

Mr. Sah: He says that he will accept deposits whenever they come. This may not be inviting deposits. Supposing I am a banker and I put an advertisement that I would accept deposits, that would be inviting deposits.

Mr. Ram Singh: This I accept.

The Chairman: What I mean is the person who takes deposits when he happens to want them.

Mr. Kher: That is a different thing to what you say.

The Chairman: Another thing; supposing I am in need of Rs. 1,000 within the next five or ten days, and then I advertise and say I accept deposits during those ten days.

Mr. Kher: But your case is like that of a man who is playing a kind of trick. His credit is not good and people will not come forward to deposit.

The Chairman: I was going to ask if you could give me any sort of estimate of the number of people who do receive voluntary deposits.

Mr. Kher: The number is not very large.

The Chairman: When you have got rid of the private banks and joint-stock banks, and when you have also got rid of a certain number of people like the (naming a firm), you accept that probably it is 15 to 20 in all in the entire province?

Mr. Sah: You have stated that one of the defects is want of co-operation among different credit agencies.

Mr. Kher: Yes.

Mr. Sah: Can you suggest any remedies?

The Chairman: The actual position is an enormous mass of moneylenders all working on their own capital. You also have quite a small number who are willing occasionally to use other people's capital, and then, of course, you have got the joint-stock banks. Now, how are you going to improve that situation. It is obviously a weak one. You have, say 20 crores of capital broken up into small parcels. Well, if you had a single bank with 20 crores of capital it would be immensely powerful, and even if you had four or five banks your banking position would be extremely strong. But your capital is to a certain extent wasted, because it is being employed in small parcels all over the country instead of in large pools where, of course, the money would go very much further.

Mr. Ram Singh: But why is it wasted? The smaller people cannot reach the bank.

The Chairman: Each man who is lending money, we will say on a lakh basis, has got to keep a certain reserve, say, Rs. 20,000. But if he has a capital of 5 crores, he will not have to keep Rs. 20,000 on every lakh, but very much less than that. My point is that if you have got a very large capital you can keep a smaller reserve, because the whole of that capital would not be working at once. You have got an automatic reserve all the time in the capital that is not all being used. Three men working together can do a great deal more than three men working separately, and the same is true of money.

Mr. Kher: Your question, Mr. Sah, is whether any means can be devised with a view to co-ordination of different agencies?

The Chairman: It is really consolidation of agencies.

Mr. Sah: My idea is that they should be left to work their own business, but supposing they want any help or any assistance, then, of course, other agencies should come to their aid.

Mr. Kher: The only thing that occurs to me is this. If the Imperial Bank relaxed their reluctance to accept landed property as security, the town moneylenders would, in that case, be willing to open accounts with them and secure overdrafts either to the extent of the full value or half the value as may be agreed upon of the property that may be mortgaged. That is one way in which you can link.

Mr. Sah: But don't you consider that the Imperial or commercial bank is to provide short-term and not long-term credit?

Mr. Kher: What I am saying is that for an overdraft they should accept landed property for short-term.

Mr. Sah: Coming to this particular point. Most of the indigenous bankers are rather shy to mortgage their property.

Mr. Kher: There is a prejudice to that extent. I have said in my memorandum what is needed in this respect is propaganda.

Mr. Sah: Supposing the system of equitable mortgages were opened in favour of indigenous bankers for short periods, would not that serve the purpose?—a mortgage by which the title does serve as security; no registration is required.

Mr. Ram Singh: In the past one bank used to do this, but they have stopped.

The Chairman: Now I suggest to you there are two means, apart from equitable mortgages and other palliatives: one is combination and the other alliance. The former is the better, but having regard to all the superstitions and the legal difficulties and the shyness of the indigenous bankers is not likely immediately. The second is alliance, a thing quite common to England. You have two banks working independently, but one is allied to the other, and if one gets into difficulty, the other one comes to its assistance.

Mr. Kher: But the difficulty here is that you have to make an alliance of a joint-stock bank with an indigenous bank. I think the only way in which they can be connected is through the deposit and overdraft system.

The Chairman: I was going to point out that if you connected the indigenous bank and joint-stock bank the advantage would only be in one direction. The indigenous bank would always be calling on the joint-stock bank for assistance, while the joint-stock bank would rarely, if ever, call for the assistance of the indigenous bank. So it is not a fair deal. On the other hand, if two indigenous bankers both have accounts with one joint-stock bank, they could arrange to help each other through the bank.

Mr. Ram Singh: It means the bank is security for both?

The Chairman: It is a problem like that; but if you can think of anything bearing on it you might let us know.

Mr. Ram Singh: The only thing that occurs to me is this overdraft system.

The Chairman: Do you think that, thanks to the present situation, there is no security in the country except immovable property?

Mr. Ram Singh: Yes.

The Chairman: And there we get back to the further fact that is at the bottom of the whole trouble, namely, the lack of any investment habit in the modern sense of the term. Of course, I deny absolutely that there is no investment habit: I say there is a very strong investment habit in a particular direction.

Mr. Ram Singh: Investment in the direction of ornaments.

The Chairman: Even an illiterate Indian will invest in anything he can touch and see, such as house property, machinery, trees, groves, etc.

Mr. Sah: Regarding this writing charge of four annas that is charged by *qist-walas*, does it include the stamp?

Mr. Ram Singh: No, quite apart from that.

Mr. Sah: So that the borrower has to pay two annas for the stamp and four annas for writing charges?

Mr. Ram Singh: Yes.

Mr. Sah: Are you of opinion that the commission given by long-term borrowers should be made illegal?

Mr. Ram Singh: How can you make it illegal?

Mr. Kher: These matters cannot be controlled by legislation.

Mr. Sah: You have stated that five annas is the brokerage, does it relate to *muddati hundis*?

Mr. Kher: It is for *muddati hundis*.

Mr. Sah : And what is the usance on these *hundis*?

Mr. Kher : Forty-five, 60, 90 days.

Mr. Sah : Then as regards the rates of remittances that are referred to, are they applicable to large amounts or to smaller amounts?

Mr. Kher : As regards the remittance rates of the Imperial Bank they vary to an extent according to the amounts : that is above Rs. 25,000 I think they charge half an anna only and they also charge half an anna for remittances to Calcutta and Bombay.

The Chairman : As a matter of fact, I have got the figures here.

Mr. Sah : I want to know as regards the *bazar* rates. You have stated that for internal remittances the rates differ?

Mr. Kher : I have stated the rates. It is Rs. 99-14-0 to Rs. 100-2-0 according to the demand and supply and also to the status of the borrower.

Mr. Sah : But the question is whether the rates for the smaller amounts are different from those for larger amounts.

Mr. Kher : I think they are the same.

Mr. Sah : Do they differ from place to place?

Mr. Kher : Yes, they do.

Mr. Sah : Does the market rate for discount of *muddati hundis* follow the Imperial Bank rate?

Mr. Kher : The two are parallel, and each is independent of the other, working according to its own requirements.

Mr. Sah : Supposing the Imperial Bank of India rate is increased, will not the *bazar* rate also go up?

Mr. Kher : Not necessarily. I do not think that the one affects the other so far as my information goes.

Mr. Sah : Are not most of these *hundis* rediscounted at the Imperial Bank?

Mr. Kher : Not most, only some of them.

Mr. Sah : In the matter of these exchange rates for remittances, would you not give the indigenous bankers any preference over an ordinary customer of the bank?

Mr. Kher : It would be better.

Mr. Sah : And to what class of indigenous bankers would you recommend that they should give preference?

Mr. Kher : The commercial class.

Mr. Sah : No other class?

Mr. Kher : *Hundis* of other classes are not discounted by the Imperial Bank.

Mr. Sah : What methods would you recommend for increasing the resources of the indigenous banker?

Mr. Kher : One method I have already suggested, that is, overdrafts against landed property; and another method—of course, in theory—is the co-ordination of all credit agencies. But that is exactly where there is fear of its breaking down.

Mr. Sah : How far is the practice of re-pledging ornaments by small moneylenders to big ones prevalent?

Mr. Ram Singh : To a small extent.

Mr. Kher : I know one or two cases of a small pawnbroker obtaining a loan on re-pledging ornaments.

Mr. Sah : Another question is about those private moneylenders from whom the Imperial Bank charges four annas per cent. Who are those private limited banks?

Mr. Ram Singh : The names I cannot tell you, but there is a bank in Lucknow from which the Imperial Bank charges four annas for collecting their cheques.

Mr. Sah : Is it a private limited company?

Mr. Ram Singh : Of that I am not certain.

Mr. Sah : Would you recommend legislation to stop the activities of the Punjabi and Kabuli moneylenders?

Mr. Ram Singh : I do not think we shall be successful, because we know they have got much income, but we have not been able to trace yet to assess them, because they work jointly and sometimes singly, and then they move from place to place. So we cannot keep an eye on them.

Mr. Sah : How does the lack of co-operation among indigenous bankers affect their individual business?

Mr. Ram Singh : If they were working in co-operation they could easily take money from one another and advance quite big loans.

Mr. Sah : And would you suggest any measures for increasing co-operation among them?

Mr. Ram Singh : I am sorry I cannot suggest.

The Chairman : That is beyond the power of anybody.

Mr. Sah : Do you think that the formation of advisory bodies at the local branches of a joint-stock bank would lead to better relations between the Imperial Bank and joint-stock banks on the one hand and indigenous banks and indigenous bankers on the other?

Mr. Ram Singh : Yes, it will. The Punjab National Bank have got local advisers in Allahabad; they are creating confidence in the public. If other banks also have these local advisers there will be better relations.

Mr. Sah : Should these local advisory bodies have any stake in the bank?

Mr. Ram Singh : By purchasing shares they can have a stake in the bank.

Mr. Sah : Because if they have no stake, they will be rather influenced to recommend higher rates for certain persons?

Mr. Ram Singh : If they have their own shares, that will at once speak in favour of the bank.

Mr. Sah : Is there not a tendency among the indigenous bankers at the present time to advance more against the security of mortgages of property than amongst business people?

Mr. Ram Singh : That is perfectly right. The reason is in the first place security, and in the second place the money is earning interest for twelve months, whereas in business it earns for only five or six months.

Mr. Kher : It is more a question of security.

Mr. Sah : Suppose we establish some land mortgage bank, will it release part of the money belonging to the indigenous bankers and divert it for investment in business?

Mr. Ram Singh : From where will that money come for the land mortgage bank?

Mr. Sah : It will come from the indigenous banks and from the public.

Mr. Kher : May I interrupt for a moment? I wanted to suggest in connexion with the facilities for increasing the credit of moneylenders that we should have a provincial bank, State guaranteed—I have adumbrated that question—I have said State guaranteed or otherwise, but on second thoughts I prefer State guarantee, in which the Government should guarantee interest on the deposits. This bank should confine its operations to long-term loans and deal with the town moneylender. In this way it will be possible to produce some sort of investment habit and co-operation.

Mr. Sah : You have said that an insolvent should be held criminally responsible. In what cases should he be held criminally responsible?

Mr. Ram Singh : When he intends to evade payment—if this can be proved.

Mr. Kher : That is introducing criminal law in business transactions.

Mr. Ram Singh : Why should he not be criminally dealt with? He defeats business objects.

Mr. Kher : There are some penal provisions.

Mr. Ram Singh : You know these *Marwaris*—when they become bankrupt they open later in the name of a son, and, again when they become bankrupt, they open in the name of some other member of the family; they only change the name and remove their jewellery to Rajputana.

Mr. Sah : Will it be possible to prosecute such cases. Would you not recommend legislation to make it difficult for a person to declare himself insolvent?

Mr. Kher : It will be ineffective.

Mr. Ram Singh : What is the object there?

Mr. Sah : The object is to save a person from being harassed, if he is not really able to pay.

Mr. Ram Singh : Do you know that when people go to borrow money they ask in all possible ways to get help and they promise that they will pay after a certain time, but they never keep to their word. If you want simply to save them from harassment they should also be told that they should not take loans unnecessarily. If a man takes a loan, why should he not repay? If he is harassed, after all he is harassed not by Kabulis, only through the courts.

THAKUR RAM SINGH AND RAO BAHADUR PANDIT LACHHMAN SITA RAM KHER.

Mr. Sah : The object of the Insolvency Act is not that the man should not pay, but to save genuine cases from harassment.

Mr. Ram Singh : For that I have suggested that you should lay down certain conditions. If the man represents to the court that he is in such and such circumstances and this warrant of arrest is simply to harass him, then the court will stop the issue of that warrant.

Mr. Sah : But by your method the same result will follow?

Mr. Ram Singh : No, it will not follow. When the man knows he will have to pay he will not easily go into the insolvency court.

Mr. Sah : But supposing a suit is filed, and then he goes to the execution court and he says that he is not in the circumstances able to pay. Then the same result would follow?

Mr. Ram Singh : Not necessarily, because at present on account of the execution proceedings a higher rate of interest is demanded.

Mr. Sah : What conditions would you prescribe by which licences should be issued to moneylenders and indigenous bankers?

Mr. Ram Singh : The first condition should be that they should not do any other but banking business and they should allow loans at a fixed rate of interest.

Mr. Sah : And would you give them any facilities?

Mr. Ram Singh : A reduction in their stamp duty, court-fees, and all that.

Mr. Sah : Would it not be possible to evade the conditions of these licences?

Mr. Kher : I do not think so, if they keep regular accounts, which should be one of the conditions also.

The Chairman : In regard to this licensing business, another great advantage to the moneylender is that he will have the monopoly wherever he was licensed.

Mr. Ram Singh : Yes.

The Chairman : What I mean is that the people who want licences would be able to lend. Unlicensed moneylenders would be stopped, and so the licensed moneylender would get the monopoly.

Mr. Sah : Would you stop unlicensed moneylenders from lending money?

Mr. Ram Singh : Yes; if there is legislation then they may advance money at their own risk.

(The Chairman thanked the witnesses and they withdrew.)

Rao Bahadur Pandit LACHHMAN SITA RAM KHER, B.A., Assistant Commissioner of Income-tax, Cawnpore.

Supplementary evidence.

Estimate of capital invested by moneylenders whose income ranges from Rs. 1,000 to Rs. 2,000.

THE amount of tax paid by persons whose income in 1918-19 was under Rs. 2,000 was Rs. 7,70,954. At the 4 pies rate the income from this amount works out to Rs. 3,70,05,792. The total income in the year 1928-29 was Rs. 15,25,41,154. It includes Rs. 2,56,41,882 which is income of an unclassified nature. The total classified income in that year amounts to Rs. 12,68,99,272. Out of this income Rs. 2,36,10,000 was interest income. In other words the interest income was 236/1268 of the capital and applying this proportion the total interest income amounts to Rs. 60,00,000. As most of them were rural moneylenders the proportion of capital to interest was 764/111 or in other words 4¾ crores.

As I stated in my evidence it is impossible to make any claim to the accuracy of this estimate but it is the best attempt in the circumstances.

Lala BABU LAL VAISH B.A., Income-tax Officer, Benares.

Replies to the questionnaire.

II.—INDIGENOUS BANKING.

A.—Organisation of indigenous banking.

Question 1.—INDIGENOUS bankers may be classified as under—

(1) **Bankers who advance money on mortgages and pronotes only.**
(2) Bankers who advance money on *hundis* and *sarkhats*.
(3) Bankers who advance money on mortgages, pronotes, *hundis* and *sarkhats*.
(4) Bankers who advance money on the *qist* system.
(5) Bankers who advance money by pawning of ornaments and gold and silver bullion.
(6) Moneylenders who advance gold and silver bullion to *Tarkash*, gold-smiths, and petty *sarrafs*.
(7) Private limited banks.
(8) Punjabis and Kabulis.
(9) Bankers who advance grain to agriculturists.

The first class advances money on mortgages of landed property and on pronotes to respectable and well-to-do people. The rate of interest is comparatively low but usually ranges from six to nine per cent. It goes up to twelve and falls down to 5/4 per cent. in rare cases. The rate of interest varies with the nature of the security, being low sometimes when the mortgagee happens to be a friend or a relation. The usual rate of interest on pronotes is from six to twelve per cent. These transactions are either settled directly by the parties themselves or through respectable *dalals*. *Dalals* generally are paid six pies per cent. as brokerage with each payment of interest which is usually made after every six months. There is another practice among big money-lenders to charge discount from 2 to 5 per cent. at the time of advancing money. This means that the borrower gets only 98 to 95 per cent. of the loan. The difference is called *nazrana*, and is usually charged when a man is compelled to borrow a large amount of money and there are very few creditors to compete in supplying his needs. Advantage is taken in such cases by the banker of his unique position and of the debtor's inability to find other big creditors and striking competition.

The second class of indigenous bankers mentioned above carries on business with a limited and small capital which is invested in any kind of loan which appears the most profitable at a particular moment. The rate of interest varies from 6 to 10½ per cent. Most of the business is done through *dalals*.

In the third class comparatively small investments on mortgages and pronotes are included : advances on *hundis* and *sarkhats* generally form the chief part of the business. The rate of interest on *hundis* and *sarkhats* is the same as in the second class.

A separate monograph is submitted in regard to the *qist* system.

The fifth class are usually the *sarrafs* in the town and *bania* moneylenders in the village. In villages the rate of interest is generally two pice a rupee per month, but in towns it is usually 9 to 12 per cent. The business is mostly confined to *sarrafs* because they, from the very nature of their business, are considered to be the right persons for estimating the value of ornaments pawned. These *sarrafs*, in their own turn sometimes when they are in need of money for supplying orders, pawn their own ornaments of gold and silver bullion with local moneylenders, *mahajans*, who generally do not deal in this but naturally, in view of the ready security, have no objection.

Class six are a speciality in Benares. Benares is a manufacturing centre for preparation of lace and gold and silver utensils. The former is in the hands of artisans

known as *tarkash* and the latter in the hands of goldsmiths and petty *sarrafs*. Instead of borrowing money these people like to borrow bullion, which is immediately utilized. The moneylender generally charges the same rate of interest as is prevalent in the bazar on pronotes and *sarkhats*, but the banker charges a slightly higher price for bullion than the market rate. Usually the profit is four annas per cent.

Private limited banks are not many in the province. They try to do the same business as joint-stock banks, but their resources are limited and they do not command the same respect as a limited concern. Their cheques are not accepted at par by other local banks, and usually four annas per cent. has to be paid when these cheques are to be cashed at other banks: payment is also withheld till the joint-stock bank is able to collect the amount from the private limited bank.

Punjabis and Kabulis are notorious for their severe method of collection. They are found even willing to advance money to those who are refused everywhere. The rate of interest in their cases is generally about 50 per cent. See detailed note in my separate monograph both on cash and cloth.

The class of bankers who advance grain to agriculturists consists of *zamindars* and village *banias*. They advance grain at the beginning of the crop for seed purposes and during the pendency of the same. Interest is received in kind at 25 per cent. irrespective of the fact whether the grain remained with the tenant for six, four, three or two months. The borrowers are generally cultivators but sometimes also labourers connected with cultivation. From big cities and towns this kind of business is gradually disappearing, and the extent of it is so small that it can be easily ignored on account of the advent of *qistwalas*, Punjabis and Kabulis who approach the tenantry at their homes. This business in grain advances is said to be declining even in villages. An additional reason probably is that a *mahajan* calculates the price of seed at a higher rate than the prevalent market rate, and fixes it at a comparatively low figure when he receives his payment in kind after the harvest is reaped. To a certain extent the rate goes down by itself but the payment to a *mahajan* is usually made at a rate still lower.

Except the first and seventh classes referred to above, the indigenous bankers do combine banking with other business. In some cases banking is their subsidiary and in others their principal business.

Question 2.—Investment is made by *qistwalas*, Punjabis and Kabulis at the home of the agriculturists at the time of sowing. Grain is also advanced for sowing at the beginning of the crop and for consumption during the pendency of the same, but this is usually done either by the *zamindar* class or local village *banias*. The loans in such cases are generally petty and the rate of interest, which is received in kind, is ordinarily 25 to 50 per cent. whether it is collected after six, four, three or two months.

Trade is financed by indigenous bankers through investment on *hundis* and *sarkhats*. Formerly the *muddati hundi* used to be the chief instrument of credit, but for some time the *sarkhat* is taking its place. The latter differs from the former in that it is not a negotiable instrument. Petty traders and hawkers are generally financed by *qistwalas;* but for their help they would be forced to give up trade and do unskilled labour.

As in the case of petty traders and hawkers, artisans and labouring class engaged in industrial works are financed by *qistwalas*. *Tarkash* and goldsmiths borrow bullion direct from the moneylenders. This business is generally done on *sarkhats*. Big industrial concerns, such as manufacturers of Benarsi cloth and brassware merchants, borrow money when necessary from bankers who advance on *sarkhats*. The rate of interest in this case varies from six to nine per cent. as they hold some status in society.

Question 3.—The capital of indigenous bankers in the Benares district can be given in the following form :—

		Rs.
Investment on pronotes and *sarkhats*		34,00,000
Ditto mortgages		16,00,000
Ditto *muddati hundis*		1 00,000
Ditto *qist* system		12,00,000
Total ..		63,00,000

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The volume of business is limited by the amount of capital. Except on *muddati hundis* there is no possibility of its growing or exceeding capital. Even entire capital is rarely invested by a banker.

A correct estimate of the expenses of the indigenous bankers cannot be given. In *sarkhat*, pronote or mortgage loans expenses are very low unless the bankers are obliged to enter into litigation. If there be any litigation, the expenses in cases of loans secured by mortgage bonds would roughly be about 10 per cent. of the gross income including establishment charges. Roughly the average net return would be—

On loans secured by mortgages and pronotes, 6 per cent., on *sarkhats* and *hundis* 7½ per cent., and from the *qist* business 20 to 200 per cent. No estimate can be given regarding private limited banks. The net yield of those who advance bullion may be considered to be the same as in the case of *sarkhat* investments. In the case of Punjabis and Kabulis the net yield is 100 per cent. on an average.

Question 4.—There are no financial houses dealing in the provision of credit facilities by purchase and sale of *hundis* and other bills of exchange. This business is usually done through banks everywhere, and the absence of indigenous bankers in this field is probably due to their lack of organisation in the province and lack of confidence in the eyes of the public as compared with joint-stock banks.

Question 5.—Accounts are kept in the well-known *mahajani* system. In cases of some *qistwalas* no cash book is kept and only a ledger account suffices.

B.—Raising of funds by indigenous bankers.

Question 1.—*Hundis* are of two kinds—(i) *darshani*, meaning payable on demand, (ii) *muddati*, payable after a fixed period, which is usually 61 days but may also be for 31, 51 and 91 days. The former is used mostly to realise money from out-stations and is in the nature of a bank draft or a remittance transfer receipt. The object of this *hundi* is to minimize as far as possible the transfer of cash and currency from one place to another, and the advantage is to reduce the transfer charges to its lowest limit. This is resorted to generally by the merchant class as they find it very expensive to send cash and currency through a bank by means of a draft or through the post office by means of money orders or insured covers. A *muddati hundi* is both an instrument for realization of money or borrowing as on a pronote. It also helps to locate debtor and creditor at the same place and is therefore advantageous because the creditor continues to have a watch over the debtor. As an instrument for borrowing it has been found to be a very dangerous medium, and when a firm fails usually large debts are found to have been incurred on *muddati hundis*, particularly within a short period just before the failure of the firm. As it is a negotiable instrument it passes into many hands and thus a number of persons are affected by one failure.

Samples of *hundis* of both kinds, promissory notes, and *sarkhats* are enclosed herewith.*

Question 2.—Usually indigenous bankers do not advance money by borrowing from others. They are found willing to invest only that part of their capital which is available at the moment. If at a particular time the amount in hand is small and a big and tempting investment is in sight, they sometimes borrow part of the amount from other indigenous bankers usually at a rate of 6 per cent., which is paid immediately on receipt of their dues from some of their debtors. On such occasions they also borrow from the Imperial Bank of India and joint-stock banks. The Imperial Bank of India advances money at the bank rate if the banker is in a position to deposit government paper as security or has already got a deposit with the bank. Investment on securities is generally made to the extent of about 95 per cent. of their market value. In case of overdrafts the rate of interest charged by the banks is two per cent. higher than the bank rate. Indigenous bankers also advance money at the same rate, but advances are made both on overdraft if the borrower happens to keeping on account with the bank, or on a pronote if the borrower happens to be a regular customer of the bank. The rate of interest charged is sometimes reduced by the joint-stock banks in cases of approved customers and well-to-do persons. The Imperial Bank of India mostly sticks to the rates mentioned above and is rarely found departing from the established practice. It also does not advance on pronotes. It demands, before making an advance, security in government paper or dividends. It also

*Not printed.

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does not cash *hundis* in one name but wants a double security by getting it accepted by another party. This is obviously for the reason that if the drawer is unable to pay, the amount can be realised from the endorsee, *i.e.*, the man who accepts the *hundi* or, in vernacular language, *sakars* it.

Question 3.—Indigenous bankers receive deposits on *sarkhats* to be paid after six months, and on *bahi khata* deposits to be paid at any time demanded by the creditor. The rate of interest on the former varies from 4½ to 9 per cent. and on the latter from 6 to 9 per cent. Sometimes the rate on the latter goes up to 10½ per cent., but this is generally allowed by merchants who are in need of money when the deposit almost takes the form of borrowing. The rates vary at different seasons. They are lowest in *Sawn and Bhadon* (July and August), and highest from *Phagun* to *Jeth* (February to May.)

C.—Advances by indigenous bankers.

Question 1.—Indigenous bankers grant loans on mortgages, pronotes, *muddati hundis and sarkhats.* This is usually done through dalals, but advances on pronotes are also settled by themselves amongst respectable people. The borrower sends a note or a *rukka* to the creditor and gets the money. *Muddati hundis* are prevalent amongst the merchant class who also deal in cash credit. One merchant sends cash to another for deposit when it is found in excess of his business requirements.

Although it is not definitely noted on the *sarkhat*, payment is made every six months; this is based on local custom. Mortgages and pronotes also generally indicate interest six-monthly. In the case of *muddati hundis* interest is paid beforehand and is deducted out of the amount paid. No document is written for cash credits; only entries of receipt and payment in the accounts of the debtor and creditor are made with the rate of interest. This is seldom for a fixed period and is usually payable on demand. There is always some fixed rate for cash credits at which money may be received and paid without any higgling or bargaining.

In mortgage deeds security of landed property is usually taken. The property must be worth about double the amount of the loan. In pawning of ornaments also the proportion of investment and ornament must be about 1 : 2. No security is demanded on other kinds of investment which are usually made on the reputation of the borrower.

The rates of interest generally charged on various kinds of loans and cash credits are as follows :—

Mortgages	7½ to 12 per cent.
Pronotes	6 to 12 per cent.
Sarkhats	6 to 9 per cent.
Muddati hundis	7½ to 12 per cent.
Pawning of silver and some gold ornaments ..	6 to 9 per cent.
Pawning of costly gold ornaments and jewels ..	12 per cent.
Cash credits	0-7-9 per cent. per month at Benares.

Question 2.—The rates of interest paid by agriculturists to indigenous bankers for loans in money are Re. 1, Rs. 1-8, Rs. 2, Rs. 2-8, Rs. 3-2 per cent. per mensem. Usually some *nazrana* or discount at the time of investment is also charged. It varies from Re. 1 to Rs. 4 per cent.

The rate of interest in villages can be reduced by the establishment of local banks with local directorates for a group of villages, like the co-operative societies; but a considerable amount of currency must be supplied by Government—at least in the beginning, so long as the tenantry is not well educated and does not come forward to deposit their own savings. Government capital may be gradually withdrawn. Government can easily borrow money at 5 per cent. and invest it in such rural banks at such a rate that, making allowance for bad debts which are likely to arise, it may not lose anything. Without sufficient capital and Government's assurance for security to depositors such banks will hardly have a chance of success. The rate can thus be lowered down to 9 or at least 12 per cent. which would undoubtedly give great relief to the tenantry in the present circumstances. Such reduction of interest will directly benefit the agricultural community and would ruin the village moneylender or force him to reduce his own rate.

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Question 3.—Clients of bankers if they want to see and inspect their account have to go to the banker's office and make a request for the same. The account is generally shown without any trouble. It would help to keep the accounts clean and avoid considerable litgation if it were enacted that a banker must send every six months or yearly a copy of his account to each debtor according as interest becomes principal after six months or a year.

D.—Exchange and money market.

Question 1.—There is no local exchange and money market in the Benares district.

Question 3.—*Hundis* are purchased and sold for internal remittance at two annas per cent. for amounts up to Rs. 5,000; for big sums of Rs. 10,000 a bank is generally found willing to charge one anna per cent. *Mahajans*, on the other hand, generally charge three annas to four annas per cent., but this business is gradually decreasing in the hands of *mahajans* and is being monopolised by the bankers. The rate of interest on *hundis* for obtaining credit is usually six to nine per cent. but also goes up to ten per cent. in cases of doubtful security.

There are seasonal variations in the rates of *hundis*. In the months of *Sawan* and *Bhadon*, when there is very little business and money is lying idle and the bank rate falls, the rate of *hundis* goes up to two to four annas per cent.: when business is in full swing from *Phagun* to *Jeth* and remittances are made from one place to another, the rate falls.

The Imperial Bank of India rate is very little affected by the bazar rate and *vice versa*.

Question 4.—No *panchayat* or association on the lines of the *panchayat sarrafa* of Delhi or the Shroffs Association of Bombay is to be found in Benares.

Question 5.—Benares is notorious for its large number of *dalals*. In all local purchases by foreigners they usually get their share. They accompany the customer with or without his knowledge to various shop-keepers and *kothiwalas*. If these customers purchase anything, shopkeepers by local usage are bound to pay *dalals* at rates varying from three pice to four annas in the rupee. They have got fixed words for various rates of *dalali* which a foreigner cannot understand and the word so uttered by the *dalal* when he goes with a customer to the shop-keepers determines the rate at which *dalali* is to be paid. This custom prevails amongst merchants dealing in Benarsi and cotton cloth, gold and silver ornaments, brasswares and general merchandise. The grain business is fortunately free from this—possibly due to the fact that foreigners do not come to Benares to make cash purchases of grain. Their business is carried on by correspondence, and local residents purchasing for their daily needs know the *dalals* and their methods. Even in case of cloth, brasswares and other trades noted above, the *dalal* would not usually accompany a local man.

E.—Defects of indigenous banking.

Question 1.—Public opinion regarding *qistwalas* is not in their favour. They, no doubt, offer better facilities in repaying their dues, but on account of the high rate of interest charged by them they are considered to be usurers. Punjabis and Kabulis are looked down with contempt, not only because their rate of interest is still higher, but largely because of their undesirable and objectionable methods of collection. They resort to intimidation and picketing and sometimes physical attacks against their debtors. Those who advance grain to agriculturists on the *sawai* system are also considered to be taking advantage of the weak position of the tenantry in collecting almost more than 50 per cent. as interest on their advance. There is no ill-feeling or adverse opinion about other kinds of moneylenders; but at the same time their business is not directed with a view primarily to finance agricultural trade or industry but with a view to their own profit. The attitude of big bankers in demanding *nazrana* or discount at the time of investment simply because of lack of competitors and pressing necessity of the borrower is not appreciated, but in all these cases public opinion, if any, is negligible and is not effective in improving the system.

Question 2.—Indigenous bankers, so far as I know, do not experience any legal or other difficulty in carrying on their business. They all know the law regarding their business, and whenever they find any difficulty on account of some High Court ruling,

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they begin to take precautions accordingly to avoid loss and economise expenses—for example, investment on *sarkhats* is growing by leaps and bounds and is replacing pronotes and simple bonds because, *firstly*, any amount can be borrowed on a stamp of one anna, and, *secondly*, for writing a *sarkhat*, no specialised *katib* or writer is needed, as in the case of bonds and pronotes. There is only one anna stamp duty on a pronote payable on demand, but *sarkhats* decidedly work as a better substitute for pronotes, payable otherwise than on demand, on which the stamp duty on an investment up to Rs. 250 is one anna, from Rs. 250 to Rs. 500 two annas and over Rs. 500 four annas. There is therefore obviously some saving in the stamp duty and writing charges. *Sarkhat* takes the form of an "acknowledgement" in civil law and therefore only a duty of one anna for any amount is needed. No definite time for the payment of an investment on *sarkhat* is mentioned, but the law recognises (section 114 of the Evidence Act) local usage and custom, and under this interest falls due every six months; and in case of failure to pay the same the debtor is liable to pay compound interest. Since the penal clause in the Contract Act leaves the determination of additional and compound interest at the discretion of the court moneylenders are giving up conditional investment. *Qistwalas* and petty moneylenders, on the other hand, do experience great difficulties and have to incur much greater expense in realizing their dues through courts. In the case of petty loans the trouble and expense are disproportionately heavy and a moneylender resorts to court only in cases of extreme necessity, and very possibly to avoid the impression among his debtors that if they do not pay their dues they would be let off; and also with a view to set an example for other debtors. Some of the usual expenses that are incurred by such petty moneylenders in filing a suit are noted below—

	Rs	a.	
Court-fee stamps	7	8	per cent.
Vakils' fee in contested cases	5	0	„ „
Vakils' fee in uncontested cases	2	8	„ „
Vakalatnama	0	8	per suit .
Talbana, for a suit below Rs. 50	0	10	
Ditto over Rs. 50	1	4	
Illegal gratifications to office clerks. In the former cases three annas are said to be paid up to two summons and in the latter six annas up to two summons. Extra gratification is paid to be said where summons are still more	0	3 to 6 annas.	
Vakil in advance for filing the suit	1	0	
Vakil's clerk for writing the suit and summons ..	1	0	
Illegal gratifications to *peshkar* of the court which is known as *dakhla*	0	8	
Cost of blank and printed paper	0	5	
Peons for serving summons	1	0	
When suit is decreed { To *Peshkar*	0	4	
When suit is decreed { To orderlies	0	2	
Cost of obtaining a copy of decree which includes 12 annas for stamp, 2 annas writing charges to *moharrir*, 6 pies for paper, etc., and 1 anna 6 pies miscellaneous ..	1	0	
Execution of decree.			
Court-fee on application up to Rs. 50	0	1	
Court-fee on application over Rs. 50..	0	8	
Arrest and attachment.			
Talbana up to Rs. 50	0	10	
Talbana over Rs. 50	1	0	
Vakil's fee—illegal	1	0	

	Rs.
Vakil's clerk—illegal	0 8
Office clerk for *dakhla*	0 8
Legal { *Qurk-amin* up to Rs. 50	2 0
{ *Qurk-amin* over Rs. 50	4 0
For notice under section 66 up to Rs. 50	0 10
Ditto ditto over Rs. 50	1 4
For beat of drum	0 2
For diet of debtor for two days of arrest i.e., 6 annas a day	0 12
Nazrana to *qurk-amin*, illegal	2 0
„ his *chaprasi*, illegal	0 8
Tonga hire for *qurk-amin*, illegal	2 0
To peon for arrest of debtor; Rs. 2 as reward and 8 annas per day for his food if he spends two days in search; and more if he takes more time	3 0

The above list clearly shows the heavy expenses, worry and waste of time in litigation. There is a very good proverb in this connection which runs as—

نالش کیا تقاضہ چھوڑا - گھر گھر پیسہ جاڈو

- بڑے بھاگ سے ڈگری ہوئی - تو شہد لگاکر چاڈو

The meaning is simple, *i.e.*, if a creditor files a suit he gives up the right of demanding payment directly from the debtor, and in addition has to pay to so many persons from his own pocket. If by good luck he even succeeds in obtaining a decree he is to remain content with the paper on which it is written, *i.e.*, does not realize anything.

Queston 3.—No particular grievance of indigenous bankers against the law is known except red tapeism and protracted litigation, and also regarding the penal clause in the Contract Act giving discretion to the court to determine reasonable interest in cases of conditional bonds. They urge that the courts should have no power to interfere in the terms of contract entered into by mutual consent between debtor and creditor. They impose higher rates of interest in conditional bonds where they run greater risk. They also want that petty suits should be decided by local *panchayats*, and one of the money-lenders told me in a very appreciative tone of the work of *panchayats* in this connection. He says a suit filed before *panchas* is decided very quickly, almost within a month, and at the cost of about Re. 1 as compared with the large expense incurred and worry undertaken in going to civil courts. Sometimes the *panchas* are led by *safarish* and undue pressure to give a wrong verdict, but this would disappear with the growth of education.

Question 4.—The dealings of bankers with their clientéle are generally considered severe and unsympathetic, (*a*) where the borrower on a *hundi* or *sarkhat* or pronote finds himself unable to repay the loan and wants to renew it, and (*b*) where a big borrower needs a large amount of money which can only be supplied by one or two big *mahajans* of the town or city; this *mahajan* dictates his own terms regarding the rate of interest and *nazrana* or discount to be charged.

The remedy must obviously take the shape of another institution which would be willing to advance at all times on reasonable terms.

Question 5.—Indigenous bankers often refuse acceptable demands for want of capital. Very few of them make advances on borrowed capital. It is only to supplement their own capital now and then that they resort to borrowing themselves, and this too rarely.

The following suggestions are made for extending their resources. Co-operative societies should be established among themselves in which they should not only invest the fixed deposit in the form of shares but also keep in deposit money lying idle with them at a particular moment. A little interest on such current deposits would induce them to bring in their unused capital. If any of the members of the society is in need

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of borrowing, he should be able to secure the loan easily on a reduced rate of interest as compared with the rate at which the society or this institution would generally advance to outsiders.

F.—Co-ordination.

Question 1.—Competition exists between indigenous bankers of the same class. No co-ordination is found to exist amongst indigenous bankers and the rate of interest in the same class goes down. Amongst indigenous bankers of different classes, there is no large competition, but co-ordination is very rarely found.

There is no competition or co-ordination between indigenous bankers and other banks. The banks can easily afford to ignore the existence of indigenous bankers in determining their rate; of course it cannot be unduly high. All the joint-stock banks are more or less influenced by the bank rate.

The Imperial Bank of India and joint-stock banks give preferential treatment to indigenous bankers to the extent that the rate of interest is generally lower by about 12 annas per cent. : this is true, however only in the case of indigenous bankers who keep some sort of account with the bank.

Question 2.—No co-ordination exists between indigenous bankers and other banks in the provision of credit to trade and industry generally. Every one looks to his own interest and investments are rarely made with the sole object of giving stimulus to trade or commerce.

The establishment of a provincial bankers' association with objects to stimulate trade and industry is bound to help trade and industry, but it would need some sacrifice on the part of bankers in accepting low rates of interest or a reduced percentage of dividends; but in the long run it might be compensated by extended business as a result of this undertaking itself.

G.—Consolidation of indigenous banks.

Question 2.1.—It would be possible, as well as desirable, to set up a class of licensed or registered moneylenders. The restrictions to be placed on their business should be as follows :—

(1) maximum rates of interest to be charged should be fixed;
(2) their account should be open and available to officers appointed by the State; and
(3) they should be required to draw up and close the account of each debtor every sixth month on a particular date. Accounts should be maintained by them on a uniform system to be prescribed by the State.

Lending money should not be restricted to productive purposes only. When necessities like marriages, deaths, birth of children, and entertainment of guests arise people are bound to borrow from somewhere. If they are compelled to borrow from other than licensed moneylenders at high rates of interest the very object of it will be defeated.

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

Question 1.—The statement, in my opinion, is quite true. The difficulties which a creditor encounters in recovering his debt by process of law are mentioned in detail in my answer to question 3 of Part E. As pointed out in my answers the establishment of local *panchayats* for a number of villages will solve the problem to a great extent. The present experience is that by approaching the *panchayats*, wherever they exist, the expense and worry as compared to process of law are nominal. It is said that for filing a suit for Rs. 25 only an expense of five annas has to be incurred. The debtor is summoned within a week, and the hearing is generally completed within a fortnight, and judgment is delivered. Payment of debt is also arranged on easy terms after examining, the position of the debtor. If the decree has to be put into execution, and the property has to be put to auction, all this process takes another fortnight and the whole debt is realised in a month or at the most 40 or 45 days. But generally the whole thing is decided as quickly as possible, and this is possible in *panchayats* only, where the red- debt is realised in a month or at the most 40 or 45 days. But generally the whole thing debtor or a witness is wanted at a particular moment he is at once sent for and his evidence is taken. This not only saves a great deal of botheration and expense to the creditor but equally to the debtor.

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Question 2.—The conclusion, generally speaking, is correct; but there are cases, as for example, of young sons of big *zamindars* and members of Hindu undivided families borrowing money at a very high rate of interest and not unoften writing bonds and pronotes for double or treble the amount actually received for the purposes of debauchery and litigation. Usury is also prevalent amongst some moneylenders in another form in demanding what they call big *nazrana* before making an advance. It sometimes ranges from 2 to 10 per cent.,—in rare cases still more—and all this is deducted out of the amount advanced. I cannot think of any particular difficulty in the Usurious Loans Act, but the help of this Act in many cases is not invoked for fear of getting a bad name and losing all prospects of borrowing money in future. The law should be amended with regard to borrowing by a member of a Hindu undivided family. On all borrowings incurred by any member of the family the consent of other major members of the family should be obtained. In cases in which *nazrana* or discount is allowed by the debtor at the time of borrowing it is usually the result of extreme necessity, and such things will continue to happen as necessity arises and loans are not obtained on ordinary terms. Such persons can invoke the help of the Usurious Loans Act if they like at the time of payment.

(For oral evidence see pages 300—305.)

A monograph on the qist business in the United Provinces.

THIS kind of investment is prevalent almost all over the provinces in different forms and is showing a great tendency towards increase. Formerly it represented only petty investments but as it is found attractive in view of the easy instalments in which repayments are made, loans to the extent of Rs. 200 at a time are now frequently given. The regular units for various kinds of *qistbandi* loans are as noted below :—

(1)	Rs. 25-0	are realised	for	Rs. 20	in 25	instalments of	Re. 1	per month.
(2)	,, 20-0	,, ,,	,,	Rs. 16	,, 20	,,	,, 1	,, ,,
(3)	,, 20-10	,, ,,	,,	Rs. 16	,, 330	,,	anna 1	,, day.
(4)	,, 24-6	,, ,,	,,	Rs. 20	,, 395	,,	,, 1	,, ,,
(5)	,, 12-0	,, ,,	,,	Rs. 10	,, 12	,,	Re. 1	per month.
(6)	,, 6-0	,, ,,	,,	Rs. 4	,, 6	,,	,, 1	,, ,,
(7)	,, 1-2	,, ,,	,,	Re. 1	,, 72	,,	pies 3	per day.

The loans are generally made in the units noted above or in multiples thereof.

No. (7) above, in which Re. 1-2 are realised for Re. 1 in 72 instalments of 3 pies per day, is not to be found in Benares or other parts of the United Provinces. It is a very popular system among the labouring and artisan classes at Calcutta. Though payment by instalments appears to be so easy the rate of interest works out to be as high as 44·44 per cent.

No. (6). in which Rs. 6 are realised for Rs. 4 in six instalments of Re. 1 per month, chiefly pertains to petty moneylenders in villages. But these are being replaced by Punjabis and Kabulis who advance Rs. 4 or multiples thereof at the beginning of a crop and realise Rs. 6 when the harvest is reaped. The method of collection by these foreigners is notorious for its severity. They are found willing to advance money to those who are refused everywhere. In making collections the resort picketing and intimidation if the borrower does not pay at the proper time. There is no competition amongst these foreigners but a very strong co-ordination and co-operation. In collecting arrears they sit down at the house of their debtors and demand food and other things so long as the amount is not paid. They harass him in all possible ways and do not allow him to work. If the amount is not paid on the due date they charge six pies per rupee extra as interest per day. There may be found some jealousy between Punjabis and Kabulis but never in the same class. Whenever they have to resort to intimidation against a debtor as many of them as possible join. They are known in the villages by the name of Tharakar, Dheria or Harhia. As they remain more keen on their collection than on their investment it is said that they incur very little bad debt, and apparently the time chosen by them for collection, *i.e.*, at the time of reaping the harvest twice in the year, is very convenient for the purpose. They keep only one *bahi* in which the loan is entered, the name of the debtor written and his signature taken on a stamp of one anna. When the amount is realised they note down the receipt and strike off the entry with a line.

The village moneylender, on the other hand, who remains in touch with his clients all the year round, collects by instalments as noted above. He generally gets a bond written with a rate of interest varying from Rs. 3-2 to Rs. 6-4 per cent. per month, but realisations are made in instalments which he credits to the account of each debtor. Usually he does not keep any *rokar bahi*. Dates of receipts and payments are noted in the ledger account.

Extent.—No. (5), in which Rs. 12 are realised for Rs. 10 in 12 instalments of Re. 1 per month, is non-existent at Benares and is especially resorted to by the moneylenders of Moradabad. Their business is not only confined to Moradabad district or places near about as in the case of other classes of moneylenders, but extends to the western districts of Meerut, Muzaffaranagar and Saharanpur, and further west up to Rohtak and Hissar in the Punjab. In the east these moneylenders go to invest money almost up to Lucknow. Many fields of their operations are found in Balamau and Sitapur district. Towards the

south-east their business extends to Muttra, Shikohabad and Farrukhabad. They have left the northern portion unexplored and do not go farther than Haldwani. The reason is obvious. The trouble and expense involved in going to the hills are excessive and reduce considerably the margin of profit.

Facilities.—Although the fields of operations are sometimes situated at long distances, the servants of the moneylenders go every month to the door of the debtor to make advances and realise instalments. There is no intermediary and therefore the system offers great facilities and convenience to the debtor from this point of view.

Method of accounts.—The method of accounts adopted by these bankers is uniform. There is always a *bahi* at the headquarters in which all receipts, both on account of interest and capital, are credited and all payments for advancing money, travelling expenses, and pay of servants in connection with a particular *ilaqa* or area are debited. There is another *bahi* which remains in the hands of the banker's *karinda* who goes out to look to advances and makes collections. After the close of the month this *karinda* prepares a detailed account showing the following :—

(1) Amount received from headquarters,
(2) Realisations during the month,
(3) Investment, and
(4) Expenditure during the month.

The *karinda* has also with him the second *bahi* for ledger accounts in which names of all persons to whom any loan is given are posted. In this book they have (1) *batta* or interest *khata* in which interest at the rate of Rs. 2 for every *qist* is credited; (2) *likhai khata* to which all receipts at the rate of two annas or three annas per *qist*, which is also a charge recovered from a debtor, are credited; (3) an account for travelling and miscellaneous expenses, etc., and (4) pay of servants. Monthly totals under all these heads are posted at the end of the monthly *rokar* and transferred to respective ledger accounts. This last page of the *rokar* actually shows income under the first two heads and expenses under the remaining heads.

Bad debts.—In addition to the expenses noted above, this class of bankers (*qist-walas*) suffer considerable loss in irrecoverable amounts. The operations being confined to poor classes *qist* payments are often withheld, and when the borrower falls into a large debt he is unable to discharge his liability for years. Moneylenders on the other hand do not resort to litigation as far as possible. They approach the law courts only when they are compelled to do so—and this, too, not primarily with a view to collect their dues from a particular man, but for the sake of keeping their prestige in the village and preventing the idea growing up that if anybody does not pay he would be let off easily. Litigation expenses and the worry that is involved in filing petty suits are avoided as much as possible. Suits are also not filed in view of the time limit of three years prescribed by law. Payments are more or less made by force of public opinion, which generally supports the cause of justice. The legal time limit hardly makes them evade discharging their obligations and therefore time-barred loans continue to be realised, partly because other debtors press the defaulters to pay the dues and partly because a defaulter, unless he makes payment, is unable to procure any loan in future. Otherwise everybody who is in need of Rs. 10 is generally given a *qist* by the *karinda*. Bankers do not know their debtors and their only check on the *karinda's* liberty to make advances is the account book which they scrutinise to see that no loan has been given to any person who has once proved a defaulter : for this purpose they very seldom write off 'defaulters' accounts but keep them for decades. However, bad debts do exist and the reasonable percentage in such cases has been considered to be almost 10 per cent. of their income.

Net income.—In the *qistbandi* system of payments the full amount of money does not remain with the debtor for a whole year nor does the creditor remain out of pocket for the whole period of twelve months of the full amount advanced. After a month part of the loan is being regularly collected. The rate of interest in this system comes to Rs. 44-7-1½ per cent. or 44·44 per cent. Adding *likhai* charges, an additional profit which is found to be on an average 7·2 per cent. of this interest income, the gross profit amounts to almost 52 per cent. of the investment. Expenses on account of salaries and travelling, etc., come to 36·5 per cent. of the income. Adding 10 per cent. for bad debts, the total comes to 46·5 of gross income and, therefore, the net profit in this business works out roughly at 27·78 per cent. on the investment. This system presupposes that every

rupee realised is immediately re-invested, which fact will have to be taken into consideration and will further reduce the actual amount of profit derived by a moneylender on a definite amount of capital invested in this business. The figures noted above are as accurate as could possibly be gathered. They are based on actual figures of twelve bankers in about sixty sets of account books.

Qistbandi loans.—*Qistbandi* loans as noted against Nos. (1), (2), (3), (4) in the first paragraph are prevalent at Benares. Nos. (1) and (2) are usually given to people who get monthly wages or salaries, and this class of debtors consists of Government and railway servants, servants of mills, ordinary shopkeepers such as *bisatis*, *halwais*, *parchunias*, *kirana* merchants, cloth merchants, betel sellers, weavers, *koeries* who produce and sell vegetables throughout the year, big milk-sellers keeping cows and buffaloes, *gadariyas* who keep sheep, rear them and sell milk, and masons, etc. Salary-holders obviously find it easy to pay instalments monthly when their salary is received. Other artisans and petty traders try to collect their savings for some time and pay each month. Moneylending in classes (3) and (4) is confined to a lower class of society, members of which earn their daily living, such as ekka-walas, *khunchawalas* (hawkers), vegetable and fruit-sellers, betel and *biri-sellers*, sweepers, shoemakers, milk-sellers, *halwais* and other pedlars who earn their daily living. This system is known by the name of *rozai* and is prevalent in the town. No. (2) is mostly to be found in villages.

Place and manner of investment.—In Nos. (1), (3) and (4), prevalent in towns and cities, business is done at the house of the creditor who keeps a kind of printed pronote, which at the time of the advance is filled in by the debtor on a stamp of one anna. This bond usually shows a fixed rate of interest and does not indicate that the payment will be made by instalments as is actually done; but payment is governed by private understanding and the custom of the place. If a debtor does not pay a part of his loan the creditor files a suit calculating interest in the usual manner, not for the recovery of remaining instalments. In class No. (1) the rate of interest comes to 30 per cent. The rate of interest noted on the papers is only 2 per cent. per month. I had an interesting talk with a local moneylender who thought that the ordinary rate of 24 per cent. per annum was enough to cover the interest received by the instalment system but was surprised to see the practical calculations which showed that it actually amounted to 30 per cent. There was another mistake committed by this class of moneylender in filing suits which the banker learnt on discussion. When going to court they used to calculate interest at yearly rests, while according to the terms of the loan investment is obviously made on monthly rests.

Interest.—The gross rate of interest in the first six cases noted serially works out as given below. In Nos. (1) and (5) the net interest has also been worked out on the strength of actual account books maintained by the bankers—

No.	Gross interest. Per cent.	Expenses. Per cent.	Net interest. Per cent.
(1)	30	6	24
(2)	36·92	..	..
(3)	89·45	..	..
(4)	52·20	..	..
(5)	44·44	24·22	27·78
(6)	266·66	..	..

Expenses.—The percentage of expenses in cases other than Nos. (1) and (5) cannot be definitely given but can be estimated roughly.

Likhai charge.—In addition to interest as shown above, all these moneylenders, with the exception of Nos. (6) and (7), make an additional charge for *likhai* (writing expenses). It is a kind of *nazrana* or discount deducted out of the principal at the time the investment is made. It should rightly be termed *nazrana* or discount rather than *likhai*. In every investment of Rs. 16 or Rs. 20 one rupee is usually deducted in cases (1) to (4). In No. (5) of the Moradabad type only two to four annas are deducted for the same. This is an additional profit and would further increase the percentage of gain. A part of this *likhai*, though a very small proportion, is also paid by the banker to his servants by way of encouragement as a bonus for securing customers.

LALA JUGU LAL VAISH.

ORAL EVIDENCE.

Friday, January 31, 1930.

LUCKNOW.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C.	*Chairman.*
DR. RADHAKAMAL MUKERJEE, M.A., PH.D.	*Members.*
RAI BAHADUR PANDIT G. S. UPADHYA, B.A.	
RAI BAHADUR BABU MOHAN LAL, M.A., LL.B., M.L.C.	
MR. MOHAN LAL SAH, M.A., LL.B.	
DR. L. C. JAIN, M.A., LL.B., PH.D.	*Secretary.*

(*Witness* : LALA BABU LAL VAISH, B.A., *Income-tax Officer, Benares.*)

Mr. Sah : Is it not a fact that the tendency of the indigenous bankers is to advance money against property rather than on business?—The thing is this that on property money is secure. Moreover, in the first place, the debt is secure; and, in the second place, the money earns interest for twelve months; in business it earns interest for six months only and remains idle for the remaining six months or a part of the year.

Is the tendency the same among the big bankers also?—Yes.

You have said that there are certain private bankers whose cheques are not accepted by the joint-stock banks and the big banks.—(*Witness*) This I have said in my note. I had a certain discussion with Mr. Ram Singh, and, as a matter of fact, it is his point. He will explain it more clearly when he comes tomorrow.

Would you advocate restricting the activities of Kabulis and Punjabis by legislation?—I think it is desirable.

Would the abolition or reduction of stamp duty increase the use of *mitidar hundis*?—I do not think it will effect very much.

Do you not think that this will increase their use?—Not much as there is very little stamp duty.

In big transactions the rate at present is 1 anna 6 pies per cent., and generally *hundis* are drawn for two months?—Yes, for 31 days, 61 days, 91 days and so on. On an average two months, so that the interest increases by nine pies per month, or something like nine annas per year. There is no duty on demand pronotes. The maximum is four annas.

If the duty is reduced on these *mitidar hundis* will not the demand for pronotes be replaced by these *hundis*?—I think only in commercial circles it might give some stimulus, but not in others.

The Chairman : As far as I can understand, the position is that the *mitidar hundi* is more or less dying out. Consequently people who want to borrow money and pay after a certain time, that is, after two or three months, are at a disadvantage. By the disappearance of the *mitidar hundi* you deprive yourself of a very useful thing. It is rather important to get back to your *mitidar hundis* or something equivalent?—It is desirable from the point of view of the borrower, but creditors, and especially bankers, are giving it up. As a matter of fact, in Benares *mitidar hundi* investment is being replaced by *sarkhat*.

What is *sarkhat*?—It is a sort of acknowledgment. Suppose I want to borrow money. I give you a receipt, a kind of ledger, "received so much money."

It is a mere receipt?—It is in the form of a ledger account showing acknowledgment given by the debtor to the creditor. There is no mention of any period in it, that is, as to when the loan has to be paid. But the usual period is considered to be six months on the strength of the prevailing custom, and decrees are obtained accordingly. The advantage of *sarkhat* over other kinds of investments like pronotes and *hundis* is that the stamp duty is very little, and it does not require any special skill in writing the *sarkhat*.

Mr. Sah : Supposing the duty were brought level with that paid for *sarkhats*, will not *sarkhats* be replaced by *mitidar hundis*?—I do not think so. *Mitidar hundis* are negotiable instruments. It is always a large number of *mitidar hundis* which account for heavy debts when a business fails, because the creditors do not know how many *hundis* the debtor has drawn.

How does he know as to how many *sarkhats* he has drawn? The great advantage in *mitidar hundis* is that they can be sold from one person to another.—(*Witness*) Yes, and they can also be sent from place to place. But on *sarkhat* only the local moneylender generally advances money.

Dr. Radhakamal Mukerjee : A *sarkhat* cannot change hands?—It cannot and is not a negotiable instrument.

The Chairman : A *sarkhat* is secure, but it does not offer facilities.

Mr. Sah : It is not flexible.

The Witness : It is not. Transactions on *sarkhat* are generally arranged through a *dalal*, and he is expected to know about the debts of the borrower, and therefore the creditor, with the help of the *dalal*, combined with his own local knowledge, knows well about the condition of the borrower.

Mr. Sah : But the question is, supposing this debt is decreased : would not the use of *hundis* increase? What is your opinion?—In my opinion that would not very much affect the present position. Use of *hundis* is being given up in favour of other kinds of loans because it has been found to be a dangerous instrument for advancing money.

In what way?—Because it passes into so many hands, not only at that particular place where it is drawn, but at so many other places, and the borrower is so much removed from the creditor that at times the original is not actually known.

How does it make the instrument a dangerous one?—Supposing a man has drawn a *hundi* at Benares : it is endorsed at Cawnpore : then it goes to Lucknow. The Lucknow man does it on the security of the Cawnpore person and the Cawnpore person on the security of the Benares man who is not known to the Lucknow man. The Cawnpore person might be endorsing similar *hundis* at other places like Meerut, Calcutta, Bombay, and these may pass through several hands at those places; when it is endorsed by three or four persons nobody would care to find out the position of the borrower.

But it passes through several persons, and all those through whom it passes are responsible for the payment to the actual borrower.—(*Witness*) The ultimate creditor is removed at a distance, and the actual condition regarding the financial affairs of the borrower is not cared for. If the drawer fails it immediately affects the credit of the person who generally endorses his *hundis*.

But on due date the *hundi* can be sent to the actual drawer?—Yes, but in the meantime he might have failed.

In case he fails, there are so many other persons who are responsible; I mean the persons through whom it has passed.—(*Witness*) They will be responsible one after the other, but this man—the original drawer—if he means to be dishonest, he draws on *hundi* at Benares, another at Calcutta, another at Cawnpore. He collects all the money and declares himself insolvent. This is generally found in insolvency cases.

The same argument holds good against *sarkhat*.—(*Witness*) No. Investment on *sarkhat* is generally made locally, and the medium of the *dalal* combined with personal knowledge about the debtor always keeps the creditor in a much more secure position.

There are *dalals*, more than one?—Not many with each creditor. Usually there are one or two only through whom money is borrowed or loan is given.

Suppose I borrow from ten persons through ten *dalals*?—That is not the usual practice. There are generally one or two *dalals* attached to a firm.

The Chairman : You have men amongst your list of bankers, what you call private limited banks, which I understand are not joint-stock banks, but with limited liability. Are there many of these? Can you tell me how many are they?—This was the information of Thakur Ram Singh who will be examined tomorrow.

Mr. Sah : They are all with limited liability, but registered as private banks.

LALA BABU LAL VAISH.

The Chairman : I think there are also banks which are known as private, but which are not limited?—I do not know personally.

Mr. Sah : My firm carry on business as an ordinary joint-stock bank, that is, as a modern bank, and at the same time we have no limited liability. Supposing the business does not conduct well, we are responsible to our depositors to the extent of our resources. The question is, have you come across any such firms in the province?—No.

Suppose there are two or three persons or a single joint family which carries on business on modern lines.

The Chairman : I do not think there are many in the province.

The Witness : I know only one, possibly Anti Ram Sah of Almora. They receive deposits and issue cheque books, etc.

Mr. Sah : Durga Lal, Mohan Lal Sah is my firm. Do you think that it is possible that more such firms can be established in the near future?—I think this will be possible where joint-stock banks do not exist.

The Chairman : The importance of the question is this. These private banks of this particular type are the original type of bank when every bank was a private bank. All these private banks had unlimited liability and everything depended on three or four persons, for instance, King and Company, Watson and Company, Cox and Company, Thos. Cook and Sons, were until lately purely private banks and they had no limited liability at all. Will not such private banks be useful until such time as the joint-stock banks are established?—Yes, undoubtedly.

Mr. Sah : These private banks work in the same manner as the joint-stock banks. Why should they not have a chance of success?—It will depend upon the confidence of the people. At present I find that there is more confidence in the joint-stock banks than in ordinary bankers.

The Chairman : You have got to look at it from another point of view, that is, what the public think of these bankers and what the bankers think of the public. There are moneylenders who adopt this form of banking—(to Mr. Sah) for instance, you were probably a moneylender before you took to present banking. There seems to be a natural development of the old indigenous banker or moneylender.

Mr. Sah : This development came forward with the advent of the British Empire.

The Chairman : It were clever people who saw the benefit of the cheque system.

Mr. Sah : We have been issuing our cheque books for the last 40 years.

The Witness : Cheques of private banks may not be taken by other joint-stock banks.

The Chairman : The question is not so much whether a cheque will be taken or not, but whether a bank of this private type will succeed in a particular place or not. It is almost entirely a matter of confidence, and in a bank like Mr. Mohan Lal Sah's the initial difficulty of confidence disappears as soon as other banks begin to know it. In the same way the question of competition also depends entirely on confidence. If a bank has got a certain number of clients who have got confidence in it they will stick to that bank, because I do not think you will leave that bank and go to another so long as you have got confidence in it.

The Witness : This is true and I think in the long run private banks of this type ought to be successful. Its extent would depend upon the degree of confidence.

The Chairman : Do you think that along these lines there is a possibility of development?—This is the only way of development.

Mr. Sah : That would also go a long way to solve the problem of unemployment among the educated persons mostly.

The Witness : How?

Mr. Sah : Supposing there is my son who has passed his B.A. examination, and I want him to be employed. If there had not been any establishment of my own I would naturally like him to go and take up some service. He may or may not succeed. I have my bank, and I would like him to take up the business after I die.

LALA BABU LAL VAISH.

The Witness : There are already many sons and relations of bankers who seek employment and therefore it will not help much.

Mr. Sah : With the growth of this type of national banks you will require many hands. A great many of them would have to be educated.

The Chairman : Though indigenous banks will have to be organised in this manner, the question yet remains whether the indigenous bankers are going to educate themselves in these modern methods. Shall we wait for their education, or shall we impose certain restrictions on them?—I think we should give them certain facilities to improve themselves and certain inducements to organise themselves in such a manner as to keep their accounts properly and to have some check from outside so that they should create confidence in the general public.

Dr. Radhakamal Mukerjee : You agree that we have to develop on parallel lines, though this might be in a distant future?—There seems to be no other way to develop indigenous banking.

Mr. Sah : At present bankers require more encouragement than regulation. Do you agree with this view of mine?—That question is very wide. I do not properly understand the object of it.

At the present time, according to the present conditions of the country, bankers and financiers require encouragement rather than legislation to restrict their activities.—(*Witness*) If we want them to adopt the methods of the joint-stock banks we have got to encourage them.

The Chairman : If these banks are to succeed at all in this country, what you want is not so much competition as diffusion of effort. In the first place, where there is a bank doing all the work, it is wrong for another bank to come in and try to take away their business. It is much better for it to go to a place where there is no bank.

The Witness : I would like first diffusion followed by competition. Diffusion of effort is not really needed in cities and towns. There is also competition. On account of the same, we generally find that the rate of interest is not very high, and competition must bring it down. It is only in villages and rural areas that the rate of interest is very high and abnormal, and there we have to adopt means to reduce it along with our efforts for diffusion.

Mr. Sah : In this connection I may ask what is the sort of security which is offered in rural areas to bankers? Is it not a fact that the security offered is of the flimsiest nature?—Yes. In some cases there is absolutely no security.

Is it not a fact that the interest is very high simply on account of this flimsy nature of the security?—Yes, it always depends upon the nature of the security. In certain cases there is practically no security and consequently the rate of interest is very high.

The Chairman : I will tell you in another way. The profit made by an ordinary *mahajan* to whatever class he belongs is very much lower than the rate of interest he charges. You say a man charges 12 per cent. This is his rate of interest. Now if all his debts were realised and he had no legal expenses, no risk of any kind, he would make a profit of 12 per cent. apart from overhead charges. What actually happens is that he has bad debts due to flimsy security: he has losses of every kind, and a large part of the total profit of 12 per cent. he makes by interest is swallowed up in this manner. Consequently his profit is the difference between the two. (*Witness*) Yes.

That is the result when you take into account the filmsy nature of security and all the possibilities of losses due to insolvency and other things. This is the case with big men who only make 10 per cent. profit. In villages also *mahajans* who charge 37½ per cent. are not such blood-sucking vampires as they generally are believed to be. They are making only half of the profit which the people believe that they earn?—Yes, I agree. I had a very interesting talk once with the Collector of my district. He told me that the *qistwalas* at Moradabad were blood-suckers of the tenant. "Do you assess them properly?" I said "I see their actual accounts and assess them on the basis of the same. But I differ from your views regarding these moneylenders. They go out to distant places, sometimes two or three hunderd miles, to the door of the tenant and labourers and advance Rs. 10 to anybody who wants money without finding out what

security he has got; and then every month they go and realise Re. 1. Instead of Rs. 10 they realise Rs. 12 in a year. The poor man cannot offer any security and therefore he cannot get better credit than what he gets from these people. He has not to go to anybody for recommendation. He gets a loan at his house and pays it at his house every month in a most convenient manner by small monthly instalments of Re. 1 for 12 months."

In other words, he cannot expect any better credit than he does?—Yes. Take the case of *taqavi*. I am told that where *taqavi* is distributed people prefer taking loans from these *qistwalas* than from Government. Although apparently they have to pay only 6¼ per cent. interest to Government, it actually comes to not less than 15 per cent. as they have to make certain payments to *patwaris* and other people of the tahsil establishment; and then the method of collection is considered to be rather severe.

Dr. Radhakamal Mukerjee: The problem is not to perpetuate the *qistwalas* but how the rate of interest may be cheapened. You say that because the security is so small, high rates of interest are charged by these *qistwalas*, that such rates of interest and profits are deserved by them, and that these *qistwalas* though dangerous are a necessity?—They offer greatest facilities to those who have no means to get loans from anywhere else. They are not dangerous.

The problem is that these people should pool their credit so that they may get money at a cheaper rate?—Even in the case of these *qistwalas* I do not think their profit comes to more than 15 or 18 per cent. There are always bad debts, a large amount of bad debts. At least 10 per cent. of the income every year you must consider as bad debts. Then they incur large expenses in going and coming every month to these distant places. Well, I have seen the accounts and their profit does not come more than 15 or 18 per cent.

Rai Bahadur Pandit G. S. Upadhya: It is true that both the tenants and the *qistwalas* lose. The tenant loses because he has to pay 37½ per cent. or 24 per cent. Some of them run away. That is quite a different thing. But the fact is that the tenants also have to pay a high rate of interest because of the want of proper security. In this way both are losers. What he suggests is that all tenants who have not got proper security should pool their credit into a co-operative society and then they will get cheaper credit.

The Chairman: Because the security will be better and also the society or the bank who advances money will have much lesser chance of losing it. So that what he suggests is that the best system would be for the villagers to become members of co-operative societies.

The Witness: This is likely to bring down the rate of interest. As to co-operative societies it is necessary, I understand, that every borrower should deposit something for becoming a member of the same.

Rai Bahadur Pandit G. S. Upadhya: Not necessarily.

Rai Bahadur Babu Mohan Lal: Only they have to take nominal shares.

The Witness: There is one thing in this connection. So far as I understand the debt is always paid up. It is only when a man is unable to pay the debt that there is a bad debt, and it is paid not on account of the legal obligation but on account of the public opinion prevailing in the villages and rural areas. I have come across cases in which I found that debts have been carried forward from year to year and paid after ten or twelve years. They are paid after such a long time, although legally the creditor could not claim them.

Dr. Radhakamal Mukerjee: Such is the honest of the peasants.—(*Witness*) Yes, a moral obligation is felt by the peasants as a whole and others who also take loans from the same *qistwalas* force the defaulters to pay up their debts, irrespective of legal obligations.

Mr. Sah: We will not grudge *qistwalas*. They should earn their deserving profits. At the same time I would not permit honest peasants to be fleeced.

The Chairman: The two things go together if the *qistwala* is going to get back his principal. There is no chance of having a bad debt, because of your method of consolidation. The creditor will be willing to reduce his rate of interest as he will know that he will not lose his money.—(*Witness*) Yes.

LALA BABU LAL V[illegible].

We have got to the point that neither the tenant's or the moneylender's lot is as bad as is painted.

Mr. Sah: Do you agree that the moneylenders are, on the whole, honest?—In what respect?

In respect of demanding what is due and keeping correct accounts.—(*Witness*) Yes.

Are they equally honest as regards income-tax?—As regards income-tax I should say that they are not always honest. I have found duplicate accounts in many cases for income-tax purposes.

(The Chairman thanked the witness, who withdrew.)

Mr. SITAL PRASAD, B.Sc., Income-tax Officer, Cawnpore.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

IN this district there are no co-operative societies and so the agriculturist's only resource, besides Government, is the village moneylender. The former comes to the aid of the agriculturist in times of famine or other kinds of distress or in special cases, such as sinking of wells, but the village moneylender advances loans to remove all his wants and in particular for the following purposes :—

(i) repayment of earlier debts,
(ii) marriage and other social functions,
(iii) payment of land revenue or rent,
(iv) seed,
(v) agricultural implements, and
(vi) subsistence.

Out of the total debt, nearly 60 per cent. is for seed and subsistence, and the rest for the other purposes named, taken together. Of the total debt nearly 20 per cent. is in grain and the rest is in cash. The rate of interest on cash loans varies from 24 to 37½ per cent., while loans in kind are repaid at 1¼ and 1½ times at the time of harvest. There is practically no security offered to the village moneylender, but the constant need of the agriculturist, and the limited number of *mahajans* in the village, serve as an efficient safeguard against the loss of money due to a cultivator's dishonesty. It is very seldom that the *mahajan* has to go to court for recovering such loans.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—Cultivators mostly sell their produce to the *mahajan* in the village who brings it to the market in bullock carts. There is often some competition in big villages for, besides the *mahajan*, there are other grain-dealers also. Well-to-do tenants bring their produce to the markets themselves. The method is the same for all crops.

Question 2.—No loan is required for marketing crops by the *mahajans*, but big tenants, who bring the crop to the market themselves, often take advances from commission agents.

Question 3.—If the crop is sold to the village *mahajan*, he gets it one anna per rupee cheaper in the village, out of which he has to pay the carting charges. The village produce is sold in cities through commission agents, who do not charge anything to the sellers but levy one pice per rupee on purchasers. Out of this commission, a little rebate is allowed to the sellers. Some commission agents charge two seers of grain (in kind) per bullock cart to the sellers. It is equivalent to four annas per cent. nearly. Wholesale merchants invariably purchase through commission agents. The rate of commission is higher in the case of cotton than in that of foodstuffs.

Question 4.—Very little storing is done by tenants. The grain in markets is stored in *khattis* or *kothas*. In the former case it is damaged by moisture as *khattis* are mostly *kachcha*, while in the latter case it is damaged by weevils. The best method is to store grain *in pakka khattis*.

Question 5.—In villages nobody stores grain with borrowed capital, but in the city big grain merchants often raise loans on *hundis* or from banks.

Question 7.—Cultivators do not combine to market any crop. I do not think it is possible so long as they remain in the present uneducated condition.

Part C.—Extent and nature of agricultural indebtedness.

Question 3.—In my opinion, the land is passing into the hands of efficient farmers from those who do not cultivate land themselves, *e.g.*, Kurmis of Pokhrayan are acquiring landed properties of Thakurs.

Part J.—Internal remittance and negotiable instruments.

Negotiable instruments play an important part in the exchange of money between Cawnpore, Calcutta and Bombay, but remittances to the interior of the province have to be made mostly in Government currency notes by registered post. The Imperial Bank of India is now proving very useful for remittances as it undertakes, at a low commission of two annas per cent., to remit cash from one branch to another. As noted above, village produce is brought into the town in bullock carts and sold forthwith for cash; but even when the goods are sent to Cawnpore by rail, the exporter is able to get 75 per cent. advance of money from the commission agent through whom the goods are intended to be sold. In such cases it is not usual to execute any pronote, etc., as the goods in the possession of the commission agent afford sufficient security for the money advanced.

II.—INDIGENOUS BANKING.

A.—Organisation of indigenous banking.

Question 1.—Indigenous bankers may be classed as follows:—

(*a*) Village moneylenders with small capital lending grain and cash in small sums at high rates of interest. One of the popular methods is called *ugahi* (*i.e., qist bandi* loans). The lender advances Rs. 10 and recovers Rs. 12 in twelve monthly instalments of Re. 1 each. This method yields 33 per cent. and is a popular method of borrowing by labourers in the city also. Grain is advanced for seed on *sawai* or *deorhi* which means a return of 25 to 50 per cent. interest at the time of harvest. Cash loans are advanced on the basis of *bahi-khatas* at two pice per rupee per month, or to substantial tenants at 24 per cent. per annum.

(*b*) Town moneylenders who advance money to *zamindars* or others on the basis of mortgage deeds, simple bonds or pronotes, or on some other security such as ornaments.

(*c*) Commercial moneylenders confined mostly to Cawnpore city—finance trade and industries and lend money to approved merchants and millowners on *hundis* and demand pronotes at a reasonable rate of interest. It may be observed that there are cases of overlapping between the classes noted above, *e.g.*, commercial moneylenders sometimes advance on the security of house property in the town, but it is very rare that they advance money on the security of landed property. Similarly, there is a gradual transition from class (*a*) to (*b*), and naturally there are stages when a man carries on business in both these classes.

The village moneylender's side business is grain, the town moneylender's *zamindari*, and the commercial moneylender's commission agency; but in all cases I consider moneylending as the chief source of income. It must however be understood that every merchant tries to invest his money on *hundis* when the capital is not locked up in goods, but I do not class such men as professional moneylenders or indigenous bankers.

Question 2.—Most of the agriculturists deal with village moneylenders and in some cases with the town commission agents. Taken as a whole they give substantial help to the tenants in this district. In fact there is no other agency such as a co-operative credit society. I have fully discussed elsewhere how the money or the grain is advanced to tenants and at what rates of interest. In some villages petty *zamindars* also play the part of moneylenders with respect to their own tenantry. As regards loan to traders they are raised mostly by pronotes or *hundis*. Money is also advanced by banks on the security of goods. By industry I understand manufacture on a factory scale. In all these cases loans are raised mostly from banks, on the security of goods or stock. In rare cases money is also borrowed from indigenous bankers on *hundis* or pronotes.

Question 3.—It is impossible to find out the exact amount invested by indigenous bankers in this district, but the figures of interest receipts were totalled up from the assessment records of the year 1928-29 and they are reproduced below:—

	Rs.
Banda	**83,726**
Hamirpur	**1,65,177**
Cawnpore rural	**2,23,835**
Cawnpore city	**16,34,472**

The above figures are the total receipts on account of interest, whether charged to traders for late payments of the price of goods, or earned in the course of moneylending. It is impossible to specify accurately the receipts under the above two heads as all interest receipts are credited to the interest account, and the information about total receipts only is available in the assessment records. From my experience, however, I can say that the interest income on regular loans in these districts will be as follows :—

	Rs.
Banda..	80,000
Hamirpur	1,50,000
Cawnpore rural	2,00,000
Cawnpore city	8,00,000

If the average rate of interest in Banda, Hamirpur and Cawnpore rural is assumed to be 22 per cent. and that in Cawnpore city 7½ per cent., the capital invested in moneylending will be as follows :—

	Rs.
Banda	3,50,000
Hamirpur	6,80,000
Cawnpore rural	9,00,000
Cawnpore city	1,00,00,000

The moneylenders in Banda, Hamirpur and Cawnpore rural are mostly village moneylenders. There are a few town moneylenders scattered here and there. The capital of the former is evidently larger in proportion. I estimate the capital as follows :—

		Rs.
In Banda :		
Village moneylender's capital		2,50,000
Town moneylender's capital		1,00,000
	Total ..	3,50,000
In Hamirpur :		
Village moneylender's capital		5,20,000
Town moneylender's capital		1,60,000
	Total ..	6,80,000
In Cawnpore :		
Rural village moneylender's capital		7,00,000
Town moneylender's capital		2,00,000
	Total ..	9,00,000

The figures of Cawnpore city represent the capital both of town moneylenders and commercial moneylenders. Out of this I estimate the capital of the former at Rs. 40,00,000 and that of the latter at Rs. 60,00,000. The figures of expenses collected from the assessment records of the same year are as follows :—

	Rs.
Banda	6,862
Hamirpur	1,874
Cawnpore rural	3,620
Cawnpore city	34,152

The losses due to irrecoverable loans are not fully accounted for as such losses could not be ascertained from the information available in the assessment records, but an average allowance of 10 per cent. in the case of rural moneylenders and 5 per cent. in the

case of town and commercial moneylenders may be made for such losses. It will be easily recognised that the security being scanty the losses of village moneylenders due to irrecoverable loans are larger, while the debts advanced by the town moneylender are well secured and his losses do not come to more than 5 per cent., but his expenses due to litigation are high. Some of them are recovered from the debtor, but others are not legally admissible, so an allowance of 10 per cent. for total expenses may be made in the case of town moneylenders and 12½ per cent. in that of village moneylenders. In the case of commercial moneylenders a loss of 5 per cent. due to irrecoverable loans and 1¼ per cent. due to expenses will be sufficient, the average rate of gross interest being :—

	Rs
Village moneylender	25 per cent.
Town moneylender	15 ,,
Commercial moneylender	7½ ,,

Their net return will be as follows :—

	Rs.
Village moneylender	12 per cent.
Town moneylender	13·5 ,,
Commercial moneylender	7 ,,

Question 4.—There are no recognized financial houses in Cawnpore dealing exclusively in the provision of credit facilities. The volume of business is not probably very large and is dealt with by commission agents in the ordinary course of their business.

Question 5.—Accounts are maintained invariably in *mahajani* character and consist of a cash book and ledger. The entries made in the accounts with respect to each class of business are described below :—

(*a*) *Ugahi.*—Suppose on January 1, 1929, a sum of Rs. 10 is advanced to A with stipulation to recover one rupee per month throughout the year 1929, the entries in the ledger will be as follows :—

A's account.

Dr.		Rs.	*Cr.*		Rs.
January 1, 1929	..	12	February 1, 1929	..	1
			March 1, 1929	.. ..	1
			April 1, 1929	..	1
			May 1, 1929	.. ..	1
			June 1, 1929	.. ..	1
			July 1, 1929	.. ..	1
			August 1, 1929	.. ..	1
			September 1, 1929	..	1
			October 1, 1929	.. ..	1
			November 1, 1929	..	1
			December 1, 1929	..	1
			January 1, 1930	..	1
		12			12

Batta account.

Dr.			*Cr.*		Rs.
			January 1, 1929, by A	..	2

(*b*) In the case of *hundis*, suppose a sum of Rs. 3,000 is advanced on January 1, 1929, payable after 60 days and the rate of interest is 12 per cent. per annum; 60 days' interest comes to Rs. 60 and the entry made in the accounts is as follows :—

The moneylender advances Rs. 2,940 in cash, debits A's account by Rs. 3,000 on the same day, but credits the discount account by Rs. 60.

A's account,

Dr.	Rs.	*Cr.*	Rs.
January, 1, 1929 (Rs. 2,940 cash and Rs. 60 interest)	3,000	March 2, 1929 ..	3,000

Discount account,

Dr.	*Cr.*	Rs.
	January 1, 1929, by A ..	60

(*c*) The system of borrowing on *hundis* is being gradually replaced by pronotes which are nothing more than deposit receipts. There is no mention of the period or the rate of interest in the receipt, but these details are entered in *bahi-khatas* by the borrower. The deposit receipt is not negotiable but there is a saving of stamp duty which is six annas per cent. in the case of *hundis*. The interest is calculated for the stipulated period after which the principal with interest is returned to the lender. The entry is made as follows :—

A's account.

Dr.	Rs.	*Cr.*	Rs.
January 1, 1929 ..	3,000	March 2, 1929	3,060
March 2, 1929 ..	60		
	3,060		3,060

Interest account.

Dr	*Cr.*	Rs
	March 2, 1929 By cash from A..	60

(*d*) The entries in accounts with respect to bonds and mortgage-deeds are the same as those relating to pronotes.

B.—Raising of funds by indigenous bankers.

Question 1.—Indigenous bankers carrying on their business in the city mostly use *hundis* or pronotes described above. In villages simple bonds are current where entries in *bahi-khatas* are not considered sufficient. In the city I think 70 per cent. is *purjas* (deposits receipts) and *hundis* and 30 per cent. other credit instruments.

Samples of *hundis*, pronotes, and *sarkhats* are enclosed herewith.* A *sarkhat* is given where the depositor insists on having it. Long-term deposits are usually made with reliable bankers and the depositors themselves do not usually insist on getting deposit receipts.

Question 2.—It is not possible to meet all the demands made upon indigenous bankers, but if they consider a proposal to be sufficiently attractive and are short of funds, they sometimes raise money by discounting *hundis* executed in their favour. Assistance is given by the Imperial Bank of India or the joint-stock banks to approved borrowers by advancing money on the security of *hundis* or pronotes possessed by indigenous bankers. The usual rate of interest is Re. 0-7-9 per hundred per month where deposits are made for a year or so. In idle seasons well-known bankers usually refuse to accept any deposits as their own money is sometimes lying idle. The rate of interest varies at different seasons. In Cawnpore it is specially high in winter when the *kharif* crops are harvested, and in April and May when oil-seeds and wheat are stored.

C.—Advances by indigenous bankers.

The system of cash credits is very rare. Loans are advanced as already noted above by entries in *bahi-khatas*, bonds, mortgage-deeds, *hundis*, pronotes and deposit receipts. Where the borrower wants to draw money according to his needs from time to time

*Not printed.

he generally executes a bond for the maximum sum in favour of the banker and mortgages his property. The sums advanced from time to time are entered in the *bahi-khatas* and interest reckoned on daily balances at the stipulated rate. The rate of interest varies on different loans as already noted above. In the case of the village moneylender it varies from 25 to 37½ per cent., in that of the town moneylender it ranges from 9 to 18 per cent., while it is 5 to 9 per cent. in the case of the commercial moneylender. Banks have done something by way of reducing the present rates of interest. It must be recognized that the security offered by tenants is very meagre and therefore there will be no attraction in dealing with them unless the rates of interest charged are high. Usually there is no objection by bankers to show their clients their personal ledgers, but such occasions arise very rarely.

D.—Exchange and money market.

The brokers arrange transactions between the borrowers and lender and are remunerated at the rate of 2½ annas per thousand in the case of demand *hundis* and 5 annas per thousand in that of usance bills. The rates for internal remittances vary in different seasons. It is purely a question of supply and demand. The Imperial Bank charges one to two annas per cent. in the case of presidency towns and two to three annas for transferring money to the mufassil office, but the rates vary according to the size of business. The rates are higher in the rainy season when large sums are remitted from Cawnpore for employment at ports. The business has now been usurped almost entirely by the Imperial Bank and there are very few indigenous bankers carrying on this business. Money has to be remitted in notes and coins where there is no branch of a joint-stock bank. The local associations are Kapra Kirana and Sugar Committees to which most of the disputes are referred. These committees also determine the points of general interest arising in the market.

Some malpractices were going on among cloth brokers and commission agents of grain and the committees are taking steps to remove them. The brokers used to charge the sellers eight annas per cent. extra besides the legal brokerage allowed to them. The sellers used to make good this payment by charging higher rates to the purchaser. The result was that the mufassil purchaser found himself worse off by making purchases at Cawnpore than if he were to import cloth from Bombay or Ahmedabad. Again, the system of payment was found to be defective. According to local usage the commission agent was required to pay the cloth merchants within 21 days. This practice increased the number of commission agents who were able to carry on a large business with even a small capital. The result was that when their own clients failed in large numbers, they could not make payments to the cloth merchants and were declared insolvent. The Kapra Committee of Cawnpore, realizing the gravity of the situation, has introduced changes.

E.—Defects of indigenous banking.

Question 1.—Persons carrying on moneylending on the *ugahi* system are looked down upon. Their business is really of a mean nature as they have to deal with low class men and recover small sums. Cases of assault and fights between such moneylenders (such as Kabuli moneylenders) and the borrowers are not infrequent. Other bankers, however, are held in high esteem.

Questions 2 *and* 3.—I am not aware of any difficulties, legal or otherwise, experienced by indigenous bankers in carrying on their business, and they do not require any additional safeguards or privileges.

Question 4.—The defects that I have noticed in some cases at Lucknow are that the moneylenders usually charge 5 per cent. as commission at the time of advancing the loan. What I mean is that they actually advance Rs. 95 while the mortgage-deed or the bond executed in their favour is for Rs. 100. These exactions are altogether illegal and may well be made penal.

Question 5.—Indigenous bankers do refuse demands on account of insufficient working capital.

F.—Co-ordination.

Question 2.—As far as I can see there is practically no co-ordination between indigenous bankers and other banks. I have, however, come across cases at Lucknow where two or three bankers have combined to accomodate a client where the amount

demanded is large. Again there are cases in which small pawnbrokers raise funds by pawning the ornaments pledged with them with bigger men at a smaller rate of interest.

G.—Consolidation of indigenous banks.

Question 3.—Indigenous bankers are not likely to approve of any measures designed to regulate their operations. They will in no case be prepared to publish their balance sheets.

Question 4.—In a trade centre like Cawnpore the rainy season is the time when nearly 30 per cent. of the money becomes idle. It is remitted to seaports for investment.

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

Question 1.—The statement is perfectly true. I am aware of the trouble the Allahabad Bank had in dealing with the *Taluqdars* at Lucknow. The chief difficulties arise from the peculiar provisions of Hindu and Muhammadan Laws. According to the former the head of the joint Hindu family is not entitled to mortgage the family property except for legal purposes. A lot of litigation takes place on this question. Even when the Court has decided it in favour of the creditor the property cannot be sold outright. The sale has to be effected through the Collector who usually allows considerable time to the judgment-debtor for making payment. According to Muhammadan Law the dower debt takes precedence over other creditors, and it is not unusual that suits are filed by the wife of the judgment-debtor for recovery of the dower-debt when the latter is embarrassed. During the course of execution of the decree a lot of frivolous objections are raised and sometimes suits are filed by outsiders claiming the mortgaged property to be their own. Thus considerable time elapses before the creditor is able to realise the money. The question is very wide, and touches the personal laws of Hindus and Muhammadans. Without codifying these laws it is difficult to have any improvement in the present state of affairs.

Question 2.—I do not agree with the last sentence in the observations of the Royal Commission on Agriculture. The Usurious Loans Act is not a dead letter. Objections are often raised here regarding the excessive rate of interest. The principal defect is that the Act has been given a retrospective effect with respect to all transactions leading up to a mortgage-deed or other bond, on the basis of which a suit is filed. The mufassil courts have been given very wide powers in determining what the proper rate of interest would be in the circumstances of each case. The creditor can never feel sure that the rate of interest charged by him, and willingly agreed to by the debtor at the time of taking the loan, would be passed by the civil court. Some restrictions might well be imposed in this connection.

Question 2A.—The scheme of setting up a class of licensed or registered moneylenders is not likely to prove successful in my opinion. The solution lies in giving an impetus to co-operative banks and societies. The scope of such banks may well be extended so as to allow granting of long-term loans to *zamindars*. The bank should be run on business lines with the object of providing loans to agriculturists and *zamindars* at cheaper rates. If the management of such banks is in the hands of capable paid staff they would gain the confidence of the public and deposits will not be wanting. Initial capital may be raised by shares to which the moneylenders will gladly subscribe. To me it appears very difficult to exercise an effective control over licensed or registered moneylenders. It will be a new experiment, and the energy and money required may in the end lead to nothing; on the other hand, co-operative banks and societies can be made to do much more useful work than they are doing at present.

(For oral evidence, see pages 313—319.)

ORAL EVIDENCE.

Wednesday, January 29, 1930.

LUCKNOW.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C.	*Chairman.*
RAI BAHADUR BABU MOHAN LAL, M.A., LL.B., M.L.C.	*Members.*
DR. RADHAKAMAL MUKERJEE, M.A., PH.D.	
MR. MOHAN LAL SAH, M.A., LL.B.	
RAI BAHADUR PANDIT G. S. UPADHYA, B.A.	
DR. L. C. JAIN, M.A., LL.B., PH.D.	*Secretary.*

(*Witness* : MR. *SITAL PRASAD*, B.SC., *Income-tax Officer, Cawnpore.*)

Mr. Sah : WHAT measures do you suggest for popularising the use of supply bills issued by banks?—The point is that the transfer of money from one place to another is not difficult where there are banks. But the difficulty lies with mufassil markets, such as Pokhrayan, which is a cotton market. A trader intending to purchase cotton there has to send money either by cash or by notes. He has no other way.

Have you any suggestions to offer for making remittances easier?—What other method can be suggested unless some banks are set up there?

Cannot the facilities of supply bills be extended to Pokhrayan?—It is very difficult because there are no big local bankers. Cawnpore merchants have only buying agencies in cotton seasons. Village produce is brought there by the villagers who must be paid in cash. They very seldom accept even notes.

Are you aware of the fact that at present supply bills can be issued by certain treasuries to certain district treasuries?—How will you take the money to the mofussil towns and tahsils?

Tahsil towns have got sub-treasuries?—But not all the mufassil markets. It does not solve the problem altogether.

As regards those places where tahsil or district treasuries or banks exist have you got any suggestions for making remittances easier?—If you use supply bills I do not think it will solve the problem considerably. People generally come from villages. They want to have cash, and it cannot always be possible to pay them in cash. But the present system is going on all right. In such cases supply bills may be used, but the remittance charges must be low as it does not cost much at present to send the money by peons or servants who have to visit mufassil markets for other reasons also.

The Chairman : Would you advocate the reduction of the money-order and postal insurance charges?—That would be very good, and that agency will then be employed much more.

What is the percentage of fees?

Mr. Sah : The percentage is two annas per cent. for insurance and Re. 1 per cent. for money order.

The Chairman : As far as I remember a penny is charged up to a pound in England.

The Witness : If you could do that it will help matters considerably. In that case they might send money by money-order.

The Chairman : There is another thing I have to suggest to you. You know that in our present money-order system you have to fill up a complicated form. In England

you go to the post office and buy something like a cheque. Then you put in the name of the payee and the name of the post office and then the payee can either cash it or endorse it to his bank. Could we not have something like this here?—That will be very good.

Mr. Sah : Then there will be another question. In these mufassil areas the post office will have to keep a large amount of money.

The Chairman : I do not think so.

The Witness : It will be seasonal work. For three or four months only the demand will be heavy. During those months they will have to keep large balances.

The Chairman : Why should you not buy a piece of paper from the post office and thus save the heavy money-order and insurance charges? That would be much better?

Mr. Sah : That would be a great improvement. The question was about sending remittances. This method will solve the problem about sending remittances to mufassil areas.

The Witness : But payment has to be made to villagers and the villagers will not accept them. They generally want cash. That is the trouble. That will be very good for big towns. They will serve as currency notes.

Rai Bahadur Babu Mohan Lal : Villagers will not readily accept them although it will be just like another form of currency note.

The Chairman : It will be just an order to the postmaster to make payment on presentation. It will be like a bearer cheque or a currency note. But at present the charge made for remittances by post is too high.

The Witness : That is certainly the reason why the post office is not used for larger remittances.

The Chairman : Would you agree to the abolition or reduction of stamp duty on *hundis* and pronotes?—*Hundis* are much better than deposit receipts as the former are negotiable. People will prefer to lend on *hundis* if you reduce the stamp duty.

Mr. Sah : You state that the system of cash credit is very rare. What is the system used by commission agents?—There are a large number of *arhatias*, and they are growing up. They generally do not want a large capital in the beginning. They persuade these cultivators to bring their produce to them. Sometimes they advance money.

My question is not that. My question is whether advances by commission agents are made by the book system—book entry?—To whom?

To those people for whom they sell goods.—(*Witness* : Yes.)

Do *arhatias* lend under the *bahi-khata* system?—Everybody keeps accounts of advances in *bahi-khatas*.

That is not exactly cash credit. It may be on the basis of a pronote, or it may be on the basis of an entry in the *bahi-khata*. But it is not exactly the thing done in banks. For instance, you send money regularly to the bank and you draw as much money as you like. That is not cash credit. It is a running account overdrawn.—(*Witness*). For instance, I borrow some money from a bank on my personal security; that is cash credit account—it is credit as well as cash account.

Mr. Sah : What you are speaking of is an overdraft.

The Chairman : Supposing you have Rs. 3,000 and you spend Rs. 3,200. For the time being you have an overdraft of Rs. 200. Cash credit is not quite that. If you have one, you may draw from the bank whether you have got money in your account or not.—(*Witness*) Exaclty. But that system does not prevail here.

Mr. Sah : The system of lending money by commercial moneylenders is on *bahi-khatas*?—It is only on deposit receipts.

The Chairman : Now do you know many moneylenders who would come into the definition of bank, who took deposits?—No, except in Cawnpore, where busines firms are carrying on commercial moneylending; they also receive deposits because they can employ that money. There is always a demand.

MR. SITAL PRASAD.

Now in Cawnpore how many firms would you say there would be of that kind approximately?—Nearly all of them. Two things are combined, trade and moneylending.

How many would take deposits?—All of them will have it when they can get it, because there are chances of employing the money for a better return. Usually they allow a small rate of interest, say 6 per cent.

In other words, the large commercial firm is generally open to take deposits?—Exactly.

That is interesting, because the moment you establish the habit or the custom of taking deposits as a regular thing then you have got a very little way to go to come to the real bank.

Dr. Radhakamal Mukerjee: They would take them from people whom they did not know personally?—Just a little introduction is certainly necessary, otherwise they are not very particular in receiving deposits.

Mr. Sah: Are you of opinion that the commission paid by borrowers should be penalized?—I was referring to the *Rastogis* of Lucknow. It is very bad, indeed. When a man goes to them they take five per cent. for commission, and one or two per cent. for their servants, and other charges. So actually the borrower does not get more than Rs. 93 or Rs. 94 for every hundred. If that is stopped, it will be for the good of everybody.

If that is done, will it not increase the rate of interest?—That is another problem, but the Usurious Loans Act will probably put a check on that.

The Chairman: There is, of course, another point. Quite a large amount of money probably goes to somebody who does not really want it. It goes, for example, to the *palledar* and even to the Deity who does not want it at all.

Dr. Radhakamal Mukerjee: You have just now stated that some of these firms in Cawnpore combine both banking and trading functions. How are they linked with the village grain-dealer?—It is only a certain class of men who are connected, *i.e.*, such commission agents as deal in grain only. Commission agents dealing in cloth and *kirana* are not so connected. It is only persons who deal in grain who finance village grain-dealers.

Mr. Sah: Why not those who deal in *kirana* and cloth?—Because *kirana* and cloth are not imported from villages.

That is lending for goods?—That is a different matter. What I mean to say is that it is only those persons who are in touch with grain merchants who do this business. For instance, the village *bania* or the village trader brings up his produce to the market and sells it at the shop of the commission agent. The commission agent advances him money off and on just to persuade him always to come to him and not to go to another commission agent.

Dr. Radhakamal Mukerjee: Have you seen the agency of these merchant bankers dealing directly with the cultivators in the *mandis*?—Mostly it is with the village traders and village *banias* by whom the produce is brought.

The Chairman: And still less do the exporting firms deal directly with these people?—Not at all.

Dr. Radhakamal Mukerjee: What is the relationship between the big exporting firms and these graindealers?—The exporting firms have to go to the commission agents. The produce is usually brought by the village *bania* to *mandis* and sold to the exporting firms through the commision agents.

In Hethras we have the distinction between *pakka* and *kachcha arhatias*.—(*Witness*) That is everywhere,—a *kachcha arhatia* gets grain from the village and the *pakka* generally purchases it from the former and exports to the sea-port, say Calcutta, Bombay, or Karachi.

The Chairman: The *kachcha arhatia* is the man in subordinate service and the other is in the provincial service!

Dr. Radhakamal Mukerjee: The *pakka arhatia* exports directly, or through some exporting firm? What is his relation to the shipper-buyer?—If the goods are sold direct to Ralli Bros. that is a different matter; otherwise in all towns they send the goods to somebody in Bombay and the Bombay man sends them out to foreign countries.

Their agents are always in these big cities?—Yes, but they do not send their orders to these persons. They purchase goods from the market and export.

The Chairman: The real position is that on the commercial side, the market side, the connexion between one class of dealer and another is very much better marked and much closer than it is on the moneylending side?—Yes. There is absolutely no co-ordination on the moneylending side.

Can you co-ordinate the present system of marketing?—I think the present system of marketing is quite good. There is a certain amount of corruption. For example, they take one to three seers of grain from each cart. I have also come across cases when the commission agents will sell at one rate, say 5 seers per rupee, while they pay the village *bania* at another rate, say 5 seers 4 chattaks per rupee. This is a sort of corruption that goes on. But then it automatically sets itself right, because the thing does not prevail for long and it is bound to come to the notice of everybody when it gets right.

Besides, you cannot condemn Indian marketing on that ground, because it is a thing that you find in every country.

Mr. Sah: There are certain charges, *i.e.*, in the market, *dharmala*, *jhari*, *taulai*, etc.?—That is a different matter. Nobody grudges *taulai*, and the amount is trifling.

It amounts to a lot.—(*Witness*) Some of these expenses are absolutely necessary. They cannot be done away with. *Taulai*, for instance. That is all that the commission agent gets.

The commission agent gets *jhari*: *taulai* goes to the weighmen?—Generally in Cawnpore they charge one pice per rupee, that is exactly what he gets as commission.

The Chairman: I would like to point out that we are taking the witness outside his beat because he has not given any evidence on that point. You talk about all these abuses, these odd charges that you have got to give to odd sorts of people. Might I point out that precisely the same thing happens in any country that I am acquainted with. In France if you go to a hotel to order a meal you have got to give 10 per cent. to the waiter. There you tip your waiter; here you tip your *palledar*.

Dr. Radhakamal Mukerjee: In what direction do you think the organisation of marketing can be improved?—No agency from outside can remove such abuses. For instance, in Cawnpore a sort of illegal charge was levied on cloth. Then the purchaser found that he bought his cloth much dearer in Cawnpore than if he were to import it from outside—from Ahmedabad. When the traders began to lose they sat together and decided to stop this practice. These abuses are peculiar to particular *mandis* and they can only be corrected by the people themselves. No outside agency can improve these things.

Turning to the general question of the organisation of marketing, are there difficulties in co-ordination as between the different intermediaries?—No change is necessary. I think the present system is going on very smoothly. I do not see how you can improve it. I know, for instance, the rate of commission is much lower than what the English firms generally charge.

In organised marketing I suggest there would not be much difference as between the price of grain in a village and the price of grain in Cawnpore?—You must leave some margin for the man who brings the grain from the village to Cawnpore, otherwise he will not bring it.

Apart from this there are certain profits which are made by the intermediaries?—They may be speculative profits which can be made by anybody.

Rai Bahadur Babu Mohan Lal: In the case of agriculturists they have to depend solely on the village moneylender. How would you improve this?—You mean to say there is no competition in the villages?

There is no true information. The poor people know nothing.—(*Witness*) Round about Cawnpore you can go to any big village and you will find that the people are well aware of market rates.

I am not speaking only of Cawnpore, but of the mufassil *mandis*.—(*Witness*) Take Hardoi. You mean to say that outside a radius of 10 or 12 miles of Hardoi nobody knows at what price wheat is selling at Hardoi?

These Chamars and Pasis do not know the approximate rates.—(*Witness*) In villages situated in outlying areas, and where there is no competition among the village traders, they may not know. In the big villages generally there are more traders than one, and they know exactly what the rate is. So a thing like this can only go on when there is only one village *bania* to sell to whom everyone has to go.

The Chairman : May I point out another consideration there? In the village the *bania* takes from the tenant who is selling his grain. He will sell it to him, we will say, at 10 seers. The ruling price in the market is better than that. Hasn't the tenant only got to take his grain to the market to get the market price? And, further, would not the tenant spend all the money he got by taking it to the market in getting it there?—I think he will never sell it at the rate of 10 seers if the market rate is much less.

Whatever it may be, my point is the village rate offered by the *bania* to the cultivator will never be the same as the market rate. He has got to allow for some margin. —(*Witness*) Certainly, I have already said there must be some margin.

And, therefore, he will never pay the same price in the village as in the market?—No, never. You probably know that there are weekly or bi-weekly markets always within a radius of four or five miles. It is there that many *banias* attend and correct market rates are known to the villagers.

Quite apart from that, is not the remedy in the hands of the cultivators themselves? Have not they only got to take it to the market to get the real price?

Dr. Radhakamal Mukerjee : You know that in Bihar and Bombay we have got co-operative marketing of cotton. The success of co-operative sale simply lay in this, that the profits made by the middlemen were eliminated.—(*Witness*) But to whom do they sell?

They organise wholesale co-operative societies and the wholesale societies have their sale depôts. They sell not to the *arhatias* or village buyers, but to these.—(*Witness*) I do not know how it could improve matters, because what is going on at present is on competitive lines. For instance, when a man brings his cotton in the Cawnpore market, there are so many buyers that he gets the best rate.

The Chairman : What my friend is really driving at is that he wants to eliminate the middleman. Every philanthropist in the world has tried to eliminate the middleman but they have not succeeded.

Dr. Radhakamal Mukerjee : Instead of the middlemen we have co-operative societies.—(*Witness*) For instance, take the case of cotton. What goes on at present is that there are certain merchants who buy cotton from the cultivator or from the village *bania* who brings cotton to the market. It is in a raw condition. It is ginned and pressed into bales, and supplied to the local cotton mills. You do not mean to say that the mills will set up their own buying agencies? They will not do that because the establishment they will have to maintain will probably cost them a great deal.

These co-operative societies have got nothing to do with the mill class,—(*Witness*) If you were to eliminate the middlemen that will mean that the cotton mills will purchase direct from the *banias*.

That is what they do in Calcutta along the banks of the Hooghly. The jute mills are buying from the co-operative societies.—(*Witness*) Probably jute is brought to the mills.

No. The *arhatias* buy direct from the societies, so that the profits of the cultivators are not dissipated.—(*Witness*) I do not think that it will make much difference because you seem to think that the middleman takes away a very large share. I do not think so, otherwise you would have so many of them cropping up. There is keen competition everywhere in the country.

Moreover, you would agree that a co-operative marketing society would make available information as regards the prices in the various markets?—The price of cotton is well known in Cawnpore; even New York and Liverpool prices are well known there from day to day.

Are they well known to the peasants in outlying villages?—They are well known to middlemen. They are well known to the consumers.

Rai Bahadur Babu Mohan Lal:—You do not consider, in the first place, that there is any defect in the present system and you cannot suggest any better method?—I think the present method is the cheapest and the best.

The Chairman: I am inclined to agree with him. They have got the remedy in their own hands. They have only got to put the stuff on their own heads and carry it to the market.

The Witness: If you leave them in their present state nothing can improve them. If they were to bring the goods to the Cawnpore market they will probably be robbed of all their produce. So that would not improve matters.

Dr. Radhakamal Mukerjee: Co-operative marketing is really educated marketing. So co-operative marketing would be the next substitute and a better substitute?—I have not had very good experience of co-operative banks.

Rai Bahadur Babu Mohan Lal: In what way would you suggest they should be educated? In the three R's?—Yes, that is absolutely necessary. At present our difficulty is that they cannot read or derive any benefit from newspapers.

Mr. Sah: How would you co-ordinate the various credit agencies?—I know of certain firms in Lucknow who generally deal with smaller pawn-brokers. The latter have a small capital and advance it on the security of ornaments.

How would you arrive at a better co-ordination between the various credit organisations?—It is only a question of confidence. A man who is dealing only with tenants and advances them money at high rates of interest is not trusted, as a rule, by the town moneylender. There is no co-ordination.

Cannot you think of some way of linking up these village mneylenders, from the Imperial Bank down to the village banker?—The Imperial Bank, I know, will never advance money to town moneylenders and they cannot, because the Imperial Bank and every other joint-stock bank has to meet the demands of the traders, which are for a short term only. So that the banks can always be sure of getting back their money after six months or so. In the case of indigenous bankers you do not know exactly when the money will come back. I know, for instance, that the Allahabad Bank took to advancing money to *taluqdars* in Lucknow, but it had awful difficulty in getting it back. Now if the Imperial Bank were to advance money to town moneylenders, they would naturally advance it to *zamindars* on long terms. Moneylenders do not know when their money is likely to return, and so they do not know when they will be able to pay the Imperial Bank. It is possible for the Imperial Bank to advance money to the commercial moneylenders because the commercial moneylender usually gets back his money after two or three months. But it cannot advance money to town moneylenders. I have classified moneylenders into three classes—the rural, town and commercial moneylenders. The Imperial Bank and every joint-stock bank can advance to commercial, but not to town moneylenders. Nor do I think it feasible.

The Chairman: Your real point is that in the matter of short-term credit there is no difficulty in linking it up, but the moment you introduce long-term there is difficulty?

Mr. Sah: So co-ordination would be possible in the matter of short-term.

The Chairman: He has given us the answer to that. Credit confidence, and, if there is confidence, there is no reason why you should not link them up. At present there is no confidence.

Mr. Sah: How would you increase confidence?—In my opinion we should try to improve the co-operative banks, or set up a sort of provincial banks, well-managed and dealing entirely with town moneylenders and not caring for the demands of the traders, because the latter can look up to the Imperial Bank and other banks. Such banks can afford to advance long-term loans because they have not got to meet the urgent demands of the traders. No bank can afford to deal both with traders and town moneylenders. If it attempted to do so it may find itself in an awkward position at any time.

Is there any *hundi* committee in Cawnpore?—I have not come across it.

The function of a *hundi* committee, I take it, is to issue certificates that the *hundi* has been dishonoured. They are a sort of notary public?—There is one notary public.

Now with regard to *kapra* and *kirana* associations, do they exercise any influence over the money market?—None in my opinion.

Do these figures that you have given here exclude incomes below Rs. 2,000?—These figures I have worked out from my assessment records. So I have not taken into account persons who are not assessed to income.

The Chairman : I want to ask one last question. These figures, of course, only deal with incomes down to Rs. 2,000.—(*Witness*) Rs. 2,000 and above.

Well, now you remember, within the last 25 years the maximum limit was Rs. 500, and after that it was Rs. 1,000. Now it seems to me that if we could get hold of similar figures as those for the years in which the limit was Rs. 500 or Rs. 1,000 we may possibly be able to apply them to the present age?—The records have all been destroyed.

Still there may be a certain amount of information. They would not have destroyed the annual or triennial reports. They might be there.—(*Witness*) But then you want information only about moneylenders. I do not know if it would be possible to get it.

I was wondering whether it was possible to discover what the amount of interest was for incomes under Rs. 2,000.—(*Witness*) We have no records whatsoever. It may possibly be in the annual reports or the District Gazetteer. The District Gazetteer does not give interest income separately so far as I know. It gives business income only.

Mr. Sah : You suggest legislation prohibiting the Kabuli from dealing in moneylending business?—They are disgraceful fellows, because it is the most needy who go to them, and they recover the money by force. It would be difficult for anybody to resist him. There are many private servants who borrow from them. They know they won't get money from any other banker or moneylender and they generally borrow from the Kabulis.

(The Chairman thanked the witness, who withdrew.)

Khan Sahib Saiyid ALI HASAN, B.A., Income-tax Officer, Fyzabad.

Replies to the questionnaire.

II.—INDIGENOUS BANKING.

A.—Organisation of indigenous banking.

Question 1.—Only one class of indigenous banker is found in my circle.

They advance loans on bonds, pro-notes and *khatas*.

Almost 99 per cent. of bankers in this circle combine business or agriculture with banking, the latter being a subsidiary business. The reason is that the area comprised within this circle is wholly agricultural.

Question 2.—The bankers in rural areas advance loans mostly to agriculturists, and also to small traders and sugar refiners. In urban areas, however, the bankers advance loans to small traders and those who carry on industries on a small scale. They advance mostly on pronote and *khatas* and seldom on bonds and *hundis*.

Question 3.—A rough estimate of the capital of indigenous bankers in my district is :—

	Rs.
Rural	16,91,000
Urban	32,29,000
	49,20,000

Their expenses would be :—

Rural 1 per cent. of the interest.

Urban 2 per cent. realised.

The average return is between 9 and 10 per cent. net on the capital invested.

Question 5.—The bankers either keep accounts on the mercantile accountancy or single-entry cash system. In the former case they maintain at least two records, *i.e.*, (*i*) a *Roznamcha* (in which they enter daily transactions which is closed every evening), (*ii*) a *khata* (ledger). In the latter the loans are noted in chronological order with payments against them in one and the same record daily.

B.—Raising of funds by indigenous bankers.

Question 1.—Pronotes and *khatas* are more in vogue than *hundis* and bonds.

Question 2.—Indigenous bankers provide themselves with funds by saving from other sources of income. They very seldom borrow capital for investment.

Practically speaking they obtain no assistance from the Imperial Bank of India and joint-stock banks when they are in need of funds.

Question 3.—There is only one banker at Fyzabad who receives deposits on twelve months' notice of withdrawal at a uniform rate of Rs. 6 per cent.

C.—Advances by indigenous bankers.

Question 1.—Indigenous bankers advance the required loan on hand notes, *khata*, or in some cases on bonds. There are a few bankers in my circle who deduct interest for one month beforehand out of the loan advanced.

In cases of small loans the rates vary from 12 to 20 per cent. per annum.

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In cases of hand notes and *khata* no security is demanded. The creditor depends on the personal credit of the debtor. When, however, the loans are advanced on bonds, landed property, proprietory holding or house property are accepted in security, and, in exceptional cases, the agricultural holding since the latter is non-transferable under the law for the time being in force.

The rate of interest is from 10 to 20 per cent. per annum. In case of small loans the rate of interest is higher than for big loans.

Question 2.—The agriculturist has to pay the indigenous banker from 12 to 20 per cent. per annum, either in cash or in kind, but no other charges.

It is possible to improve the organisation of banking by opening rural banks or other agencies like co-operative societies, which can advance loans on a lower rate of interest, and thus compete with the indigenous bankers.

By this I think the agriculturist will be benefitted, and the village moneylender will not be able to intercept the benefit.

Question 3.—The clients of bankers have no difficulty in inspecting their accounts. The banker shows the account or gives an extract from its ledger when the client requires the same.

F.—Co-ordination.

Question 1.—There is only one class of indigenous banker here, and there is no complaint. They are indifferent to each other.

The co-operative banks are not appreciated by indigenous bankers. The former are regarded by the latter as their rivals.

Question 2.—As far as is known to me no co-ordination exists between indigenous bankers and other banks in the provision of credit to trade and industry generally.

For better co-ordination, I prefer co-operative or rural banks under the control of the State, particularly for the benefit of the agriculturists, with branches in important towns and villages.

G.—Consolidation of indigenous banks.

Question 1.—To consolidate and improve the indigenous banking system, I would suggest starting a provincial banking association with branches in important trade centres.

Question 2.—Indigenous banks would secure an increased clientèle if they were recognised by Government.

The conditions of such recognition should be that a banker's association be founded in each district which should be registered under the Companies Act. Its branches should be opened in big villages.

A maximum rate of interest should be fixed in the case of loans advanced for improvement of agriculture and industries only.

Question 2A.—I do not think the licensed or registered moneylender would remove the difficulty as long as the statutory law stands unaltered, since 80 per cent. of the population of this circle is dependent directly or indirectly on agriculture or industry. The best thing under the circumstances would be to start rural banks, or create bankers' associations to help the agriculturists and those engaged in industry in the rural areas with small loans at a low rate of interest, so that they may escape the clutches of the usurers. If there be any difficulty in creating such agency co-operative societies should be encouraged to take up this work. The loans should be advanced for productive purposes only.

Question 3.—Indigenous bankers would not like the disclosure of their financial condition.

Question 4.—In rural areas money is idle in the hands of indigenous bankers a short time after the harvesting of *rabi* and *kharif* crops and before sowing, to the extent of 20 per cent. of their investments, and it is kept idle.

If new industries are started in which the rural banker has confidence these funds will find remunerative employment.

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Question 5.—The indigenous banking system in my locality is in no way connected with the money markets, but such connection seems desirable.

For this connection I prefer the establishment of branches of joint-stock banks in every district with branches in important villages.

I believe that such joint-stock banks will have a wholesome effect on indigenous bankers. The people will have more confidence in a joint-stock bank than in a single individual.

It should be made a condition of the recognition that the bank should keep a portion of its capital for investment in the branches.

I do not think there will be any difficulty in the case of a single Hindu joint family being proprietors of an indigenous bank. Such instances are met with in which two or more joint Hindu families carry on business jointly.

There is no danger of undue competition between such combinations.

The joint-stock bank would be able to attract enough business to make its establishment profitable.

It is desirable that a Central Reserve Bank be established, with which indigenous banks should be linked through a joint-stock bank.

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

The views expressed by the Royal Commission are quite sound. The following are some difficulties which a creditor has to face in connexion with the realisation of loans :—

(*i*) As soon as the loan matures, the creditor presses for payment and the debtor seeks the advice of a lawyer to evade payment, if possible, by finding any loop-hole in the terms of the contract. This is invariably done in case of loans advanced at a high rate of interest.

(*ii*) When the debtor is sued by the creditor, the court has powers to interfere under the Usurious Loans Act.

(*iii*) Proceedings in a civil court are often very tedious and entail much trouble and expense, so much so that, in cases of petty loans, the latter are absorbed by costs of the suit.

(*iv*) Even if the creditor is fortunate in obtaining a decree, his difficulties are still not over, as the procedure is very elaborate. He has further to apply to the court for making his decree absolute within three years of the original decree. In case he fails, the decree is barred by limitation and dead beyond remedy. In case the decree is made absolute he has to apply for execution of decree and attachment of the judgment debtor's property. This involves a regular tug-of-war between the creditor and the debtor.

Two remedies in this connection suggest themselves to me :

(*a*) There should be a maximum limit of rate of interest beyond which the court should not interfere, and the Usurious Loans Act should be so far amended.

(*b*) The procedure of the decree should be simplified. The intermediate proceedings of applying for making the decree absolute should be done away with, as was the case before enactment of the Civil Procedure Code in force at present.

KHAN SAHIB SAIYID ALI HASAN.

Thakur KANHAIYA SINGH, B.A., Income-tax Officer, Jhansi.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist in Jhansi district mainly borrows money from the village moneylenders. The tenants of villages near about towns borrow money from the town moneylenders. The co-operative movement in this district is yet in its infancy. It exists only in about 24 villages. The agriculturist makes use of it. He willingly borrows money from Government in the shape of *taqavi* whenever offered.

In Jalaun district, where activities of the co-operative movement are far advanced, the agriculturist first tries to borrow money from the co-operative societies. When he is refused, he goes to the village moneylender or the town moneylender.

He generally borrows in this district to meet his own expenses at time of famine. This district mainly depends for its agriculture on rain, which is generally short of the average. Repayment of earlier debts and accumulated interest is another necessity for which the agriculturist has to borrow. Agricultural improvement does not count much with the agriculturist of this district. He borrows money for the purchase of cattle, payment of land revenue or rent, seed and subsistence, marriage and other social functions also, but the amount borrowed for these purposes falls far short of the one borrowed for his own expenses in distress, repayment of earlier debts and payment of accumulated interest.

The debt is generally distributed 60 per cent. to meet his personal requirements at the time of distress, 35 per cent. to pay up earlier debts and accumulated interest, and 5 per cent. for other purposes.

The proportion of the debt is 85 per cent. from village moneylenders, 5 per cent. from town moneylenders and the rest from Government and co-operative societies.

The proportion between cash and grain debts is 70 to 30 per cent.

Of the grain advances the whole of it is taken for short periods, because grain advanced in October and November is to be realized in March and April, and grain advanced in the rains is to be realized in the month of December. Of the cash advance 25 per cent. consists of petty loans which are to be realized on monthly, quarterly and six-monthly rates. The rest is for long periods.

Question 2.—The general rate of interest for cash advances varies from 24 per cent. to 37½ per cent. Punjabis, who advance money to railway employees and low-caste people, charge an interest of one to four annas a rupee per month. The agriculturist also borrows from these Punjabis at the same rate. For loans in kind for seed, the rate is 25 per cent. This is well known as the *sawai* system.

For grain taken for consumption the rate is also 25 per cent., but the practice is that if grain sells at 9 seers a rupee, they will advance at 8 to 8½ seers. This grain will again be converted into money and the creditor will take grain from the debtor at the harvest time at the rate prevailing at that time.

The methods of calculating the rate of interest are generally simple interest, but in most cases (in almost all cases) of mortgage-deeds compound interest is levied. In the *qist* system the interest is taken at the time of advancing the loan, and the money advanced is realized in the next following months. Then again there is the *miti* system or *ank* system, which is adopted by the business-men in general.

The rate of interest appears to be exorbitant, but owing to the operation of the Bundelkhand Land Alienation Act there is very little security to the creditor.

In Jhansi city and in Lalitpur tahsil the moneylenders generally deduct one anna per rupee at the time of making the advance. Even after the advance of the loans the moneylenders claim, as a matter of right, carts free and fodder, milk, *ghi* at a cheaper rate.

Question 3.—The usual kinds of security are standing crops only because the village moneylender is generally a Vaish, who is a non-agriculturist and thus cannot get the

zamindari property under the Act mentioned from the borrower, who is generally an agriculturist. If the agriculturist borrows money from a man of the agriculturist class, he can mortgage his land as well.

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

Question 4.—A moneylender of the Vaish community realizes money by filing a suit and executing a decree. *Zamindars* and Punjabis, on the other hand, realize most of the debts by adopting coercive measures. Seeing the utility of force some moneylenders of the Vaish community have begun to employ sweepers and *Pathans*.

Moneylenders also adopt the crooked method of taking thumb-impressions or signatures of the debtors on blank pronotes. They threaten the debtors that if they do not make the payments, they will be sued for any amount.

In Gorakhpur district there is a *Hariya* class, which employs the *dharma* system in realizing the interest of six annas a rupee. They employ several men who go in a body to different villages and lie at the door of the debtor and do not stir or take their food unless the debtor clears off the debt.

There is always a difference between the market rate and the rate at which the cultivator borrows grain, and this difference is to the disadvantage of the borrower. The cultivator cannot ascertain the prevailing market rate from time to time. This can be done if a branch of the co-operative society is established in almost all the localities, and the society takes upon itself the duty of broadcasting the rates. This could also be done through the agency of the schoolmasters, if the village schools were supplied with papers containing the rates.

Question 5.—The cultivator tries to take advantage of both the Agriculturist Loans Act and the Land Improvement Act. He borrows *taqavi* freely, but most of the money goes to pay the earlier debts. It is very seldom used for the purposes for which it is taken.

The pressure of his creditors keeps the cultivator from borrowing *taqavi* more freely.

In abnormal years *taqavi* is never sufficient.

Since the time the deputy collectors have taken it upon themselves to distribute *taqavi* in their presence there appears to be no defect in the distribution, but if the *taqavi* is to reach only those persons who are really in need of it, it is absolutely necessary that a body should be formed in each village, which must consist of a representative from each class, and this body should draw a list of the persons, which may be scrutinized by the qanungo. The names left out by him should be scrutinized by the sub-divisional officer. In this connection special care should be taken to see that the money is spent on the purposes for which it is advanced. It may be suggested here that if *taqavi* is advanced for seed purposes, it might be advanced in kind through the Agricultural department.

Question 6.—Cultivators do not combine in this district to produce particular crops, and such combination is not possible owing to the extreme backwardness of the people of this part.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The crops are brought invariably to the market by carts and camels If the crop is used for domestic consumption, nothing is deducted for dust, etc. If it is to be sold in the market, they charge something for dust and dryage, etc.

Question 2.—Grain merchants generally finance the marketing of crops. If they advance the money before the crops are ready, they get the grain at a cheaper rate. If they give it on seeing the crops, the only condition is that the tenant has to supply them the grain at the then prevailing rates.

The co-operative society in this district is still in its infancy. It does not assist in the marketing of crops. If it begins to assist, it will be a great advantage to the village cultivator.

Question 3.—The cultivator has to pay six pies a rupee as weighman's dues, and sells at 4 chhataks per rupee below the market rate when he sells his grain to the local moneylender.

He cannot take his crop to the commission agent because commission agents generally live in cities, and the municipality has enacted that all the grain must pass through weighmen.

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The *dalal* does not get anything because *dalals* work only in *pakki arhat*.

The wholesale merchant has to take grain from the cultivator through weighmen. Following are the incidental charges if a cart carries a load of 16 maunds :—

4 chhataks for servants,
4 chhataks for sweeper,
4 chhataks for *pasariyai*,
20 chhataks for temples,
2 chhataks per maund for *palledari*,
2 seers per cart for weighmen,
6 chhataks per maund for dust,
4 chhataks per cart for sample,
4 annas per cent. for *note-batta*,

i.e., if *juar* sells at 10 seers a rupee, a cart will contain *juar* worth Rs. 64 or 16 maunds. The charges that the cultivator has to pay on Rs. 64 amount to Re. 1-6-1 or about 4½ pies per rupee. There is a tendency to impose further incidental charges on the crop.

Question 4.—The cultivator stores his grain in *khattis*.

In markets grain is stored in *kothas*.

The store-house should invariably be air-tight and free from the danger of insects.

Question 5.—The grain stored in markets is very often used as security for obtaining credit if the grain-dealer does his business mostly with borrowed capital.

Question 6.—I do not think that the system of warehouses, like that in the United States of America, could be worked in India.

Part C.—Extent and nature of agricultural indebtedness.

Queston 1.—There is a village Dhobia Nala in Jhansi district. It contains 34 tenants who have borrowed Rs. 4,550 from various creditors. Here the indebtedness per tenant comes to Rs. 134. There is another village Hasari : 33 tenants have borrowed Rs. 1,750 from co-operative societies. This comes to about Rs. 53 per tenant. Each tenant has borrowed about Rs. 50 from others. Thus the average indebtedness here is Rs. 103 per head. It can safely be said that the average indebtedness of a tenant is Rs. 125 per head.

Question 3.— In Sitapur district land and the rights in land have already passed and are passing in a marked degree from possession of people who are efficient farmers, into the hands of the creditors, who are not themselves so. This causes the cultivator to produce less or less efficiently.

The moneylender being himself ignorant of cultivation, the tenants do not get the same support.

Part F.—Co-operation.

Question 1.—The relations between the co-operative banks and the Imperial Bank of India and the joint-stock banks do not require any comment. Indigenous bankers, on the other hand, are hostile towards the co-operative movement.

Question 2.—Co-operative societies have no special difficulties in raising either short or long-term capital.

Question 3.—The amount of capital available for financing the co-operative movement is sufficient. But if the municipal boards' and district boards' provident funds and such other accounts were placed in the co-operative bank, they might prove of immense help to it. There are often minor accounts or suspense accounts with judges. If such money could be placed with the co-operative bank, it could help its cause.

Question 4.—It is possible to stimulate the growth of the co-operative movement by financial concessions, and such action is desirable.

Question 5.—The establishment of the provincial co-operative bank would stimulate the co-operative movement in the provinces.

Part G.—Small industries allied to agriculture.

Question 1.—There is a cotton ginning mill on a small scale in Mau, district Jhansi, and another in Kalpi, district Jalaun, and a small oil-mill in Lalitpur. Catechu is also produced on a fair scale in this district.

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Question 2.—The cotton ginning mill does not get sufficient raw materials. The cotton ginning mill at Kalpi is doing quite well. The oil mill at Lalitpur does not get sufficient oil seeds.

Question 3.—Jhansi contains a lot of *babul* and *palas* trees. Tenants could earn a lot if they were taught to produce gum and lac from them. The Forest department is doing something towards the production of lac in Lalitpur.

Such enterprise requires Government help and very little capital.

Part H.—Small urban industries.

Question 1.—A cement pipe industry is financed by an individual himself. So far as the oil and *kharwa* industries are concerned, they are financed by the merchants.

The artisans, so far as oil is concerned, get raw materials from the interior. Sometimes the merchants supply them with raw materials. So far as *kharwa* is concerned, the merchants supply them with yarn, colour, etc.

Their wares are disposed of by the merchants. There is a very extensive market for *kharwa* and *kasbi* of Mau and Ranipur in Calcutta.

Part J.—Internal remittance and negotiable instruments.

Question 1.—The facilities available to the public for internal remittance are (i) money-orders, (ii) telegraphic money-orders, (iii) bills of exchange, (iv) cash orders, (v) banker's draft, (vi) insurance.

There are no defects in the present system.

Question 2.—Negotiable instruments save time and expense. The risk of taking money from one place to another vanishes if they are used.

Question 4.—Bills of exchange are already in extensive use.

Question 6.—Only bills of exchange (*hundis*) payable on demand are current in this district.

Hundis pass freely from hand to hand. Those of this district are discounted only in this district.

Question 7.—It is possible to borrow money during the process of marketing against railway receipts.

II.—INDIGENOUS BANKING.

A.—Organisation of indigenous banking.

Question 1.—There are four classes of indigenous bankers in this district—

(1) *Punjabis or Kabuli moneylenders.*—Nearly all of them live in the city and they advance money mostly to railway employees and also to villagers. The rate of interest charged by these people varies from 75 to 300 per cent. The average is 187½ per cent.

(2) The middleclass moneylender, who does other business also besides moneylending.

(3) High class bankers. The number under this head is very limited. The customers generally are those people who are generally engaged in some businesss or other.

(4) The village moneylender. His customer is generally the village agriculturist.

As stated above class (2) is a class of indigenous bankers who combine other business with moneylending. Banking is a subsidiary business of this class.

Question 2.—(i) Agriculture.—No prominent part is played by indigenous bankers in financing agriculture because in this district it is carried on on very crude methods and does not require any capital (the question of famine years is quite different). However, when any help is required, it is given by the village moneylender.

(ii) Trade is financed by high class bankers on reasonable rates of interest.

(iii) Some of the industries are financed by the individual owners, while oil, carpets and *kharwa* industries are financed by the middleclass moneylender.

Methods.—The village moneylender loans out money or grain to the agriculturist at rates varying from 24 per cent. to 37½ per cent. and realizes the money or grain when the harvest is ready. For trade purposes the money is advanced at rates varying

from Rs. 9-6 per cent. to 15 per cent. So far as industry is concerned, the middleclass moneylender provides the raw material and pays their charges. If he advances money for the purchase of raw material and if the artisan cannot supply the goods, he has to pay interest at rates varying from 24 to 37½ per cent.

Question 3.—It is possible to arrive at an estimate of the resources of the indigenous bankers, but this estimate would duly be an approximate one.

The capital of each class is shown below—

(*A*) *Jhansi district.*

	Rs.
(1) Punjabis	10,000
(2) Middleclass moneylenders	10,00,000
(3) High class moneylenders	30,00,000
(4) Village moneylenders	20,00,000

(*B*) *Jalaun district.*

(1) Punjabis	Do not exist.
(2) Middle and (3) high class moneylenders	20,00,000
(4) Village moneylenders	10,00,000

Question 3.—The volume of their business is 2 crores of rupees in Jhansi and 90 lakhs of rupees in Jalaun.

Their expenses in towns—10 to 15 per cent.
In the interior—5 to 10 per cent. of the income.
Kabulis—2 per cent.

Expenses, bad debts and foreclosures depend upon the locality, influence of the creditor, crops, investments and methods of realizations. Hence any average will be only guess work.

Question 4.—There are no financial houses in the province dealing solely in the provision of credit facilities similar to the Chettis of Madras, etc., because the volume of work is not sufficient even to meet expenses.

Question 5.—Where bankers keep up to date accounts, they either keep them on the cash basis system or on the mercantile system. But in the interior pronotes and documents form the accounts in most cases. In others they maintain ledger books, in which the personal accounts of the debtors appear. These ledger accounts can be used for several years. They are generally not renewed unless the books are finished. They calculate interest on the personal accounts. When the books are renewed, the balances are seldom carried forward. Very few moneylenders prepare balance sheets.

B.—Raising of funds by indigenous bankers.

Question 1.—Only *hundis* payable on demand are prevalent. Since the time when the postage stamps required on *mudati hundis* were raised from one anna to one anna six pies they are not visible in the market.

Deposit receipts are never given.

Question 2.—Indigenous bankers provide themselves with funds from other fellow bankers. They do not get any help from the Imperial Bank of India and the joint-stock banks.

Question 3.—Deposits received by indigenous bankers are very few. They allow interest from 6 to 9 per cent. These rates vary at different times. At harvest time the rates go higher.

C.—Advances by indigenous bankers.

Question 1.—Mostly indigenous bankers advance money on the condition that it is payable on demand. In villages, crops, ornaments, houses or personal security is accepted. In towns, grain, houses, ornaments, or personal security is accepted. Where money is loaned out for business purposes, the rate of interest is about 12 to 15 per cent.

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Question 2.—It is very difficult to improve the organisation of banking in such a way as to reduce the present rates of interest. Any reduction would benefit the agricultural community.

Question 3.—Clients of bankers have no facilities in inspecting their accounts with them. In the first place they do not understand the system adopted by the bankers, and, secondly, they are illiterate.

D.—Exchange and money market.

Question 2.—In the market all the *hundis* pass through brokers (*dalals*). They get 4½ pies per cent.

Question 3.—If sufficient number of *hundis* are available, they are sold at a discount of 2 annas to 4 annas per cent. When they are not available, they are sold at a premium of 2 annas to 4 annas per cent.

These rates vary with the season. In the rainy season the rates go down because money is not required at that time. Generally, the bank rate does not affect the bazar rate and *vice versâ*. In the grain season the bank checks the market rate of interest from going up because grain-dealers could borrow money from the bank against ornaments and grain.

E.—Defects of indigenous banking.

Question 1.—Indigenous bankers are not popular.

Question 2.—Bankers experience difficulties in carrying on their business because of the Bundelkhand Land Alienation Act and the Provincial Insolvency Act.

Question 3.—Indigenous bankers are sufficiently protected in law.

Question 4.—Leaving aside the question of high class bankers and middleclass bankers, the dealings of indigenous bankers are full of defects. If their accounts are audited, most of the defects could be removed.

Question 5.—Indigenous bankers are able to meet all acceptable demands. If they refuse any demand, it is not on account of want of capital, but because they want a higher rate of interest.

F.—Co-ordination.

Question 1.— Indigenous bankers of the same class are seldom on good terms.

Indigenous bankers of different classes are not in touch with one another, and no relation exists between them and the Imperial Bank of India and the joint-stock banks. There is no industrial bank here. Indigenous bankers are hostile towards co-operative banks.

The Imperial Bank of India and the Allahabad Bank do not give any preferential treatment to the indigenous bankers.

Question 2.—No co-ordination exists between indigenous bankers and other banks in the provision of credit to trade and industry generally.

The establishment of a provincial bankers' association will be very useful in the long run.

G.—Consolidation of indigenous banks.

Question 1.—In the present state of affairs no suggestion for consolidating and improving the indigenous banking system can be made.

Question 2.—Indigenous banks would not secure an increased clientèle if they were recognised by Government in the same way as certain joint-stock banks are recognised.

Question 3.—Indigenous bankers will be up against the introduction of measures designed to regulate their operations and enforce the publication of their balance sheets.

Question 4.—Most of the money of the indigenous bankers remains idle in the rainy season. In this circle this money lies with them. Sometimes it is concentrated in important trade centres, such as Bombay and Calcutta.

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Question 5.—It is not possible to create connexion between the indigenous banking system and the principal money markets. The two local banks are sufficient for this district

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.—Encouragement of saving and investment habit.

Question 1.—The existing banking resources of the district are the Imperial Bank of India and the Allahabad Bank.

They are adequate.

Question 2.—The existing means or institutions for encouraging the habits of saving and investment are—(i) fixed deposits, (ii) saving bank account, (iii) post office savings bank account, (iv) cash certificates, (v) war bonds, (vi) government promissory notes, and (vii) shares.

They provide full facilities to the public for the investment of their savings.

Question 3.—The people of my locality are in the habit of investing in gold and silver.

Question 4.—Postal cash certificates are popular among the literate people. They will become more popular if the rate of interest is revised.

Question 5.—Post Office savings banks afford adequate facilities to the investing public.

It is generally the literate people who take advantage of the various facilities for investment offered by the post office.

Question 9.—All possible facilities for purchase and sale of government securities are given by Government, the Imperial Bank of India and Allahabad Bank by notifications.

Small agriculturists will invariably decline to invest money in government securities.

Question 11.—Various classes of people in this district keep their surplus money in hoards underground. They take it out only in emergency.

Question 12.—In prosperous years the farmers invest their surplus in ornaments, houses, cattle, etc. They lend money to fellow agriculturists also on rates prevailing in the village.

Question 13.—In India the banking and investment habit is of a very slow growth. This is due to illiteracy. People should be educated to invest their savings in productive undertakings through co-operative societies and village schools and *patwaris*.

B.—Cheque Habit.

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

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

Question 3.—Literate people use cheques.

Question 4.—The cheque habit will be promoted if government servants and bank employees above Rs. 100 are paid in cheques.

Post Offices should not open cheque accounts.

Question 5.—Illiterate persons can learn to write their names. In such a case the cheque will be written by others and the illiterate person will have to put his signature to it.

C.—Vernacular scripts in banking.

The use of Nagri script can be best recommended because it can be written and read with facility by nearly all the bankers.

D.—Imperial Bank of India.

The opening in recent years of new branches of the Imperial Bank of India has encouraged the investment habit. It has done very little towards the promotion of internal trade and industry. It has hampered, to a great extent, the indigenous banking system. It has done nothing to increase facilities for agricultural credit.

(For oral evidence see pages 330—336).

THAKUR KANHAIYA SINGH.

ORAL EVIDENCE.

January 24, 1930.

LUCKNOW.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C.	*Chairman.*
RAI BAHADUR PANDIT G. S. UPADHYA, B.A.	*Members.*
MR. MOHAN LAL SAH, M.A., LL.B.	
DR. RADHAKAMAL MUKERJEE, M.A., PH.D.	
DR. L. C. JAIN, M.A., LL.B., PH.D.	*Secretary.*

(*Witness : THAKUR KANHAIYA SINGH, B.A., Income-tax Officer, Jhansi.*)

The Chairman : I WANT to thank you first for the very useful evidence you have given us in writing. I want you to understand that in asking these questions we are not in any way attempting to cross-examine. What we want is either to obtain further knowledge from you or ask you to explain statements which you have actually made yourself and which we do not fully understand. We will start with agricultural borrowings for purposes of production.

The question I want to ask you is this. When I was in Banda in 1907 during the famine, the Bundelkhand Land Alienation Act had just been passed a year or two before and at that time it looked very much as if the effect of that Act was going to be to kill the ordinary village *mahajan*. I remember very well that after the rains had come and money was wanted for weeding, we could not get any. No *mahajan* would lend it and I had to apply to Government to give me half a lakh of rupees for *taqavi* so as to meet the expenses of weeding. In your experience what is the situation now? Have the moneylenders, so to speak, revived or are they still more or less in abeyance?—The Bundelkhand Land Alienation Act has not touched the tenants at all, but, so far as the petty *zamindars* are concerned, they do not get credit at the rates at which they could get it if they could dispose of their lands, because the *mahajan* in the long run aims at the acquisition of the land much more than the profits or interest.

The effect that it has then, I understand, is that it has weakened security and raised interest higher?—This Act alone is not responsible for the high rate of interest; that is only one of the reasons.

No, it has tended in that direction. It has helped to do it?—Yes.

Well, that agrees with things I have heard elsewhere.

Now in your evidence you state very correctly the causes for which a cultivator borrows. I think you will probably agree with me that it is almost impossible to say exactly what particular object of expenditure he has in mind when he borows?—Yes.

For instance, he is short of money. He borrows, say, a hundred rupees. Some of that he may spend on his own food, some on the clothes of his children, some on seed, some on cattle and so on, and consequently when he borrows, he does not borrow for any particular purpose as a rule?—Yes.

On the other hand, after he has spent the money, he might be able to tell you what he spent it on?—Yes.

But that in my experience, I should say, is very unlikely; and he will not be able to tell you with any accuracy. For instance, you say the debt is generally distributed 60 per cent. to meet his personal requirements at the time of distress, 35 per cent. to pay up earlier debts and accumulated interest and 5 per cent. for other purposes. He does not really sub-divide the debt into any particular purposes?—No, he does not borrow it for any particular purpose.

What you mean by this is a distribution of his expenditure?—Yes.

That is an important point I want to get at, because that is probably the answer every one will give. I want to know that definitely.

Now here you have classified moneylenders into the village moneylender, the town moneylender, Government and co-operative societies. Can you sub-divide these classes? For instance, among village moneylenders you include, I suppose, the little village *bania*. By village moneylender you mean anybody who lends money in a village?—Yes.

That would include firstly the *bania*, it might or might not include the *zamindar*, it might or might not include other tenants who happen to have a certain amount of money to spare. Did you find in Bundelkhand that one tenant lends to another to any great extent?—Tenants carry on moneylending business to a very small extent because they cannot save money.

There is a tendency that when a man has Rs. 10 or Rs. 5 he will lend it?—Yes.

He will prefer to lend it to using it in any other way?—Yes.

That is interesting too. That is also a thing other people have told me. I want to see how far these things go all round the province.

Now we asked you in the questionnaire—what is perhaps an unfair question—we asked you to sub-divide the debt into long-term and short-term. Of course, what we really meant was the subdivision of the debt at the time when it was raised. You say that 70 per cent. is short-term (grain advances) and 25 per cent. of the advances is also short-term. Now of the loan which is short-term, has not a lot ultimately become long-term by not being repaid?—Yes, it will become.

In other words, there is a tendency for all short-term loans to become long-term simply by the process of not being repaid?—The short-term loans are generally allowed to remain short-term because of the compound interest, because they charge interest at six-monthly or quarterly rests. So the short-term loans are allowed to remain short-term loans. They are not converted into long-term loans. They will be converted into long-term loans when they go up to, say, Rs. 500, by means of documents or pronotes.

Now you mention that in Gorakhpur there is a *Hariya* class which employs the *dharna* system in realising interest. Can you tell me anything more about these people?—They call themselves Brahmans, but they are not actually so. They have formed themselves into a class in Gorakhpur district in Padrauna tahsil. They go out up to Bara Banki. They go to Saran, Champaran and various other districts. They go out to several districts of Assam. They advance petty amounts, say Rs. 2, Rs. 4, Rs. 6, Rs. 8. They seldom advance more than Rs. 100 to any one particular person.

Are they those people who are called in some places *Naiks* and in others *Belwars*?—They may be called so in other districts, but in districts like Saran they are known as *Hariyas*.

There are certain classes of grain dealers who used to be called *Naiks* and in Hardoi I think they are called *Belwars*. They are not the *Banjara Naik* or the hill *Naik*. They are a different class altogether who claim to be *Sanad Brahmans*.—(*Witness*) They also claim themselves to be *Tiwaris*.

Mr. Sah: You say in your memorandum there are professional moneylenders in your district. Who are they? Are they the *mahajans* or are they the ordinary agriculturists?—They are *mahajans*.

They are usually of the Vaishya class?—Mostly.

But there are other classes also?—But if you take into consideration all of them, the number of other classes will be simply nominal.

Has the *mahajan* been superseded by the agriculturist moneylender owing to the Bundelkhand Land Alienation Act?—No, I do not think so.

Then you mention that the *ank* system or the *miti* system is used by the businessmen in general. Is it the custom of the businessmen only or others as well—the agriculturists as well?—No, this system does not prevail among the agriculturists.

In moneylending business alone?—Yes.

You have given certain figures as regards the capital of the various classes. How have you arrived at those figures?—They are simply approximate. I think that the figure for the Punjabis is much below the figures that one could arrive at after prolonged inquiries. I was in that district only for a short time when I made this report.

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The Chairman: As a matter of fact Mr. Gaskell has sent us similar figures for the entire province and these must have come ultimately from you I take it?—These figures have been arrived at from the records and if these figures are not approximately correct, no other figures can be correct.

You got at them by working back from the interest?—Yes.

Of course, that excludes incomes below Rs. 2,000?—Yes.

Can you tell me any method by which we might arrive at those lesser incomes?—It is impossible.

You will remember a good many years ago income-tax went down as low as a thousand rupees and before that again it went down as low as Rs. 500. Well, if you could get the old figures showing the interest in those lower incomes, then I think we might possibly be able to get an approximation for the present. We might take the Rs. 500 and Rs. 1,000 figures, then the figures of over Rs. 2,000 and the proportion that the old Rs. 500 bore to the old figure above Rs. 2,000 ought to be much the same proportion now. It would only be an estimate of course, but we may possibly get it that way?—We conduct village surveys also and make a note of the estimate of the investment and income of the moneylenders. I have taken help in arriving at these figures from the survey notes also.

Well, in that case you think that this estimate, assuming the difficulties of it, is fairly correct?—Yes.

Mr. Sah: How did you arrive at these figures of expenses, income and capital?—The expenses are based on accounts that were produced before us. Bad debts have been taken into account in those cases in which they have been claimed. I arrived at these figures from certain records of the income-tax office.

Did you take those figures which you allowed for the income-tax or the ones claimed?—No, the ones claimed.

Irrespective of the fact whether they have been allowed or not?—Most of them have been allowed.

Then you are of opinion that the increase of the stamp duty on *muddati hundis* has resulted in their disappearance from the market?—In those parts.

Do you think that if the duty is decreased or abolished, they will reappear?—No, they have been firmly replaced by pronotes.

So that pronotes have been firmly established?—They have to take risks in *muddati hundis*, but not in pronotes. For instance, if somebody is to declare insolvent, they can claim money by means of these *rukkas* as soon as they know of his intention.

Is the disappearance of *hundis* not due to the fact that there are very few discounting and rediscounting facilities in the market?—They do not feel the absence of discounting and rediscounting facilities.

Do you think that these *hundis* are genuine trade bills or are they accomodation bills only: in other words, are they really covered by goods?—In most cases they are covered, in others they are not, because those people who try to deceive others would issue *hundis* of that sort.

It is no question of deception. The question is whether the system of trade advances is by means of bills or *hundis* or is it by means of ordinary entries in *bahi-khatas*?—In these places it is by pronotes. They call it *sarkhats*.

And the trade advances are also made that way?—Yes.

You state in your memorandum that clients of bankers have no facilities for the inspection of their accounts. Is this due to the illiteracy of the borrower or unwillingness on the part of the moneylenders to show their accounts?—This is due to the illiteracy of the borrower, and the lenders are also responsible for it.

In what way are they responsible for it? Do they refuse to show their accounts?—They will say "why do you bother about your accounts just now? We are friends. We will see to it later." So long as the amounts do not go up to a substantial figure they will not bother.

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Have you come across instances where moneylenders have refused to show their accounts?—Even if they have refused to show, they will never tell me that they have refused to show their accounts. I have come across debtors who told me that the moneylenders do not show their accounts, but if we go on making enquiries and if we proceed sometimes indirectly and ask the debtor what amount he owes to a particular creditor, he says he does not know.

Is it not a fact that sometimes there is collusion between the debtor and the moneylender so that the debtor will not tell the income-tax authorities the amount of interest he has paid to the lender in order that the lender may be liable to a lesser amount of income-tax?—Yes, there are such cases. In order to save the creditor from high assessment, he is liable to say these things. In fact I have come across such cases in Lalitpur tahsil. These cases generally happen when some particular class of people are concerned.

Is it not a fact that in your inquiries the very fact that the debtors have told you that the lenders will not show their accounts and cannot tell the amount of interest is due to this particular cause?—It may not be. As a matter of fact we do not like to go to persons who will speak lies to save others from income-tax. We want to get at the truth and we generally approach such persons who are indifferent.

Your aim is to increase income-tax?—No, it is not. We want to discover concealment. If persons are concealing incomes, it is our duty to find them out and to assess them rightly.

Does the brokerage rate of 4½ pies per cent. referred to by you relate to demand *hundis* or to usance *hundis*?—To demand *hundis*.

What is the rate of brokerage paid on demand pronotes?—As a matter of fact these pronotes seldom require the help of these brokers. But if brokerage is charged, they will charge the same rate.

Who pays the rates? Are they paid by the sellers of the *hundis* or by the purchasers or by both?—It may be from any side. For example, it depends upon circumstances. The man who is in need of the *hundi* generally pays it.

So that it is the purchaser of the *hundis*?—Yes.

But in other parts the custom is that the seller pays the brokerage?—I cannot say if every seller of the *hundis* pays it.

But in other parts when there is a demand for *hundis*, the rate of *hundis* goes up. You say that the indigenous bankers are not popular. Are all the indigenous bankers not popular or only a certain class?—When I say they are not popular I mean the majority of them are not popular.

Is it not a fact that they are popular when a person wants to borrow money and they are not popular when the banker wants to realise his money?

The Chairman: Supposing I lend you Rs. 50, I should be very popular with you the moment I lend you the money; but supposing after six months I ask for the repayment, you will not like me very much?—I do not say they are unpopular on that account. I say their dealings are very often such as to make them unpopular, because they stoop down to such kinds of dealings which a man in ordinary cases would not do. Take the condition of a poor man in a village then you will realise it. Suppose there is a market to be held. I go to the creditor and ask for 2 annas. He gives it. I come away and he makes a note of it on some piece of paper—2 annas paid. Then I go again and ask for Rs. 8 or Rs. 10. He will give it all right. Then the third time I go to him. He may say: "I have no idea of your account, just give me your thumb-impression and I will adjust matters afterwards." He takes my thumb-impression on a plain paper with nothing written there and he allows me to go away.

Mr. Sah: And the banker is popular or is relied on till that time?—Yes he is relied on because the poor man is in need of money.

He is not popular because he asks for the borrower's thumb-impression?—He is in need of money and he has to give his thumb-impression to get the money. That is one thing, then the next time he will just enter any amount in that pronote and file a suit. He will get some witness to say that so much was paid to a particular man on a particular day and he will get a decree.

THAKUR KANHAIYA SINGH.

Have you come across any such cases?—Many.

How many cases have been successful? Is it not a fact that the borrower generally makes such pretences?—I cannot think that my eyes have deceived me. I have detected certain pronotes of this sort with creditors. I do not mean that the borrowers are always honest. They may be dishonest as other people. I mean to say that I have actually come across such cases, not only in one district but in several districts.

Is this a general practice, or does personality play a part in this?—I cannot say that it is the practice of everybody. But if it is done by everybody nobody can help that. But I think all the people will not stoop so low—only some of them.

The Chairman: If money is paid unexpectedly quickly, is it not possible that it will reduce the rate of interest which he would otherwise have charged? Supposing he charges 37½ per cent. and he has repaid the principal two years sooner than he expected, would he not receive a reduction in the rate of interest?—Yes. He will receive a reduction in the rate of interest.

In other words, it comes to this—that he charges this rate of interest because there is a very good chance of his not being paid in time. As he does not get his money in one way he gets it in another?—Of course, the rate of interest will go high when the creditor does not get his money back as a creditor would expect in ordinary circumstances.

Mr. Sah: Are the indigenous bankers popular with their clients?—By clients you mean debtors? You put the same question before. I want to tell you that that is not the only reason why they are unpopular. I have got several other reasons. If they advance Rs. 100 they get a document executed for Rs. 200 in order to keep the borrower under their control and when these cases go to court they become unpopular. The result of those dealings makes them unpopular.

I put it to you that the reason for getting a pronote executed for Rs. 200 when only Rs. 100 has been advanced is, in the first place, that the debtor may claim that the amount of interest is unconscionable; in the second place, there are several expenses in the court that are not allowed?—It might be, but the primary object in getting these inflated amounts written in the document is that he will be kept under control.

Supposing the borrower paid in time, then the indigenous banker will not abuse his position?—No, I do not think so.

The Chairman: It simply amounts to this that a man is entitled to get his money in some way and so long as he gets it he does not mind whether he gets it in principal or interest?—Yes.

Mr. Sah: You say that the difficulties of the indigenous bankers can be removed by audit. Who should conduct that audit?—I think the debtor himself is the best auditor. No outside auditor can be employed. It would be simply unthinkable. That audit will not be applicable in all cases, but only in cases of *khatas*.

The Chairman: What you are really driving at is that the debtor ought to be able to see his accounts?—I will go further and say that the creditor should send a copy of his personal account appearing in the ledger to the debtor, say six-monthly or after any other specified period.

Mr. Sah: Is this practice of not showing the accounts noticeable only in rural areas or is it noticeable in urban areas also?—In rural areas. I have already given in my evidence that these cases do not apply to bankers in urban areas.

Mr. Sah: I have a question to ask as regards a Provincial Bankers' Association. What sort of association would you require? And what should be its functions?

The Chairman: I would leave this matter of relationship between indigenous bankers and other bankers to be dealt with by him at his leisure.

Mr. Sah: You stated that competition between the banks and the Government is healthy.—(*Witness*) Sometimes healthy and sometimes unhealthy.

What do you mean by saying "sometimes healthy and sometimes unhealthy"? Would you please amplify it?—I think I had better express my opinion when I send the other answers.

THAKUR KANHAIYA SINGH.

The Chairman: A question I should like to ask is: You say that the growth of the investment habit in India is slow. Well, do you really think so? I admit the banking habit is slow, but I should say the investment habit is pretty strong. Is that not true? The average Indian—I mean the average agriculturist who is more or less illiterate—is quite prepared to invest his money in certain kinds of securities, whether land mortgage or in purchasing land, trees or house property or cattle. In other words, he will invest his money in anything he can touch and see. What he will not do is to invest it in a bank when he has got nothing whatever to show that he has made his investment except a bit of paper which he cannot read. Do you not think there is a certain amount of truth in that? The illiterate Indian at the moment is quite prepared to invest in certain kinds of security in which he feels absolutely safe?—Oh, Yes.

So it is not quite true to say that the growth of the investment habit is slow?—I admit that that kind of investment habit is very strong, but I am referring to investment in banks and securities. If investment in that sense is considered then the habit of investment is very strong.

What you want to do in regard to the investment habit is not to give it birth but to extend it. It is an important thing if you realise from the start that the Indian is quite willing to invest as such; then a lot of the difficulties will be solved. It is merely a question of educating him to invest. In this case we can practically turn the whole thing over to the Education Department?—Yes.

Mr. Sah: Would you not agree with me that the growth of the banking habit is slow on account of the fact that present bankers are not in touch with the depositing public, both in towns as well as in villages?—I think all the three causes are responsible for this. First is education; second, lack of confidence in the banks; and third, the want of touch. But I think the bank authorities try their best to be in touch with the people in the urban areas but not in the villages.

Are you of opinion that the education of indigenous bankers on modern lines would accelerate this banking habit?—I think so. If they are educated in the right direction they will begin to invest money.

You said that the opening of new branches by the Imperial Bank of India has increased the invesment habit. Has the Imperial Bank tapped new sources of investment?—If you go so far as the tapping of new sources is concerned, I would say that it has not been successful.

Then it only means the transfer from one bank to another?—Not only that but something more, because the educated men of average knowledge feel that the Government of India is responsible for the Imperial Bank so those people who have not deposited their money in the Allahabad Bank or any other bank have now begun to deposit their savings in the Imperial Bank. It is transference *plus* some deposit of this kind.

The Chairman: It amounts to this. It is not merely a question of shifting the available capital from one place to another but you have brought in a certain amount of money from the moneyed classes?—I think so.

Have you noticed—possibly you have not, I do not think it would come in your way—any change of habit in the matter of the use of currency? For instance, are they using notes more often than they used to and silver less freely?—Yes.

That is a point of importance to me in another connection, because I am trying to get out figures showing what has been happening to the currency during the last four years. It seems to me there has been a tremendous exchange of coins for notes.

Mr. Sah: What measures would you suggest so that the Imperial Bank may not hamper the indigenous banking system?—The first thing that comes to my mind is that money should not be advanced on grain and ornaments. If you take the case of Jhansi, you will find that the position of trade has not improved since the opening of the Imperial Bank there.

So that you would like to restrict the Imperial Bank advancing money against grain or ornaments. Anything else?—Nothing else.

Dr. Radhakamal Mukerjee: You have said that in Bundelkhand the transfer of holdings has led to an exorbitant rate of interest being charged by the moneylenders, and you have also said that in Sitapur district rights in land are passing in a marked degree from the possession of the tenants. To whom are these holdings passing? Are these passing to superior tenants or to agricultural tribes and castes and not moneylending classes?—They are not passing from landholders to tenants. The land belonging to the landholders is passing to the moneylending classes.

THAKUR KANHAIYA SINGH.

The Chairman: It is not a question of cultivation; it is a question of right of ownership. The right of ownership is passing?—Yes.

Dr. Radhakamal Mukerjee: What castes are these people?—They are Khattris and Agarwals.

Do you think in the circumstances the passing of a measure making the transference of holdings difficult, if not impossible, would be useful?—It is most useful in Bundelkhand.

As regards the Sitapur district?—I think so.

You would extend the Land Alienation Act to the whole province?—I would like to.

Will you please explain fully?—I would not like to mention names, but I know that in several cases very big landlords have been reduced to poverty in such a way that they have alienated all property now.

What about the smaller proprietors?—The same thing is applicable to the smaller proprietors also. For instance, if I am a *zamindar* of 200 *bighas* and I am entitled to sell my holdings I will do so and the next day I will be simply a tenant of somebody else.

But you realise the disadvantage that any difficulty in the way of transfer would lead to an exorbitant rate of interest being charged?—The greatest utility is that it reduces borrowing to the minimum. For instance, the Bundelkhand Land Alienation Act compels the landholders to borrow only that amount which is absolutely essential for their necessities. But for this Act they would borrow for extravagant purposes.

Would not this shrinkage of credit result in an improvement of land?—No, I do not think so, because these people who borrow that money do not employ it in the improvement of cultivation. They borrow for private purposes, social ceremonies.

The Chairman: If a landlord wanted to borrow—we will say—to build a tank, he will get his money probably at a reasonable rate, being a productive purpose?—I think he will get at a reasonable rate.

How far is *taqavi*, as such, capable of taking the place of the moneylenders in Jhansi? We know that all over Bundelkhand they took *taqavi* pretty freely but I have heard recently that they refused to take any more and it is strange that the *Bundelkhandi* should refuse to take money at 6¼ and 7½ per cent?—I think there are other things behind that. The first thing is that moneylenders and landholders are advancing money to these tenants.

You mean they stand in the way of it?—They do stand in the way because they do not like to see that their clients should go to take *taqavi* or anything from other sources.

Dr. Radhakamal Mukerjee: On the whole you think that the extension of the Land Alienation Act to other districts would be useful?—I think so.

You have said that the village cultivator often goes to the town moneylender and also that the grain merchant finances agricultural operations, and you have also said that the grain merchant often depends for his business on borrowed capital. Now where does the grain merchant borrow his money from? And is there any understanding, explicit or tacit, between the town moneylender and the village cultivator regarding the disposal of the crop?—Only those moneylenders go to the town moneylenders who live near by the towns. For example, a cultivator in the interior of Jhansi will not go to a town moneylender, but if he lives within five miles of the town he will go there to borrow money.

Is there any understanding between the *arhatia* and the cultivator regarding the disposal of the crop?—Very seldom, because they advance money in two different ways; one just before the crop is sown, in which case they will get it cheaper, and the other when the crop has come out, in which case the only stipulation will be to give him the produce first and then to anybody else.

You have spoken about the *kharwa* industry and you have said that the merchants supply them with raw material. Now what is the relation between the *mahajans* and these artisans? What is the system of finance?—They pay them wages.

Do they work in their homes?—Yes, they work in their homes. They do not work in factories in different places, but they give them thick cloth *khaddar* or *kasbi* and they just dye them.

So practically these artisans work under the *mahajans* and they do not work or sell independently?—Now they have begun to do so. They have seen that these middlemen are making profit, so they are now sending cloth direct to Calcutta or to other places. But only ten years ago none of these *kharwahars* were dealers in these things.

Is the industry carried on on a large scale on the whole?—Yes.

In which area?—In Mau tahsil.

(The Chairman thanked the witness, who withdrew.)

THAKUR KANHAIYA SINGH.

Mr. AUTAR KISHAN, B.A., Income-tax Officer, Lucknow.

Replies to the questionnaire.

II.—Indigenous Banking.

A.—Organisation of indigenous banking.

The business of an indigenous banker may be sub-divided into two classes; the rural and the urban.

The different forms of moneylending in rural areas are the following :—

(1) *Kistbandi* loan or *ugahi.*
(2) Grain lending.
(3) Pawnbroking.
(4) Pronotes.

The system of *kistbandi* loan is known in this district as *ugahi.* The operations of moneylenders of this district extend even to remote districts. The area consisting of a village or group of villages where this loan is distributed is known as the *khet* or circle. Their agents usually go round once a week or every fortnight and distribute loans and collect their dues. The advances are in multiples of Rs. 10 and the repayment is made in instalments of Re. 1 per month or Rs. 12 in a year's time. No security is offered or taken for this advance. But as the cultivator is wholly dependent on the money lender, the sum payable to him is given precedence over all other payments. The investment in the first month is Rs. 10, in the second month is Rs. 9, and in the third month Rs. 8, and so on. Thus, in a year the average investment is Rs. $\frac{1}{2}\frac{1}{3}$ on which the interest realised is Rs. 2 or at the rate of over 43 per cent. In working out this percentage I have ignored the writing charges of annas 4 per *ugahi* of Rs. 10. In most cases a portion of this fee is paid over to the *munib.* Higher salaries are granted to *munibs* in cases where no such allowance is paid. Thus, the loan charges which the poor cultivator has to pay are even higher than 43 per cent. Calculating the investment on the same lines, after excluding writing charges, the investment in the first month is Rs. 9-12, and in each succeeding month the amount is reduced by Re. 1. The total for the year comes to Rs. 52-8, or, in other words, interest is Rs. 2 on $\frac{1}{2}\frac{0}{4}$ which means a percentage of 45·7. This is the rate of interest that the cultivator, labourer and menial class of persons have to pay. In case of failure to pay any instalment on the due date, further interest is charged at the rate of two pice in the rupee per month. In working out these figures I have left out the income from the interest of Re. 1 (realised in the eleventh month) for one month. The above working of interest presupposes that no portion of the capital is ever idle in the business. In actual practice this is not the case. Although the yield of interest is the highest, it is at the same time the most difficult and expensive form of moneylending The establishment charges for realisations and accounting are very heavy owing to the short-term investments of small sums to persons living at fairly great distances. The amount of bad debts is heavy owing to the absence of security and the poverty of the agriculturists. Poverty and indebtedness have grown so much that, in my opinion, the agriculturists hardly feel any stake in the land or the crops. They feel certain that almost all the yield will be distributed between the landlord and the moneylenders. Their only concern is to continue to exist from the produce and that too through the good offices of moneylenders. They have to look up to the moneylender for their needs and necessities of life, for nothing is left to them out of their harvest to keep them going. An average villager still considers it is a moral and religious duty to pay up the debts incurred by him or even by his parents. He thinks that his soul will never rest in peace unless his debts have been paid up and that he will have to pay the unpaid arrear in his next life. This is the reason why this form of moneylending is continuing at this exorbitant rate of interest, and money is realised even in the absence of security and in spite of extreme poverty. The usual rate of bad debt is normally about 10 per cent. of the income. In a year of failure of crops the percentage of bad debt is very much higher. The great disadvantage of this system is that the money invested can never be realised at any particular time. If a moneylender wants to withdraw his capital he is absolutely powerless to do so to any large extent. He can only hope to earn an income by constant labour. The dues are seldom realised in full and pronotes are changed

every year for sums much larger than those originally advanced, as the amount is made up partly of the arrear and partly of the fresh loan. Thus, the older the circle of *kistbandi* loans the larger is the individual indebtedness, and consequently larger is the amount of bad debts. The net gain thus gradually gets lower and lower. Excluding the expenses and bad debts the net income does not exceed about 24 per cent. on the investment. It may be mentioned at the same time that a cultivator, if indebted to a professional village moneylender, is never likely to be out of his clutches. Whenever the loan is paid up the moneylender starts inducing him to borrow again for one purpose or another. As stated above, the usual rate of interest on unpaid instalments is two pice per rupee, but the cultivator is often induced or deceived into paying a very much higher rate. At times lump sum payments by way of interest are settled. Accounts are kept on the mercantile system which almost corresponds to the double entry system in English. In addition to the cash book and ledger, one *angutha bahi* or thumb-impression book is kept in which a receipt for the money advanced is taken, an adhesive stamp of one anna being used. The terms of the loan are noted in this *bahi*. This book may be called the pronote book. Recently, the terms of such loans have been held by courts to be of the nature of a contract requiring a stamp paper of eight annas, and the *angutha bahis* are being impounded whenever produced in court to prove the advance made in connexion with any suit filed. This is causing great nervousness among the *kistbandi* moneylenders of this district. The question is not only one of expense on stamp paper, but also one of obtaining paper in remote villages and of getting a scribe.

The grain-lending business is usually done on a system known as *sawai* and *deorhi*. In the *sawai* system one-fourth the quantity of grain lent is realised as profit and in *deorhi* it is one-half. The rate actually depends on the system of each village, also on the extent of the solvency of the cultivator. These advances are mainly for the purposes of seed. In a year of failure of crops realisations are very poor. Realisations are seldom or never made through courts. Although apparently the yield by way of interest is 25 to 50 per cent., the net grain is less as grain is usually cheaper at harvesting seasons than at the time when it is lent for seed.

In pawnbroking, the usual rate of interest in rural areas is two pice per rupee per month or Rs. 37-8 per cent. per annum; but advances of this nature are not extensive owing to the poverty of cultivators. Pawning of ornaments is growing unpopular owing to the difficulty in valuing ornaments, to fluctuations in prices of gold and silver and frauds committed by borrowers by pledging stolen property or plated jewellery representing it to be real.

The different purposes for which money is borrowed are mainly—

(1) Agricultural implements.

(2) Cattle.

(3) Manure and other agricultural improvements.

(4) Seed.

(5) Marriage and social functions.

(6) Personal expenses and payment of interest.

The expense on implements, manure and cattle usually incurred by an average cultivator is not high. In my opinion not more than 15 per cent. of the borrowings are usually spent on these necessities. The average percentage of expense on seed does not, in my opinion, exceed 25 per cent. Marriage and other social functions take away probably about 40 per cent. The percentage on personal expenses is high as the seasonal income from harvests is usually distributed between the landlord and moneylenders, and the cultivator has again to depend on the moneylender for his needs. This estimate would, however, differ from year to year and from village to village.

In urban areas, in addition to the forms of moneylending described above, there are advances on *hundis* or negotiable instruments, *parchas*, registered documents and pronotes. There is obviously no grain-lending, whereas *kistbandi* loans are confined to the menial and artisan classes. In the case of pawnbroking and other pledges the rate of interest is not so high as in rural areas. It varies from 9 to 12 per cent. per annum.

Hundis or negotiable instruments are either for sight, one month's sight or three months' sight. They are used mainly by the commercial community. *Hundis* not payable at sight are thus necessarily short-term loans and are generally very much in demand for grain business as also to some extent for cloth trade. Their demand is therefore periodical, *i.e.*, in the months of March, April and September, October and November. The sight *hundis* are mainly for collection of money from out-stations. The chief advantage of *hundis* is that they are negotiable. A person advancing money on these instruments can at any time raise money by negotiating the document. The forms used for these instruments are in Appendices "A" and "B".* The usual rate of interest on these bills varies from 6 to 9 per cent. according to the credit of the person drawing them. At times they are issued even at the rate of 12 per cent. Interest is deducted at the time of payment of money. The bills payable at sight are usually negotiated in the market, and the rate of discount usually depends on the supply and demand. The credit of the drawer and the drawee in the market also counts.

Another system is in existence wherein no *hundis* are issued. An acknowledgment is given on a slip of paper or *parcha* without any stamp duty showing only the amount of money credited to the account of the debtor. All the details as to interest and the period are noted in the accounts. No terms are noted on the *parcha*. The high rate of stamp duty fixed for negotiable instruments is to some extent responsible for its unpopularity. The disadvantage of this system is that the paper is not negotiable.

Advance of money on the mortgage of property is at present the most popular form of investment as it offers the best security and a long-term investment. The rates of interest usually vary from 6 to 12 per cent. It is sometimes higher, though in rare cases. Even this form of moneylending is not without its defects. Litigation has grown more or less a certainty and the process of realisations of decrees is very dilatory. Efforts are very often made by mortgagees to prove defects in the title to property in order to avoid payments. Owing to the Usurious Loans Act (which is more or less a dead letter) a system has lately grown up in this district to charge a certain percentage of money lent as discount. Although the rate of interest charged varies from 9 to 12 per cent. on good security, the interest actually realised works out to a lower rate of interest as only 6 per cent. is allowed on decrees by courts from the date of the decree to the date of realisation and the cost of litigation is much more than that allowed by court. Negotiations for advances are generally made through brokers who charge from 1 to 5 per cent. as discount. For large sums the rate is generally less.

On pronotes the rate of interest varies more widely than on any other form of moneylending as in some cases good security is available, whereas in others no security exists. The pronotes are given either because the borrower's credit in the market is very good and it is therefore not necessary for him to enter into a mortgage in order to keep his borrowing confidential, or because the borrower has no property to hypothecate. The rate of interest therefore usually varies from 9 to 24 per cent.

The commercial community generally prefers to borrow money either on *hundis* or on pronotes. They very seldom raise money on mortgage of property. The other class of borrowers, comprised mainly of *zamindars*, have either to borrow on the security of their immovable property or on pronotes. The indebtedness among the *zamindars* is, in my opinion, more than that of the commercial community in this district owing to their expensive mode of living and very expensive social and religious functions such as marriages, etc. The failure of crops also brings about indebtedness as they have to find money for their expenses. Mismanagement is also responsible for this state of affairs.

The indigenous moneylender invariably divides his investments into three groups—

(1) Gilt-edged security, such as advances on mortgages, simple or usufructuary, at low rate of interest to reliable persons.

(2) Persoal security, as on pronotes to men of substance.

(3) On personal security of speculative character such as loans on pronotes or simple registered bonds to persons who are reported to be indebted but not very heavily. It also includes advances which are for sums much higher than the amount actually lent.

No definite proportion in which these investments are divided can be estimated as the proportions vary with each and every individual according to

*Not printed.

the risk he is prepared to take in the business, as also to his experience in the line. Very often there are persons who specialize in moneylending of a definite type, i.e., in *kistbandi* loans, *hundis*, pawnbroking or mortgages. The moneylender generally depends on his own capital for his business. If he is short of funds or does not feel inclined to take risks for large sums, he usually enters into the transaction jointly with some other moneylenders or refuses to enter into the transaction. He does not generally get any deposit as the small capitalists prefer to do the moneylending business themselves. Deposits are therefore rare. The usual rate of interest allowed on occasional deposits is 6 per cent. per annum. Loans are seldom obtained for making advances except against their own fixed deposits with banks.

The special feature of this district is the *kistbandi* loan. They are very common and there is a particular class of persons who specialize in this sort of moneylending. They generally prefer it to all other forms of moneylending, and only a few of them make advances in mortgage bonds exclusively. *Hundis* and grain-lending are not very common in this district. A large volume of business is done on registered documents and pronotes. The absence of *hundis* is mainly due to the district not being a grain centre. The cash credit system is almost unknown.

The figures available in this office showing estimated income of moneylenders and bankers from interest are given in Appendices "C" and "D." The figures would have been larger but for the fact that realisations during the year on account of interest were very poor owing to the slump in business all round and to the failure of crops. The volume of business could however be judged from the figures in the statements referred to. The figures shown therein are mainly on receipt basis. The total amount of income from *kistbandi* loans is estimated at Rs. 3,25,000. At 45 per cent. the capital invested works out to roughly Rs. 7,25,000, but as some figures of interest on failure to pay the instalments are included in the figure of income, I would put the figure of investment to amount roughly to Rs. 8 lakhs. Interest income from other loans amounts to Rs. 6,07,323. Owing to the widely different rate of interest described above no actual working of the average rate of interest is possible. Taking the average to be roughly 13 per cent., the capital figure worked out to Rs. 46,71,700, but since realisations during the year were very small I estimate the total investment to roughly amount to Rs. 90 lakhs. The figures do not include incomes below Rs. 2,000. Thus the actual figures both on account of capital and interest should be higher than those supplied.

In my opinion the solution does not lie in merely making stringent laws to control the evils and to bring down the rates. The question being one of supply and demand, people always find some loop hole to defeat the purpose of the law. Real relief ought to be given by providing means of borrowing at cheap rates of interest.

In my opinion co-operative banks might start a separate branch with a definite portion of their capital for the purpose of individual moneylending at rates slightly less than those charged by moneylenders in rural areas a definite portion of this income being set apart to build up a reserve for bad debts and another portion utilised in giving rebates for prompt payments. For the time being some definite grant could be given to meet the bad debt. In order to increase deposits in co-operative banks, Government might issue debenture bonds granting security against capital only and not for interest. The amount for which debenture bonds can be issued by any bank would depend on the present position of the bank to provide for any loss to Government.

In cities the banks might revise their policy regarding the grant of loans on the security of immovable property. This would tend to bring down the rate of interest in general.

For *hundis* the present rate of stamp duty is very high. The scale might be reduced to that charged on pronotes for *hundis* which are payable after a stipulated period. The sight *hundis* may be exempted from stamp duty altogether and they may be allowed to have a preferential claim against all other unsecured debtors.

Part G.—Consolidation of indigenous banks.

Question **2A.**—It is not possible to set up a class of licensed or registered moneylenders in rural areas as the moneylenders in villages are generally illiterate.

Mr. Autar Kishan.

As to the literate moneylender the least he would expect would be that facilities are granted to him in the matter of realisation of debts and some assurance against bad debts to enable him to do moneylending at a cheap rate of interest. Under the present conditions it would be very difficult to provide these facilities. Unless loans are in kind it is impossible to restrict the lending to productive purposes.

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

Question 1.—It is true that credit can never be cheap, and banks will not advance money for agricultural relief owing to difficulties in realisation of loans. The agriculturist, as a class, is indebted, and indebtedness grows from year to year. It is not possible for him to clear the debt once it is contracted. The only recourse left to the creditor is to go to Court. It is not difficult to obtain a decree, but the real difficulty begins when an application has to be made for its execution.

There are three modes in which execution is allowed by courts :—

(1) By arrest and imprisonment of the judgment-debtor.
(2) By attachment and sale of movable property.
(3) By attachment and sale of immovable property.

In all these proceedings the debtor can throw a great many obstacles in the way of the decree-holder.

(*a*) *Arrest and imprisonment.*—In this case a notice is generally issued to the judgment-debtor calling upon him to show cause why he should not be committed to the civil prison. The judgment-debtor generally avoids service of notice even by corrupt practices. When notice is ultimately served the judgment-debtor generally files objections. The decision of objections takes time. Even if the Court disallows objections the judgment-debtor is not arrested at once, but a warrant is issued subsequently. The judgment-debtor again avoids execution of warrant as it is executed by process-servers getting Rs. 8 or Rs. 10 a month. In my opinion no notice should be issued to the judgment-debtor and warrant of arrest should be issued immediately, and the Court should see that the process-servers execute the warrant without any delay. About fifteen days are generally given for execution of the warrant, and, if the judgment-debtor comes to know of the issue of the warrant, he generally leaves the jurisdiction of the Court.

(*b*) *Attachment and sale of movable property.*—In this case if an application for execution is made a year after the date of the decree a notice is sent to the judgment-debtor and the same difficulties have to be encountered as in the previous case. This also gives the judgment-debtor an opportunity to remove his property. After the property is attached in the majority of cases objections are filed on behalf of the judgment-debtor or his relations and friends that the property is not liable to be attached as it does not belong to the judgment-debtor. The investigation of such a claim takes a long time, and the execution is stayed pending the decision of the claim. In my opinion no notice should be sent to the judgment-debtor, and the objectors may be ordered to deposit a sum sufficient to meet the cost of the decree-holder in case the objection is not upheld.

(*c*) *Attachment and sale of immovable property.*—In this case the settlement of proclamation, the publication of proclamation and the sale of property takes a long time, and at every stage of the proceedings there is a good deal of room for delay. In my opinion the procedure of the Court should be simplified as far as possible and a shorter period for notice allowed. At present the pleader's fee is allowed under the rules between party and party which includes the execution of decree and no separate fee is allowed. In my opinion a separate fee should be allowed which may be an inducement to the judgment-debtor to pay the decretal amount without further expense. If during the course of proceedings the Court finds that the judgment-debtor has concealed or removed any part of his property after the date of the institution of the suit, or has committed any act of bad faith with the object of obstructing or delaying the decree-holder to realise the decretal amount the Court should be empowered to award costs on a higher scale which may deter the judgment-debtor to have recourse to dilatory or corrupt practices, and on the other hand may compensate the decree-holder. It is an open secret that the parties do not get all the expenses incurred in civil litigation from start to finish. I may mention that the provisions in the Statutes are very favourable to the debtor and detrimental to the creditors.

MR. AUTAR KISHAN.

Question 2.—I have no experience of the working of the Usurious Loans Act, and I am not in a position to give any opinion. I may, however, take the liberty to suggest that if the Court grants relief to the debtors under the Usurious Loans Act it should be conditional that the decretal amount is paid by him within a time fixed by the court.

APPENDIX C.

Statement showing the estimated income of moneylenders from interest earned from different sources in the Lucknow district.

Name of bankers.	Capital estimated to be employed.	Estimated interest.		Expenses incurring in interest.		Interest paid by such bankers on deposit.	Net interest, details not forthcoming.		Losses suffered by moneylenders in cases where high interest is charged on unsecured loans.	
		Other.	*Ugahi.*	..	..		Net.	Under section 23 (4).	Other.	*Ugahi.*
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
117	..	1,83,676	1,38,459	3,527	25,261	1,946	1,08,663	5,01,525	32,913	34,438

APPENDIX D.

Statement showing number of banks and interest, etc., received by them in mortgages and Ugahai *for Hardoi and Unao districts.*

Serial number.	Name of district.	Number of bankers.	Estimated capital.		Interest.				Expenses.		Interest paid by bankers on deposits.	Section 23 (4).		Losses suffered.		Remarks.
					Ugahi or village moneylender.		Mortgages or pronotes.									
			Ugahi.	Documentary.	Urban.	Rural.	Urban.	Rural.	*Ugahi.*	Documentary.		Urban.	Rural.	*Ugahi.*	Documentary.	
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.			
1	Hardoi ..	52	48,420	10,03,240	5,789	16,000 =21,789	27,060	75,000 =102,060	..	..	..	7,800	40,000	..	..	In *Ugahi* capital has been worked out at the rate of 45 per cent. while in mortgages it has been worked out at the rate of 12½ per cent, and 25 per cent., which of course roughly represent average rates of interest.
2	Unao ..	41	48,248	6,94,640	4,712	17,000 =21,712	17,000	50,410 =67,410	795	4,000	..	6,450	22,000	725	5,800	

Mr. C. MAYA DAS, M.A., B.Sc., Principal, Agricultural College, Cawnpore.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—Agriculturists borrow mostly from the village moneylenders and Pathans (*Aghas*) at a very high rate of interest. The former may be a village *sahukar*, shopkeeper or rich agriculturist who has acquired some fortune from service, trade or agriculture. Co-operative credit societies play only a minor part in this direction.

The purposes for which the agriculturists borrow and the distribution (roughly) of the debt are as follows :—

	Per cent.
Subsistence..	30
Famine and other distress	20
Payment of land revenue or rent..	10
Litigation	15
Seed, plough and cattle purchase..	10
Marriages and other social functions	15
Miscellaneous	10

Very little borrowing is done for re-payment of earlier debts, payment of accumulated interest, manure, expenses of cultivation or purchase of implements, sinking of wells, building of tanks and other agricultural improvements.

Ninety per cent. of the debt is borrowed from the moneylenders. The remaining 10 per cent. covers loans from co-operative societies, government loans and *taqavi*.

Question 2.—The rates of interest are exorbitant so far as cash advances and cash repayments are concerned. The rates in respect of loans in kind on the *siwai* system are exorbitant if viewed simply from the borrower's point of view, that he has to pay 25 per cent. interest; but viewed from the creditor's point of view, they are not exorbitant. The creditor advances when the prices of the grain are generally high and accepts it back at the harvesting time when the prices of the grain are low. Supposing one maund of grain is loaned in October and November when wheat is selling at Rs. 6 per maund. He will accept back 1½ maunds when wheat is selling at Rs. 5 per maund, *i.e.*, converting it into cash the lender gets only Rs. 6-4, *i.e.*, only four annas as interest. The borrower and outsiders may think that the borrower has had to pay 25 per cent. interest which is correct if only the weight is considered—actually it is about 4·2 per cent. This rate of interest is not exorbitant.

In the case of payment in kind there are no incidental charges, while there are such charges on cash payments and cash borrowings. The man who makes cash advances takes advantage of the economic helplessness of the cultivator. The creditor will calculate one anna to two annas per rupee on the money he is advancing and adds this to the principal and then charges high rates of interest, *e.g.*—*A* wants to borrow Rs. 100 from *B*; *B* will calculate 100 or 200 annas more and add it to Rs. 100, *i.e.*, Rs. 106-4 or Rs. 112-8. This will be the principal which will be entered in the books against the borrower and not Rs. 100; and on this the agreed rate of compound interest will be paid. Besides this, there are other incidental charges on the cultivator which he has to bear when converting the payment in kind into cash for repayment of his debts.

Question 3.—Ornaments and standing crops are the common security presented and accepted. Landed property is the common security where the borrower has some definite title to the land and when those rights are transferable. When the cultivator has no transferable rights in the land, land cannot be accepted as security.

It is quite correct to say that the better the title to land the greater the amount of indebtedness. Debt secured on land mortgage is increasing with the increasing value of the land.

Question 4.—The usual methods of enforcing payment of debt from agriculturists are social pressure and litigation.

The poor cultivator has no means of ascertaining the prevailing rate for grain, but on account of the introduction of quick means of transport, matters in this direction are improving; but there is still great room for improvement.

Question 5.—The cultivator is practically taking no advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act.

He resents the various conditions imposed for repayment of *taqavi* and other such loans, especially the time-limit. *Taqavi* should be distributed through such agencies which, while in close touch with the cultivator, command his confidence. He is liable to be afraid of official agencies.

Question 6.—I do not know of any instances where cultivators combine to grow particular crops, but this combination is both possible and desirable.

Part B.—Agricultural borrowing for purposes of marketing.

Question 8.—For a good answer to this qustion see the Royal Commission Report on Agriculture, chapter on communications and markets. There is large scope for improvement in the system of weighments, and the improvements can best be brought about by controlling every market with the help of market committees, such as are formed in Berar and Bombay. There is no one in the market at present except the purchaser to test the weights used, and even if the weighments are carefully supervised there is no guarantee that the prices fixed will be fixed on a basis of standard weights. For instance, potatoes are not sold by the standard maund, and neither is sugarcane. Wheat *bhusa* also is not sold by the standard maund of 40 seers and the illiterate purchaser is therefore liable to be cheated in the matter of weighments. If a market committee is appointed, they will best be able to arrange for supervision and standardization of weighments.

Question 9.—Exporting firms and companies must of necessity speculate in agricultural produce occasionally when scarcity conditions cause failure of crops on a large scale. For example, last year when the wheat crop in India was not a great success, the prices were rising high and exporting firms saw their opportunity and sent large quantities of wheat from Canada and Australia into India. This fortunately had a salutary effect on the prices of wheat in India by keeping them at a low level. Such control of prices by exporting and importing firms and companies is bound to affect the cultivators' profit and sometimes seriously.

In a year of scarcity the only chance of a cultivator making up for low yields from his crops is by selling whatever little he gets at high prices which prevail. If exporting firms and companies are permitted to send in large quantities of agricultural produce from other countries, the cultivator loses the extra profit which he would otherwise have made.

The only measure of protection for the cultivator is that even though wheat may be imported, the prices in the years of scarcity should be fixed by law at a high level so that flooding the country with imported produce may in no way seriously affect the cultivators' profit.

II.—INDIGENOUS BANKING.

G.—Consolidation of indigenous banks.

Question 2A.—I consider it possible and desirable to set up a class of licensed or registered moneylenders. Certain restrictions would have to be placed on the business of these registered moneylenders; for example, the money being lent on the security of land or property must not exceed in value a small fraction of the value of such security, the idea being to prevent mortgage of entire property.

It is not desirable to restrict lending for productive purposes only because if this is done, the borrower will always have access to a non-licensed class of moneylender who will lend money for any purpose to which the borrower cares to put it.

It is desirable to have a law in the country by which moneylending be restricted only to such people as are granted a licence by Government. Perhaps the most important restriction which ought to be imposed on all moneylending is that the interest charged should not exceed by more than one or two per cent. the interest charged by banks.

MR. C. MAYA DAS.

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

Question 1.—The statement is largely true. The main difficulties which the creditor encounters when endeavouring to recover a debt by process of law lie in the facts—

(1) that the debtor is unable even by becoming insolvent to meet the entire debt:

(2) that litigation is expensive and often lengthy.

The most satisfactory remedy for the present state of affairs would lie, first of all, in fixing a maximum rate of interest that can be charged by any moneylender and, secondly, by referring all cases of recovery of debt to a court of arbitration or a single arbitrator who commands the confidence of both parties.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

A.—Encouragement of savings and investment habit.

Question 4*A*.—The system adopted for national savings in England can with advantage be adopted in India if a start is made among literate people, such as those who are already associated with the co-operative movement in the United Provinces. The advance of literacy should go a long way to further the objects of the national savings movement in India.

(For oral evidence, see pages 347—350.)

ORAL EVIDENCE.

Tuesday, January 28, 1930.

LUCKNOW.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C.	*Chairman.*
DR. RADHAKAMAL MUKERJEE, M.A., Ph.D., ...	*Members.*
RAI BAHADUR PANDIT G. S. UPADHYA, B.A.	
RAI BAHADUR BABU MOHAN LAL, M.A., LL.B., M.L.C.	
DR. L. C. JAIN, M.A., LL.B., Ph.D.	*Secretary.*

(*Witness* : MR. C. MAYA DAS, M.A., B.SC., *Principal, Agricultural College, Cawnpore.*)

The Chairman : Would you mind telling me the sort of calculation or basis which has been responsible for your figures of percentages for the causes of debts?—These are based on my general knowledge of conditions in the *dehat.*

That is what I expected you to say. The point I want to make is this. You doubtless realise that debts vary at certain times of the year. For instance, immediately after the *rabi* you will find all sorts of debts paid off and only the long-term debt or only a portion of that even is left unpaid. Did you take that point into consideration in arriving at your figures? I have got reasons for asking this. I have got percentages from many people, and it is quite obvious that they have given the figures while thinking of different conditions. I have classified all these various kinds of debts into groups which I call productive, unproducive, unavoidable. While working on that basis I find the figures varying from 3 per cent. to 87 per cent. in every group. So it is rather important for me to know of what the people who have given figures were exactly thinking at the time.—(*Witness*) I was thinking more of conditions which were not extreme on either side, that is to say, somewhere about midway between the end of the *rabi* season and the end of the *kharif* season.

There is another point. I will come back to the results. There is an enormous amount of debt; we classify it, but the actual person who takes the debt does not necessarily take it for any settled purpose. He may take it merely for family expenses, and he naturally uses it for half a dozen purposes. There is another difficulty. There is a lot of ancestral debt, and if you ask the cultivator what his ancestral debt was due to he would not know. The consequence is that you are never able to get absolutely accurate figures. Now, that introduces another complication. You give me certain figures which lead to certain results, but which are quite different from others. Did you take any account of these factors? Did you put down anything to repayment of ancestral debts?—No. I put down 5 per cent. for miscellaneous considerations. My personal experience is that the ancestral debt is not a debt which you can call a general debt. It is, you will find, generally confined to areas which have in the past suffered very heavily from famine and the depredations of moneylenders, and so on.

(The Chairman expained to the witness the method he had adopted in analysing the figures of the witness, and pointed out the conclusions to which he had come through that classification.)

MR. C. MAYA DAS.

The Witness : My experience has been with the cultivator that productive purposes are responsible for a very small portion of his debt simply for the reason that he does not really know the value of spending money on productive purposes.

The Chairman : Unproductive debt has by far the largest share. They say that Government must arrange for cheap credit for the cultivator in order to enable him to pay off his debt, but we find that 50 per cent. of it is not agricultural debt at all; it is merely the personal debt for which his habits are responsible. It is in no sense agricultural. You can plausibly argue that Government should in some way provide cheap credit for true agricultural debt, but you cannot claim that Government should finance marriages, deaths and even ancestral debt.—(*Witness*) I do not agree there, because you have got to consider the agriculturist from the point of view of an ignorant factor in the national economy, and Government is wholly responsible to look after such a person. You have to look after insane and mentally defective people, and from that point of view Government should to my mind be responsible to see that this poor man, who does not know what he is doing in the majority of cases, does not fall into the hands of the moneylending classes. It comes to this that Government or the State which is made up so largely of this type of population in the country should strengthen itself by providing a cheap or easy form of credit. It redounds on Government's own good if they provide such a machinery.

Rai Bahadur Pandit G. S. Upadhya : I suppose you mean that Government should still provide facilities for borrowing and that Government should arrange to educate them also?

The Chairman : It comes to this that Government must look after him in matters not properly the State's concern, because he cannot look after himself.

The Witness : I have certain ways and means at the back of my mind which I can discuss with you. I want to clear this.

The Chairman : It is perfectly clear. However, we leave that for the moment. We stick to the original point. Is the blame for the present state of affairs by any means entirely on the moneylender?—No.

The position, I suggest, is that the tenant is prepared to borrow for anything for which anybody would lend, as much as he can get. It is not exactly that he is thriftless, but that he is weighed down by his environment. He is weighed down by caste customs. He is weighed down by economic conditions. He is handicapped by lack of education. The tenant just takes as much money as he can get. The moneylender, of course, thinking that his money will never be repaid wants to get something back and consequently he charges a high rate of interest, thereby hoping to get something in interest without hoping to get back any principal. It does not much matter if you lend Rs. 100 and get Rs. 100 back in principal and Rs. 10 in interest or if you get back Rs. 100 in interest and Rs. 10 in principal. Don't you think that this fairly describes the situation as it is between the two?—Undoubtedly. It does describe the situation. But I do not think that we ought to lose sight of this that if the moneylender is there and he is ready to lend money, the temptation is there and the tenants are uneducated. Immediately these people will go to his door the tenant must fall an easy prey.

I quite agree with that.

Dr. Radhakamal Mukerjee : What you want is that credit should neither be easy nor uncontrolled?—It might be cheapened, and that can be done by co-operative banks.

How would you have cheap credit and at the same time some kind of control over that credit?

The Chairman : A certain amount of debt is short-term in the first instance. The short-term debt is mostly productive, for seed and bullocks?—Yes.

Of the long-term debt there are two kinds. One started as long-term, another started short-term but owing to forced circumstances became long. We have to differentiate because the short-term loan is always productive, and this short-term becomes long owing to unfavourable circumstances. We have to differentiate between not only the effects but also the two types of credit, long-term and short-term. It is the most puzzling thing I ever had to consider. Now we come to another question. We have got to link up the very poor tenant with large institutions like the Imperial Bank. We want to get a chain between them. How are we going to do that? We have in the first

place the moneylender next to the tenant who has a capital of about Rs. 800. He is by no means rich himself. He can go on doing his useful work so long as things are going well. The moment they go wrong he is done, for he has no money left. Above him we have got a man who owns, may be, Rs. 50,000. He lives at a place where there is a small market. Call him a *sahukar*. He mainly does his business on the market side, but still he is, not directly but indirectly, in touch with the village. Above that you have a man, a big banker, a man who deals in large sums. Above him we have the bank. How are we going to link all these up?—Well, I do not see how you can link up all these that you have described when there is no check on the rate of interest charged for loans. There is competition in the country for money and you have got different conditions in different places. One person is borrowing money at 6 per cent., the other from a *sahukar* at 24 per cent. I do not see how you can link up these things unless and until some law is made by which the rate of interest is limited, and then you should regularize the borrowing system all over the country.

Then the remedy for the present situation would be banking legislation, and you would not attempt to take any steps to throw the whole thing into a melting pot and adopt Western methods?—I do not see how else you can do it when you have two forces in the country guiding the finances of a large class of people. But they are bound at one time to find an equilibrium.

Rai Bahadur Pandit G. S. Upadhya : There is another suggestion that indigenous banks should be organised on co-operative lines.—(*Witness*) You mean the *mahajan* moneylender at the bottom?

The Chairman : I do not think it is absolutely outside the realm of possibility that the *mahajan* himself should be organised so as to pool his resources and become himself a co-operative society. There was a suggestion made this morning that legislation should be directed to fixing circles for particular moneylenders or groups of moneylenders within which their loans might operate. There are great dangers, but it is a possibility and has many advantages. What is your idea?—I do not entirely favour the idea of forming such a co-operative system for the reason that a tenant who wants to borrow will have to go from one *mahajan* to another, and that you are going to have a co-operative system open to secret competition.

I expected that criticism and I see its force. When the time comes for competition we will have to face it and no legislation can stop it

Rai Bahadur Pandit G. S. Upadhya : You say in your note that the most satisfactory remedy for the present state of affairs would lie first of all in fixing a maximum rate of interest that can be charged by any moneylender, and secondly by referring all cases of recovery of debt to a court of arbitration or a single arbitrator who commands the confidence of both parties . . . —(*Witness*) You have got to work out this problem from different directions. It struck me at the time I was replying to the questionnaire as the most satisfactory solution for the present state of affairs. First of all, as I say, is the fixing of a maximum rate of interest by law, and secondly, the referring of all cases of recovery of debt to a court of arbitration.

Both these conditions are at present fulfilled by the co-operative institution. There the maximum rate is fixed, and also cases for recovery are referred to arbitration.—(*Witness*) I am glad to hear that, and it shows that the co-operative system is working on sound lines.

The Chairman : That is a sound system working in one direction. What I have suggested is a movement in another direction, that is the linking up of the moneylender with the banking system in the country.

The Witness : You want at the same time to provide that the bank be a competitor now in the village so that the credit might be easy. In the long run there would be an equilibrium.

The Chairman : In fixing the maximum rate of interest you have got to remember the danger that any maximum you fix will become the minimum. The most you can fix is Rs. 24, and the result will be that this rate will always be charged.

Rai Bahadur Pandit G. S. Upadhya : Even if you fix it at Rs. 13 the moneylender will get round it in this way that instead of advancing Rs. 50 which is written in the bond he will advance you only Rs. 40 so that you can see that he can get his Rs. 24 all right. So that legislation in that direction will not be helpful.

MR. C. MAYA DAS.

The Witness : May I suggest that the Co-operative Department can act as a kind of supervisor in the matter of moneylending.

Rai Bahadur Pandit G. S. Upadhya : One more point I would request you to consider which you have just made out from another consideration. You have said that Government should be responsible so far as possible for these illiterate and ignorant people and for their welfare, and if you have two competitive systems in the villag, one of the *mahajans* and the other co-operative, these ignorant people will be liable to be tempted by the *mahajans*?—I agree.

So unless that stage of development has been reached and unless they have been sufficiently educated, it is safer and much better to have one system which is controlled by Government and which will look after it rather than to have two competitive systems which may lead to ruin?—That is a debatable point.

Dr. Radhakamal Mukerjee : We have been trying to consider the scheme as how to link up the village *mahajan* with the Imperial Bank and the joint-stock bank with a view to make credit more cheap, and at the same time we have to consider the effect of a similar scheme for linking up the villager and the grain-dealer and eliminating the middleman's profit. You have discussed a scheme by which you could control the market as the Agricultural Commission have recommended. Will you explain the scheme further and also the possibility of organising such controlled markets in different areas in this province?—I must be given time.

The Chairman : You might also consider the system of licensing warehouses which is really appended to it.—(*Witness*) I have already considered it and I would like to say something about it. I am entirely against the American system to be introduced in India. I may say briefly something about it. The very first objection that occurred to me is that in order to maintain licensed warehouses you have to pay something towards the warehouses' expenses, outlay and the running charges. So that the margin of the agriculturists' profits is reduced. Not only has he to pay something to the bank for interest on the overdraft, but he has got to pay something towards the upkeep. That is one great objection. Another thing is the question of perishability. Take the case of a man in the Farrukhabad district. How will be able to get money from the bank. His main produce will be the potato. The potato, as you know, is very perishable and yet it can be stored and stored effectively provided sufficient money is spent on the warehouse. Supposing 10 or 12 tons are going to be stored. Who is going to take that risk? Can you insure them? If you insure them the insurance charges will be very high. These are the outstanding objections that I see.

(The Chairman thanked the witness, who withdrew.)

Rai Bahadur Pandit L. C. SHARMA, F.S.I., M.R.A.C., Bar.-at-Law, Deputy Director of Agriculture, Eastern Circle, Partabgarh, (Oudh).

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist borrows from *mahajans* and *sahukars* generally, and from the co-operative societies where they are popular enough. Also from Government in the form of *taqavi* loans.

He borrows for the following as shown proportionately :—

(i) Repayment of earlier debts	... 4	per cent.
(ii) Payment of accumulated interest	... 1	,,
(iii) Marriage and other social functions	... 31	,,
(iv) Famine and other kinds of distress	... 2	,,
(v) Payment of land revenue or rent	... 15	,,
(vi) Seed	... 3	,,
(vii) Litigation	... 25	,,
(viii) Purchase of plough or other cattle	... 10	,,
(ix) Sinking of wells	... 1	,,
(x) Other agricultural improvements	... 1	,,
(xi) Subsistence	... 7	,,

The debt is distributed between the lending agencies as follows :—

Government	... 1	,,
Co-operative societies	... 4	,,
Village moneylenders	... 95	,,

Seventy-five per cent. of the total debt is incurred in cash and 25 per cent. in grain, ninety per cent. being for long periods and 10 per cent. for short periods.

Question 2.—The rates of interest are—

(i) For cash advances, from 12 to 36 per cent.
(ii) For loans in kind for seed, from 25 to 50 per cent.
(iii) For other loans in kind, 50 per cent.

The interest is calculated as settled. It may be—

(i) simple interest,
(ii) compound interest,
(iii) *adhanni* system, i.e., six pies per rupee per month, or Rs. 3-2 per cent.,
(iv) *qist* system. This consists of making small advances, ordinarily Rs. 10 per head, and realizing Re. 1 per month for a year. The advantage in this case is multiplication of the money repeatedly.

In the absence of any settlement 12 per cent. interest is charged at simple interest on cash loans from the time of payment, while on grain loans the interest is charged for the whole year although the loan is given from the sowing to the harvest time only.

The rates of interest are certainly exorbitant.

In cases of large loans only, a commission is very often charged by the middlemen on the amount of the loan at about 5 to 10 per cent. according to the market value of the borrower. There are certain other charges also incidental to the grant—

(1) Cost of stamp.
(2) Writing charges.
(3) Fee of the *patwari*, and other witnesses.
(4) Some *nazrana* or *mahajani*.

Question 3.—Land mortgage, house property, ornaments and household utensils are given and accepted as security. In rare cases security of standing crops is also given when none of the others is available.

Rai Bahadur Pandit L. C. Sharma.

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

The amount of debt secured on land mortgage is decreasing. Comparatively less interest is paid on the debt secured on land mortgage.

Question 4.—Payment of debts from agriculturists is enforced through the courts whereupon decrees are obtained and enforced against the crops, cattle and houses, etc. In some cases payment is enforced through the *panchayats* (arbitration).

It is natural that advantage of rates is taken against the cultivators who are in utmost need of grain at the time of their borrowing and repaying, with the exception of those who reside close to some market. They borrow grain at a dearer rate and repay it at cheaper rates than those of the market nearby. There is no means of ascertaining the market rates. Being illiterate, cultivators are always at the mercy of their *mahajans*.

Question 5.—Cultivators generally do not utilise the facilities provided by the Agriculturists Loans Act and the Land Improvement Act. Their illiteracy and ignorance of the Acts are in the way. They do not borrow *taqavi* freely for seed, cattle, agricultural implements, tanks and wells, etc.

The cultivator does not borrow *taqavi* owing to the difficulties in getting it and in repaying it.

In abnormal years about 25 times as much *taqavi* is taken than in ordinary years. It is generally taken when crops fail or some cattle epidemic destroys the cattle, or for making wells when the monsoon fails.

The present *taqavi* system is defective. *Patwaris* and tahsil peons, etc., are said to give some trouble and also that sometimes the *taqavi* is not distributed at the right time.

The best system would be to distribute *taqavi* through the Agricultural department form of improved seed and implements and cattle and making recoveries as is done in the case of the Government seed and implement stores' dues.

Question 6.—There is no combination for the production of particular crops. To my mind cultivators will adopt any methods which will bring them more money. The cultivators gladly combine together in producing improved seed in large blocks at the Khajuri, Newari, Bishnathganj and Sangramgarh centres, district Partabgarh; also in the model villages of Fyzabad. Gradually they will also begin to grow a particular crop together. Such a method is possible as well as highly desirable as by doing so they can make larger profits and also save much by crushing sugarcane with improved mills, making *gur* after the improved methods and also by using labour-saving machinery and implements on the co-operative system.

Question 7.—The main defects in the present system of agricultural borrowing are—

(*a*) about 50 per cent. of the money is not utilised on the object for which it is borrowed, owing to some urgent pressure from some other side such as litigation, social functions, serious illness in the family, payment of old dues, etc.;

(*b*) the borrower is at the mercy of the moneylender and has to pay an exorbitant amount in cash and kind as interest;

(*c*) very often the borrower gets very inferior seed for sowing purposes, and this is why there is a common practice of sowing 50 to 70 per cent. more seed per acre in the eastern districts than what should have been sown were the seed perfectly sound and of a superior variety. The outturn from the inferior seed must be naturally less, and thus a gradual deterioration goes on rendering the outturn less and less every year.

The main causes of the existence of such defects are ignorance, illiteracy and poverty of the agriculturists.

I would suggest—

(1) the spreading of co-operative banks all over the provinces as fast as circumstances permit;

(2) issuing *taqavi* through the Agricultural and the Co-operative departments;

(3) compulsory education, and

(4) development of rural reconstruction, *i.e.*, village propaganda work such as has been started by the Registrar, Co-operative Societies, at the Khajuri, Newari, Bishnathganj and Sangramgarh centres in district Partabgarh.

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Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—Generally the principal crops are brought to market—

(1) by cartmen or the owners of carts who do carting as a business;

(2) by the *mahajans* or grain dealers who purchase the grain produced in their neighbourhood by going to the villages, or through their agents;

(3) the grain so purchased, if it is in sufficient quantity at a certain centre, may be booked by the railway to the place of destination. Crops such as sugarcane, paddy and oil-seeds are generally brought to the market in the form of *gur* or *rab*, rice and oil.

The produce of crops mainly used for domestic consumption is generally sold directly to the consumers, while that of those mainly sold in the market is disposed of through the agents of big grain dealers of large towns.

Question 2.—The money to finance the marketing of crops is generally obtained from the moneylenders (*mahajans*) who deal in this sort of business. The money is lent on a verbal agreement that the grain will be sold to him at a cheaper rate than the usual rate of the marketing period, and the *mahajan* will also charge interest of about 12 per cent. on the money lent for the purpose.

The co-operative societies do not lend money for marketing, but, if they did so, great facility will be created and larger profits will be made in selling the produce.

Question 3.—The following charges are ordinarily paid by the cultivator in the case of marketing his crops :—

(i) To the *bania*, weighing charges, besides what has been mentioned above.

(ii) To the *arhatia*, 12 annas 6 pies per Rs. 100 worth of grain, etc., and the weighing charges.

(iii) To the *beopari*, 3 pies per bag monthly till the grain is sold.

There are no incidental charges, but in some places a terminal tax is paid as shown below—

Eight annas for a two-bullock cart.
One anna six pies for a pack-camel or bullock.
Four annas for a single-bullock cart.
Six pies per head-load of a man.

Question 4.—Some cultivators generally store grain for seed in large *pakka* earthen pitchers (*matkas* or *chors*), but for business purposes in *kachcha kuthars*, placing *bhusa* at the bottom and the top of the grain stored.

The grain when in large quantities is stored in *khattis* where they exist, otherwise in rooms. In this case it is kept in gunny bags. The disadvantages of storing in bags is that the seed is damaged, sometimes to the extent of 10 per cent., by dampness, white-ants, weevils and rats, etc., and the bags too are deteriorated and sometimes very badly damaged; while in *khattis* the rain water or the moisture caused therefrom sometimes spoils the seed, making it worthless for sowing purposes. I would suggest the storing of grain in *pakka* pits or in rooms with double roofs and having only one entrance to the north or south, if possible. The dimensions depend upon the quantity of grain to be stored. Ordinarily $10' \times 6' \times 5'$ may do. The walls and floor of the room when perfectly dry should be coated with coal-tar and dried. A 12-inch layer of *bhusa* should then be spread on the floor of the pit or the room. The seed must be perfectly dried before it is stored on a clear day. The seed should be covered with about 6-inch layer of *bhusa*. It should then be covered with a matting or *sarpat* with plenty of earth thereon so as to make it as air-tight as possible. Some people prefer to use bags in storing the grain in rooms. The best method of storing in bags is to fill up the bags with the grain and place them on a 12-inch layer of *bhusa*. When one layer of bags is done with, another 3-inch layer of *bhusa* is put on the upper surface of the bags, then a second layer of bags on it, and so on till the room is filled. A space of about one foot should be left around the seed bags, to be filled up with *bhusa* covering the top layer of the bags also as done in the previous method.

Question 5.—The grain stored in the markets is very seldom used as security for obtaining credit.

Question 6.—I append a note on the system of licensed warehouses.

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Question 7.—I have not heard of the cultivators combining together for marketing a crop, but such a combination of the members of certain co-operative societies can be possible and is bound to result in a good many facilities and higher profits.

Part G.—Small industries allied to agriculture.

Question 1.—The following subsidiary industries exist in the Benares and Fyzabad divisions at certain places :—

(*a*) Dairy farming,
(*b*) *Gur*-making,
(*c*) Sugar-refining,
(*d*) Vegetable, fruit or flower growing.

Question 2.—The above-mentioned industries are run on very small scales and in such a manner that much of the profits are lost in the working process. Their condition can be very much improved if the owners of these industries could get expert advice and be brought in close touch with the Industries and Co-operative departments.

Question 3.—Lac cultivation, where possible, rope-making, hand-spinning, weaving, etc., would give employment to a farmer during the off-season when he is not fully occupied in agriculture.

The working capital for such enterprises may be had by—

(1) becoming a zealous member of the co-operative society and borrowing from it,
(2) getting a *taqavi* loan,
(3) getting advances from the proprietors of the firms concerned.

(For oral evidence, see pages 357-358.)

APPENDIX.

Note on licensed warehouses.

A MERCHANT or manufacturer may be able to raise funds in India by hypothecating his goods, etc., to a bank and obtaining an overdraft or cash credit for the same, but this system is very defective for the reasons pointed out by the Provincial Banking Enquiry Committee, United Provinces, in their note referred to in Part I-B., question 6 of the questionnaire, and provides no facilities for the cultivators or small *zamindars*.

2. The system of licensed warehouses can work very successfully in India, specially for agricultural seed and products. The system of warehouses already exists in these provinces throughout the Meerut division, though in its primitive form only. It is chiefly controlled, at every big *mandi*, by *arhatias* who store the grain in *khattis* wherever they exist, otherwise in large rooms reserved for the purpose. The grain is stored in bags or even without them. The former gives a better control over the various kinds and varieties of stock, etc., for purposes of supervision, inspection and grading them according to the quality. In *pakka* buildings, with *pakka* floors, the losses by moisture, insects, rats, etc., are reduced to a minimum.

The system of warehouses under Government licences will decidedly work much more satisfactorily, as in this case the stock of the warehouses will be supervised and examined by the experts of Government and remain in the hands of the third party, *i.e.*, the licence-holders. The purchasers or capitalists will have the best assurance, therefore, in purchasing or hypothecating the goods, stock or any other material, as to its quality and soundness, and will, therefore, gladly come forward to invest their money at low rates of interest or profit.

3. The licensed warehouses system is bound to improve the condition of the agriculturists and the merchants, practically of the whole population of these provinces, as it will provide for them good facilities for storing their stock, goods, etc., in the warehouses, obtaining more money if required by hypothecating them, and also of disposing of them whenever they get the best prices for them. The warehouse receipt becomes a negotiable instrument of title which can be easily bought and sold. It will give a full description of the goods and the manner of its disposal and authorise the holder to take delivery thereof just by presenting it to the warehouseman, subject to the discharge by the former of certain liabilities. Any bank will gladly accept it as collateral security for a loan, overdraft or cash credit and invest readily in consideration thereof.

4. Most of the people do not possess sufficient accommodation for storing purposes and are also unable to make satisfactory arrangements elsewhere for it. Thus, by the introduction of licensed warehouses, they will not only be relieved from the anxieties and difficulties of storing their stock, etc., but also saved from the clutches of the middleman and the local moneylenders they have to deal with at present. What is still more, the introduction of the licensed warehouses will find them more money at a cheaper rate of interest when they are badly in need of it, *i.e.*, just after the harvesting season, to pay off their tahsil dues (such as land revenue, *taqavi* and canal dues), or in the months of May and June to perform the marriages of their children and clear off all their debts or portions thereof, which they have to incur chiefly for growing their crops: hence they cannot, in most of the cases, retain even small portions of their produce so as to utilise it for themselves or sell it at the time when better prices could be had for the same. They have, under the present circumstances, and so much against their own wishes, to make over practically everything to the local moneylenders and the middlemen who both make the best of the former's labour.

5. As regards paragraph 6 of the Act the licensee will have to classify the products and certify on the receipts to be issued as required by paragraph 11(*g*). It is, therefore, essential that he should be an experienced and qualified man, possessing sufficient practical knowledge of the business, and duly certified to be as such by the Board of Agriculture, the Registrar of Co-operative Societies or a Deputy Director of Agriculture specially selected for the purpose. The selection of suitable licensees is to my mind very important. They should be men not merely who possess experience of the business, but such as to command the confidence of the local public also. Men who can gladly invest their money

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in building good warehouses will soon be forthcoming. Government assistance will, of course, be essential at the outset to familiarise the people with the ways and methods of running the licensed warehouses efficiently and economically. Some opposition from the local *mahajans* and the middleman will naturally be experienced at the beginning, but will disappear as soon as the people realize the advantages of the licensed warehouses. A number of buildings in every *mandi* and other suitable places may well be utilised as licensed warehouses, but it will be advantageous if the Government is pleased to get a few model warehouses constructed in some suitable places, which can be rented to some intending licensees.

6. Since over 80 per cent. of the population, directly or indirectly, subsist upon agriculture, it looks most likely that the licensed warehouses will be full mostly of agricultural produce and products; hence I venture to suggest that the supervision, inspection, grading of stock and such like work of the warehouses may well be carried out under a Deputy Director of Agriculture selected for the purpose. This will create facilities for the Agricultural department for easily securing improved seed, and also for the co-operative societies, private farm owners and such like bodies in getting them, sound and free from mixture, at competitive market rates for general distribution.

7. The draft Bill drawn up by Mr. B. F. Madan on the model of the American Act will, indeed, be a blessing to the people of this country when passed into law, as it encourages the establishment of independent warehouses in India and provides for their proper supervision and control.

ORAL EVIDENCE.

Lucknow: February 1, 1930.

Present:

Mr. E. A. H. Blunt, C.I.E., O.B.E., I.C.S., M.L.C.	...	*Chairman.*
Rai Bahadur Pandit G. S. Upadhya, B.A.	...	*Members.*
Dr. Radhakamal Mukerjee, M.A., Ph.D. ...	...	*Members.*
Mr. Mohan Lal Sah, M.A., LL.B. ...	...	*Members.*
Dr. L. C. Jain, M.A., LL.B., Ph.D. ...	...	*Secretary.*

Witness: Rai Bahadur Pandit L. C. Sharma, F.S.I., M.R.A.C., *Bar.-at-Law*, *Deputy Director of Agriculture, Eastern Circle, Partabgarh.*

The Chairman: I should like to deal first with the cost of production. You have given us in the statement* the figures for your experimental station at Partabgarh and I understand that they are definitely recorded figures? I suppose they are not merely estimates?—No, they are taken from the recorded figures and represent the average figures.

That is something that we can absolutely go by. We take it this way. Government expenditure is considerably above the expenses either of the high-caste cultivator or Kurmi and the yield is proportionately larger. Where exactly does the difference come in? I notice it all along the line. I think that it is in the amount of manure, methods of cultivation and partly in irrigation. That is which really makes the difference; and probably also the seed is better?—Yes.

I find that your expenditure on seed, though your yield is larger, is considerably smaller than that of an ordinary cultivator. You put down Rs. 6 as cost of wheat?—They sow a larger quantity, because they get seed from the *mahajan* which is not of a superior quality, while our seed is pure and sound, its germination is over 95 per cent., hence smaller quantity is sown.

If a Kurmi can afford to spend the same amount as Government he will get as good results?—No. He does not sow good seed: that is the main cause and his cultivation also is very poor, and he does not work as hard as we do.

But he does it himself?—Yes. I have taken great pains in working out these figures. I have also taken into account the cost of high cultivation and intensive cultivation. The average taken by me will be within the means of the cultivator. I had to compare the figures with those of the Thakurs and Kurmis. If he acts up to our advice, he will surely earn as much as we do.

In working out this cost, you have taken nothing which an ordinary cultivator could not do himself if he chose?—Yes, nothing of the kind.

You have given us percentages showing the proportion of the various classes of debts. From where did you get those figures? Are they based on mere calculation or on your general experience?—They were taken by me while going about in camp.

Mr. Sah: General experience?—Yes.

You have a high figure for litigation, that is, 25 per cent.—(*Witness*) Litigation in the eastern districts, especially petty litigation, has increased.

Your figures relate to the eastern districts?—Yes.

The Chairman: You say that the cultivators combine together for purchasing seed in large blocks in the various centres at Partabgarh and also in a village in Fyzabad.—(*Witness*) The co-operative department has made them as the chief centres of their activities and there the work is done by the members of the co-operative societies and we help them with seed, implements or whatever is possible for the department to do through the co-operative members.

In what way do they combine together and what particular combination is this?—They combine together, for instance, in cutting chaff for the cattle. We have sold one chaff-cutter to the society and they turn by turn cut their chaff and pay a little higher

* Not printed.

rate for doing so, so as to cover the price gradually, to the *sarpanch* of the society who collects it and pays it to the department. Similarly, we have put up a pumping plant to lift water. We give them water and they make *kachha* channels on co-operative lines by give-and-take system. They do not mind whether it passes into *A's* field or *B's* field : they simply want to economise water. Similarly, in cane-crushing, they all combine together and take the work from the same mill and the furnace.

But they have not yet got to the pitch of growing together—of sowing a particular crop in a particular area?—No. In Khajuri, they have done consolidation of holdings also.

Consolidation of crops?—No, this will follow. At present all that is being done is that we are trying to select blocks for wheat and for sugarcane according to the soil.

And rotation too?—And the people are quite willing to undertake to grow crops in rotation which are recommended by us for that particular area.

What do you do afterwards? Do you pool the produce when you reap the crops and do you also consolidate the combined produce and give each man his share?—All the stock for our seed purposes is purchased by the department and is stocked in that very centre for the use of the members of the co-operative society.

Rai Bahadur Pandit G. S. Upadhya : You purchase all the stock. You purchase seed to give them. But when you reap the crops what do you do with it? Do you sell it?—We sell it to the members of the co-operative societies and whatever is left, to the other villagers in the neighbourhood. In fact the demand for improved seed is so great that we cannot buy enough sufficient to meet our requirements.

The Chairman : Do you think that rural reconstruction is doing good work?—I think extremely good work. A visit to that place will convince anyone.

Has there been any attempt towards co-operative marketing or anything of the kind so far?—Yes, the work commenced only two years ago.

Dr. Radhakamal Mukerjee : Do you think that co-operation for the purchase of seed and for marketing is desirable?—It will bring in more profit and curtail expenditure.

Mr. Sah : Do you think that occupancy rights should be made transferable?—It may increase litigation more than it is now.

The idea is that at present the agriculturist wants capital, all sorts of capital, long-term and short-term. For providing long-term capital he is required to furnish some security and unless and until the occupancy holding is made transferable, it will not be possible for him to get a long-term loan. For this purpose would you recommend that the occupancy holding should be made transferable?—It is a very difficult point. It will create a good many difficulties to my mind.

Supposing occupancy holdings are made transferable only in the case of land mortgage banks and co-operative banks. How do you like this idea?

The Chairman : In other words, if you make them transferable to co-operative banks they will do less harm?—Yes.

Can you tell us in a few words regarding licensed warehouses what is your general opinion? I have not seen your note : it has only just come.—(*Witness*) My general opinion is that it will run most successfully.

Do you think that it will run successfully both in rural and urban areas?—It will run successfully at both places.

Do you think that there will be a sufficient amount of custom in rural areas?—Indeed so.

Will it be profitable to co-operative societies?—It will be very profitable to them if you make licensed warehouses one of the features of the co-operative societies. It will be a great blessing to the societies if you could find a place where their grain could be stored properly.

Mr. Sah : For how many villages would you like to have a licensed warehouse? Would you like one for one village or one for a number of villages?—One for a number of villages.

What should be the rough area that one warehouse should cater for?—To start with I think 12 warehouses will do for every district.

Say for instance one in each market or *mandi*?—It will be very suitable.

And later on they could be developed?—Yes and also in some centres where there are co-operative societies.

(The Chairman thanked the witness, who withdrew.)

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Mr. HARI RAM SINGH II, Divisional Superintendent of Agriculture, Western Circle, Agra.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—THE agriculturist borrows from Government, co-operative societies and village moneylenders.

He borrows for the following purposes :—

(1) Repayment of earlier debts.
(2) Payment of accumulated interest.
(3) Marriage and other social functions.
(4) Famine and other kinds of distress.
(5) Payment of land revenue or rent.
(6) Seed.
(7) Expenses of cultivation.
(8) Agricultural implements.
(9) Litigation.
(10) Purchase of ploughs and cattle.
(11) Sinking of wells.
(12) Subsistence.

About one-fourth of the loans is from Government, one-fourth from co-operative societies and half from village moneylenders. About half is taken in cash and half in grain. The cash loans are for long periods and grain loans for short periods.

Question 2.—The rates of interest are—For cash loans and loans in kind other than for seed, from Re. 1 to Rs. 3-8-0 per Rs. 100 per month : for loans in kind for seed, from annas 10 to Rs. 4-4-0 per Rs. 100 per month, annas 10 from the Agriculture department and Rs. 4-4-0 from moneylenders.

Interest is calculated after every six months and added to the principal for charging compound interest.

In my opinion the rates are exorbitant.

Question 3.—The security given is usually a land mortgage, or ornaments and other properties.

The better the title to land the greater the indebtedness.

Question 4.—Payment of debt is enforced through the courts.

The moneylenders give grain at one seer per rupee less and receive at one seer per rupee more than the prevailing market rate.

The cultivators have no proper means for knowing the prevailing market rates.

Question 5.—Very few cultivators take full advantage of the facilities provided by the Agriculturists Loans Act and the Land Improvement Act, but do not get *taqavi* freely for seed and implements or for building wells and cattle. The reason is this that the Agriculture department has not got sufficient stock of seed and the Revenue department is unable to give sufficient *taqavi*.

Question 6.—I know of no instances where cultivators combined together to produce any particular crop. Combination in weeding of the *kharif* crops and harvesting of the *rabi* crops is possible and desirable.

Question 7.—There are some defects in the system of agricultural borrowing such as sometimes the cultivators take *taqavi* for seed and cattle and they spend it in purchasing other things and repaying moneylenders. *Taqavi* for seed should be given through the Agriculture department in the shape of seed.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The cultivators sell their produce to local *banias* and they bring them to the market themselves.

Question 2.—There are co-operative societies but they do not help the cultivators in marketing their crops. I think the co-operative societies should help in this connexion.

Question 3.—Generally the cultivators sell their produce to local moneylenders (*banias*) who do not make any charge but purchase produce at a lower rate.

Question 4.—Cultivators store their grain in *khattis*, *khas*, etc. They should store their *rabi* grain in rooms by putting *bhusa* all sides of the grain bags, and the doors of the room should remain closed during the rainy season. This is the best way of storing the grain.

In markets grain is generally stored in bags. This system is defective as they do not put *bhusa* round the bags. They should as in their homes put *bhusa* all round the bags and the room should be closed for the rainy season.

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

Question 1.—Seed and implements are given on credit to some extent by the Agriculture department. The co-operative societies give money to purchase seed, implements and cattle. Professional moneylenders give grain (for seed and eating purposes), money for cattle and other agricultural requirements. These facilities are not adequate. There must be some big banks which may undertake to dispose of their produce profitably and credit them money on low interest and easy terms.

Question 3.—There is some co-ordination between the Agriculture department and co-perative societies. The Agriculture department supplies seed and implements to the cultivators and the co-operative societies arrange to pay their prices. There is much scope for improvement in this direction.

Mr. G. CLARKE, F.I.C., F.C.S., C.I.E., Director of Agriculture, United Provinces.

Note on the Egyptian scheme of loans on the security of cotton.

So far as it goes, the scheme appears to be fundamentally sound, I, however, entertain considerable doubts about its practical applicability to the numerous varieties of cotton produced in this country. Its introduction in India will prove a vast undertaking, involving heavy investments and the entertainment of a huge staff. There is, nevertheless, little doubt that it will prove very helpful in introducing and popularizing new varieties of cotton. In any case, it will be worth while to give it a trial on a small scale in a limited area growing some special variety of cotton, such [illegible] cotton.

Pandit CHAMPA RAM MISRA, B.A., Deputy Director of Industries, United Provinces.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part H.—Small urban industries.

IT is more convenient to deal with the organisation of the cottage industries for finance and facilities in obtaining raw materials and implements and in sale of finished goods at one place in a narrative form. This is also likely to obviate repetitions. I am therefore attempting it.

2. Cottage industrialists are organised on the following three broad systems. They are found to be working (1) independently on their account and at their risk, obtaining raw materials and selling their manufactured goods, or (2) in small factories called *karkhanas*, or (3) for organisers of trade, called dealers for the sake of brevity.

(1) Independent workers use their own implements and obtain raw materials on credit or on cash. Cash sales are few. Credit varies from three days to one month and occasionally to three months (*e.g.*, in the case of Mirzapur carpets). These workers have to pay interest about 12½ per cent. per annum, if credit is not discharged within the above mentioned period. They have to sell their products in the open market. The sale is conducted either by hawking in their native place or in the neighbouring market or, when that fails, to effect a sale to a dealer in that line. The dealers usually pay wholesale rates, therefore private sale is preferred, although it entails loss of time in hawking about and has an element of uncertainty about it. These people do not possess either the capacity or the capital to be able to withhold their goods even for a short time, and as they must sell at the earliest opportunity in order to discharge their liability and obtain fresh raw materials, they have, when no private purchaser comes forward, to sell at the price which can be offered to them by the dealers. They cannot therefore sell their goods to their best advantage. This is one weak link in this organisation. The need of these people is some institution which could afford facilities for advance of money on the credit of their goods. Such facilities are ordinarily wanting, though they do exist in some places (*e.g.*, at Najibabad, which has several centres of printing industry, and has privately-run stores where prints made throughout the year and not sold can be stocked and advances to a limited extent are made on their security to the workers. This enables them to go on working throughout the year, although the prints are meant for export to the hills in the winter season only). Such stores are a necessity for all such workers, and will go a long way in establishing more direct relations between the producers and consumers than what exist at present. Another need of these people is help in the disposal of their manufactured goods. As this question will be dealt with later, I refrain from making any remarks here.

(2) *Karkhanas* are small factories run either by businessmen or by expert workmen. Artisans who lay by some money and can command some capital become *karkhanadars*. This enables them to earn more and not have to work with their own hands. Besides, a *karkhanadar* is a man higher in status than the workman. Every workman, therefore, aspires to become a *karkhanadar*. But small businessmen, who do not command sufficient capital to be dealers, begin with *karkhanas* with the help of some expert workman. *Karkhanadars* of both these classes would be found to exist side by

side in many industries (*e.g.*, in the brassware industry at Moradabad). Several workers sometimes combine to run *karkhanas* on a profit-sharing basis (*e.g.*, brass workers of Benares).

In the Benares silk *karkhanas* three modes of work are found to exist side by side—

(1) *Karigari*—Where the artisan is a mere wage-earner. The *karkhanadar* supplies everything—looms, yarn, etc.

(2) *Bani*—When the *karkhanadar* gives the warp and gold thread and yarn for the weft and the design. The artisan weaves at his place and gets a piece-wage.

(3) *Karkhanadar*—Simply passes on orders for cloths of standard designs with some cash advance to the workman who weaves at his home with his implements.

One reason why the *karkhana* system prevails in some industries is that all workmen do not know all the processes required for the manufacture of the articles. Different processes are followed by different workmen who become experts in their own lines by constant work in them. The result is that, before a thing is completely turned out of the factory, it passes through several hands and a co-ordinating link between them is necessary. To take the instance of the brass industry at Moradabad, a *lota* (jug) passes through several hands before it is ready for the market. Raw material which is ordinarily old brass is melted in earthen moulds. The moulder only knows to make a mould, is an expert in his line but does not know any other work except moulding. These moulds are then heated to a point at which the raw material inside the moulds melts. The furnace man is a different person from the moulder. He knows how to run a furnace and to control and direct the heat and is expert in his line, but he knows only furnace work. The mould is then broken and the jug is filed. The filer knows his work well and can do it in less time than others, but does nothing else. The jug is then sent to the latheman, who knows how to work the lathe and nothing else. It is then tinned and polished. The tinner and the polisher are two different workmen. Naturally some guidance and control are required to direct the various operations in the manufacture of the jug and it is the business of the *karkhanadar* to do it.

The *karkhanadar* keeps a stock of implements and supplies them to the workmen. He is responsible for the losses which may occur in his *karkhana*. For instance, the moulds for the jug may be under or over heated, in which case the jug will not be a perfect product. It may then have to be broken and remelted and the loss caused thereby will have to be borne by the *karkhanadar*.

The *karkhanadar* gets a certain piece-wage from the dealer, and ordinarily the sum total of the wages which he gives to these workmen is less than what he gets. He can save for himself about 12½ per cent. to 25 per cent. and can earn a little more if he is an expert workman, himself working in his *karkhana*. (This often happens in industries in which much guidance and constant attention are not needed, *e.g.*, in the manufacture of boots and shoes.) He pays his workmen by piece-wages and occasionally by a share in the profits (*e.g.*, certain Lucknow leather workers and tanners are reported to be paying one-fourth profit and a wage and certain Fatehpur tanners half of the profit). The *karkhanadar* ordinarily buys raw material from the dealers on credit but having a larger credit is often able to get a larger quantity of raw material than the individual workman.

(3) In the third case where the workman has direct relations with the dealer, he gets only a wage. The raw material is supplied by the dealer who takes back the finished product on payment of a stipulated wage. Implements in this case are ordinarily obtained by the workers themselves who mostly work at their own homes, and are saved the botheration of the disposal of their goods. (In the case of the Mau Aima *khandala* weavers, the dealer is said to be supplying the *dobbies*.) Usually these people get a wage which is lower than the wage which can be earned by the independent worker.

The dealer is the pivot of this industrial wheel, on which rests the whole organisation. He supplies the raw material and sells the finished goods, he finds the necessary capital to run the industry, he is the exporter of finished products and the importer of raw materials, and the workers and *karkhanadars* are merely wage earners. His risk is great. The fluctuations of the market effect him, as he has to keep stock, both of raw

materials and the finished goods. Without him the industry cannot be run. The whole of the business side is in his hands. He has trade connexions outside the centre of the industry and keeps himself in touch with the rates and the markets and has a great insight into the commercial side of the industry. He is not a mere capitalist who lends money. His position is that of a managing director of a large firm. Only his workmen do not assemble to work at one place but are scattered over a whole place and work at their homes.

The *karkhanadar's* position is that of a foreman of a factory. His risk is limited to the losses which he may have to incur in the manufacturing processes, but sometimes when there is a slump in the trade he is also affected on account of the reduced rate at which the dealer is prepared to give him work. Such a case recently occurred in the brass industry at Moradabad. On account of large stocks the dealers did not give work to the *karkhanadars* except at a reduced wage and charged what they called *batta*. The *karkhanadar* could not stop work as it would have been very difficult for him to organise it over again. Therefore he accepted the *batta*. Some of the *karkhanadars* were able to pay their workmen also at reduced wages, but in some cases where the *karkhanadars* were weak, the workmen's wages continued what they were before and the loss had to be suffered by the *karkhanadars*. A general continued fall in the prices thus affects him sometimes, otherwise the *karkhanadar* has little connexion with the business side of the industry. The *karkhanadar* is only responsible for the work of his workmen. Usually he permits a few apprentices to be taken in by the workers.

3. No general tendency is seen for the artisans to leave their homes to small workshops or *vice versâ*. The old traditional work is going on as usual. *Karkhanadars* exist where they were before, and where they did not exist independent workmen are still found to be carrying on the work Only, in Lucknow, brass-workers have turned from being wage-earners to being independent workers but they are worse off, and in the case of the wire drawing industry of Lucknow (*kandla-kashi*) it has been reported that *karkhanas* which used to exist before do not exist now on account of the fall in demand. Their place has been taken by small dealers who are dealing directly with individual workers.

4. Demand has fallen in most of the artistic industries of the province. The reasons for the fall have been variously given as—

(1) Change of tastes in the public.
(2) Want of change in designs to meet the public tastes.
(3) Cut-throat competition amongst workers and the dealers, and
(4) Unbusiness-like and dubious dealings of the workers and the connivance of the dealers with such methods.

To illustrate these—

(1) The *gota* (lace) industry of Lucknow, the cap making industry of Meerut or the embroidered caps of Lucknow have all suffered because of the change in the tastes of the people. *Lahngas* are falling into disuse steadily and their place is being taken by *saries* on which very little *gota* is used. Similar is the state of *zardozi* and *kamdâni* or the embroidery work of Lucknow.

(2) The silver-ware for which Lucknow was once famous on account of its lightness and workmanship is now going out of fashion, but the workmen have not been able to adapt themselves to the change. The cloth printers of Lucknow are still turning out the old kinds of *lihafs* and other articles although the demand has now changed and newer things with new designs and aerograph printing are coming in vogue. The printers are suffering for want of adaptation of their products to the requirements of the market.

(3) The art-brass of Moradabad or the Mirzapur carpets have deteriorated immensely on account of cut-throat competition. This leads to the manufacture of cheap but ill-executed articles, and the demand falls evidently.

(4) Articles can never be expected to be supplied according to the sample given. Even coarse and cheap *garha thans* will be found to differ from the standard—the outer fold of the cloth will have more picks in it than the inside. The gold and silver wares will not be found to contain pure gold or silver. Old and deteriorated articles will be supplied when orders are received from out-stations. This and similar other dealings of the workers as well as the dealers lead to a decline of the industry ultimately. These along with want of confidence that orders will be executed in time and any advances

made will not be lost operate as serious handicaps in the development of cottage industries. If goods could be standardised and the purchaser could be convinced that goods will be supplied in quality and quantity according to samples and in time, much improvement will occur in the present situation which is all but hopeful.

5. With a continued fall in demand, wages also go down, and in many cases the wages earned by the workers are very small indeed. This is particularly the case in industries in which the workers are women who cannot take care of their own interests on account of *purdah*—for example, the *gota* weavers or the embroiderers of Lucknow. But I have not come across any case of sweated labour. It is true that in some cases the workers go on for longer hours than they would otherwise do, if they were paid by time. This is specially the case where payments are made by piece-work and it is chiefly resorted to by part-time workers who devote most of their time to other work and take up an industry in their leisure moments. Such workers are found in almost every industry, and I have come across several instances in which domestic servants have been seen to be working rather late in the night after return from their work. But most of this work is done in order to earn a little above their ordinary earnings. I would not call it sweated labour. In the brassware industry at Moradabad the ordinary hours of work are stated to be six to seven and seldom exceeding eight. In one place the working period is said to be 10 hours.

6. When Japan was dumping the market with cheap goods of low quality which led to complaints from all sides, I understand the Government there created an organisation by which goods going out of the country were inspected before despatch. Such an organisation will be able to help these industries very much and also protect the purchaser. The hall-marking of silver and gold ware and their certification for weight and quality at Bombay is an instance in point. For silver and gold ware specially hall-marking is very necessary. Similar certification would improve the sales of many articles of art—like the Moradabad brassware or the Mirzapur carpets—the demand for which is going down on account of the uncertainty of quality of the exported goods. An organisation for sale, certification and standardization of articles is very necessary. Co-operative societies alone cannot, in my opinion, bring about an improvement in the condition of the industry or guarantee a fair return to the workmen. The societies themselves would have to pay the workers by piece-wages to be successful, and in cases where piece-wages are the rule the workman has every inducement to work longer hours. Nor can all cottage workers be organised on a co-operative basis, *e.g.*, in industries in which *karkhanas* are a necessity, it will be very difficult to organise co-operative societies for workers alone.

7. There are few cottage industries in this province which could be said to be languishing for want of capital. They are worked mostly through dealers who are monied men or command credit and can get it at about 12 per cent. An industrial bank would be an assistance to the dealers. The workman will have no credit for a long time to come. His ways of work have become very unscrupulous and he is extremely improvident. The bank will therefore afford him little aid. He will be found to be taking advances from the dealers as he does now. In industries like the Moradabad brassware workers are found to be indebted to the extent of Rs. 200 or Rs. 250 per head. In some cases they are indebted to two or more dealers at a time. The bank will not be able to advance them so much. Then again, the question of interest will come in. Advances are made in many industries (like the Moradabad brassware) by means of written bonds. Interest is stipulated but not paid unless the man leaves the *karkhana* or the dealer and the money has to be realised through the courts. Stipulated interest in the case of Moradabad brassware is Rs. 3-2 per cent. per mensem, in leather at Allahabad it is reported to be Rs. 10 in ten months on Rs. 40, *i.e.*, 30 per cent. per annum Accounting is done in some industries at fixed intervals (*e.g.*, after six months in Benares silks) and if an account is not closed on the fixed date interest is charged. But workmen will not be willing to pay so high a rate of interest to the bank, nor will the bank be able to adopt the methods of the dealers. Moradabad brass-workers are earning as much as Rs. 1-8 to Rs. 2 a day, but can hardly lay by anything for bad times and never repay their advances. The ordinary worker would spend his whole wage within a few days of earning it without caring anything for hard times. Such a man would prove to be a regular nuisance to a bank. But if some organisation could be started which could advance to the dealers, the *karkhanadars* and the workmen and look to the interests

of all three, it is possible that it may succeed. I would therefore advocate a co-operative rather than a joint-stock bank. The bank may issue loans to artisans' societies, individual artisans and firms according to the needs of the industry. Sales associations, depôts or other organisations would certainly be a help in the disposal of goods.

8. At present there is very little advertising, and except in a few instances in which a few dealers themselves act as their agents and go out to foreign countries for securing orders or sell their goods (for instance, Farrukhabad prints), sales are mostly with set clientèle. Sale organisations may also prove useful in creating a demand. But greater benefit would accrue to the industry from a certification and guarantee for the quality of goods supplied. Articles have become sufficiently cheap on account of competition amongst dealers and workers, but few people are buying them on account of the uncertainty of the quality and the price. I therefore advocate an organisation on co-operative lines which could finance, manage and control the industries and perform the abovementioned functions. The control should be that of Government. If a certain minimum dividend could be guaranteed, capital will, I think, be attracted without much effort.

9. In order to avoid the difficulty created by cut-throat competition between the dealers, it has been suggested that some legal provision be made fixing the minimum prices on the lines of the "Price maintenance law" in other countries. It is understood that combinations of guilds of suppliers fix schedule of prices in consultation with the representatives of consumers and Government in other countries. These prices then get the sanction of the law which is called the "Price maintenance law."

10. The system of foreign sales in many industries (for instance, Moradabad brassware, was that orders used to be accompanied with an advance, say 25 per cnet. The balance was collected by C. O. D. Some of the small dealers attempted to gain orders by doing away with the practice of advances. The result is that foreign buyers are now unwilling to give advances. Cases have actually come to notice in which hardship has been caused by the absence of the advances. Dealers, therefore, desire that some means should be adopted by which the system could be maintained. This is one method of testing whether the order received is a *bonâ fide* one.

11. Other difficulties mentioned by the dealers *viz.*, (*a*) want of an institution which could advance money on the security of their goods (as the joint-stock banks like the Imperial Bank and the Allahabad Bank advance money on the security of grain), and (*b*) publicity work to be done at a larger scale, and (*c*) some trade agents to be established in foreign countries.

I have dealt with (*a*) above. As regards (*b*) I think trade commissioners should be established in foreign countries where they do not exist. They should be in touch with the organisation at this end, which I have mentioned above.

I now proceed to give replies to the various questions raised in the questionnaire.

Question 1. (*a*), (*b*) *and* (*c*).—The financing of cottage art industries has been described above, as also the question of supply of raw materials and implements and the disposal of finished products. Implements are mostly obtained locally or purchased from some neighbouring known market like Delhi, Cawnpore or other similar places.

(*d*) Besides the dealers and the *karkhanadars* mentioned above, *arhatias* (commission agents) and brokers also work between consumers and the manufacturers. Their percentage is fixed as also the practice as to the party from which the brokerage or commission is payable. The duty of the commission agent is to realise the sale-proceeds from the purchaser. They keep a credit from one to four months from a *karkhanadar* within which the account should be settled. This agent charges an interest of 6¼ to 12½ per cent. but allows no interest to the *karkhanadar*. The broker simply brings the consumer and the manufacturer together and charges his brokerage (annas 3 per maund in the case of Moradabad brassware. *Arhat* in the case of Mirzapur brassware is annas 12 to Re. 1 per maund from the purchaser and three annas and six pies per maund from the *karkhanadar*.

Question 2.—A list of industries in which the *karkhana* system prevails is appended.

Question 3.—This has been replied to above.

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Question 4.—I am not intimately acquainted with the actual working of any co-operative artisan society as the societies are under the Registrar, Co-operative Societies, United Provinces.

Questions 5 and 6.—Have both been answered above.

Part G.—Small industries allied to agriculture.

Almost all the industries mentioned in question 1 exist in the province. Dairy farming exists in two forms—*gwalas* and *ghosis* keeping a number of cattle for the sale of milk in big towns where milk fetches a good price, *e.g.*, Cawnpore, Allahabad, etc. Organised dairies also exist at such centres. They cater for the requirements of the people living in Western style and supply milk and butter. The *gwalas* who live upon the sale of milk are doing well and so do organised dairies, supplying milk and butter. The other form is seen in rural tracts where the cultivator keeps one or two buffaloes and sells *ghi*. *Ghi*-making is not paying and is pursued only for the sake of the separated curd (*matha*) which supplies animal fats to the cultivator and his family and is often used in place of vegetables and *dal*.

Gur-making is a common rural industry and pays only in a favourable season. Cotton-ginning by hand is very little practised: ginning is mostly done in factories. The factories have overgrown the demand and are living by combines in the area of their operations by which a few work and the rest remain idle sharing in the profits and losses alike.

Sericulture is not practised in the province.

Tanning is followed by village Chamars and as there is nothing to lose brings them an income which is always welcomed.

Both big sugar mills and small scale refineries exist in the province. Small scale refineries are only paying as the overhead charges are very small.

Poultry farming is followed by Musalmans or by Hindus of low caste and is paying.

Tobacco is grown where agricultural conditions are found to be favourable.

Fruits, vegetables and flowers are grown in every town and are paying.

Dissemination of knowledge of scientific methods of work and an organisation for sale will improve the condition of the industries mentioned above. At present their sale is only restricted to the locality of growth. It has been suggested by the fruit growers of the hills that a refrigerating car should be run by the railways for the transport of fruits to all important towns of India and that basket-making for packing should be encouraged.

Sericulture should be practised where climatic conditions are not unfavourable. Amongst other subsidiary industries, I would suggest bee-farming, knitting for the hills, toy-making, *tat*-making, weaving for themselves and their families, carpet weaving and lacquering. Looking to the work done by domestic servants in towns in spare moments one would think that almost every cottage work can be introduced as a subsidiary industry —they are embroiderers, metal workers, leather workers and so on.

(For oral evidence see pages 374—382).

Statement showing the system of work in the various industries of different districts.

District.	Name of industry.	*Karkhana* system.	System of piece-work wages.	On owner's own account.
Mainpuri ..	Block glass and bangle-making ..	Yes	..	..
	Chewing tobacco making ..	Yes	..	Yes
	Woyd-work	..	..	Yes
Etah ..	Saltpetre..	Yes	..	..
	Block glass	Yes	..	..
	Hardware	..	..	Yes
	Cotton	Yes	..	Yes
	Rope-making	..	..	Yes
	Bead purdahs	..	..	Yes
Etawah ..	Horn combs	..	..	Yes
	Shoe-making	..	..	Yes
	Indigo	Yes	..	..
	Handloom weaving	..	..	Yes
	Durries	..	Yes	Yes
	Cotton ginning	Yes	..	..
	Do. pressing	Yes	..	..
Farrukhabad	Manufacture of brass and copper utensils.	Yes	Yes	Yes
	Shoe making	..	..	Yes
	Cutlery and locks	..	..	Yes
	Perfume industry	Yes	..	Yes
	Distillation of sandal-wood oil ..	Yes	..	Yes
	Durrie-making	Yes	Yes	Yes
	Tent-making	Yes	Yes	..
	Calico printing	Yes	Yes	..
	Manufacture of blocks ..	..	Yes	..
	Gota-making	..	Yes	..
	Newar-making	..	Yes	..
Muttra ..	Silver toys and brass images ..	..	..	Yes
	Cloth printing	..	..	Yes
Agra ..	*Gota* weaving and allied industries.	Yes	Yes	..
	Brushes	Yes	..	Yes
	Horn combs	Yes	..	Yes
	Iron utensils	..	Yes	..
	Boots and shoes	Yes	..	Yes
	Dayalbag industries	Yes	..	..
	Pottery	..	..	Yes
	Fire-works	Yes	..	Yes
	Soap	..	..	Yes
	Clay toys	..	..	Yes
	Kites and *manjha*	..	..	Yes
	Crushing of oil seeds.. ..	Yes	..	Yes
	Glazed pottery	..	..	Yes
	Alabaster articles	..	Yes	Yes
	Stone inlaying	..	Yes	..
	Cotton ginning	Yes	..	Yes
	Do. pressing	Yes	..	..

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Statement showing the system of work in the various industries of different districts—(continued).

District.	Name of industry.	*Karkhana* system.	System of piece-work wages.	On owner's own account.
Agra ..	Cotton spinning	Yes	..	Yes
	Do. weaving	..	..	Yes
	Carpet weaving	Yes	Yes	Yes
Aligarh ..	Indigo	Yes	..	..
	Felt caps	Yes	..	..
	Brass utensils	Yes	..	Yes
	Locks	Yes	Yes	..
	Cloth weaving	..	Yes	Yes
	Durrie weaving	..	Yes	Yes
Jhansi ..	Shoe-making	Yes	..	Yes
	Cotton weaving	..	..	Yes
Banda ..	Artistic stone work	..	..	Yes
	Shoe-making	..	..	Yes
	Cotton weaving	Yes	..	Yes
Hamirpur ..	Silver and gold fishes and brass idols and toys	..	..	Yes
	Tanning and shoe-making ..	..	..	Yes
	Oil pressing	..	..	Yes
	Cotton ginning	Yes	..	Yes
	Do. yarn	..	..	Yes
Jalaun ..	Shoe-making	..	..	Yes
	Cotton ginning	Yes	..	Yes
	Handloom weaving	..	..	Yes
Cawnpore ..	Metal utensils	..	Yes	..
	Boots and shoes	Yes	..	Yes
	Saddlery and harness ..	Yes	..	..
	Glue manufacture	..	..	Yes
	Khajur mattings	..	..	Yes
	Oils	Yes	..	Yes
	Textiles	Yes	..	Yes
	Tents	Yes	..	..
	Manufacture of woollen articles..	Yes	..	..
Allahabad ..	*Zardosi*	..	Yes	..
	Sola hats	..	..	Yes
	Shoe-making	Yes	..	Yes
	Cane furniture	..	..	Yes
	Lac bangles	..	..	Yes
	"*Tar*" fans	..	..	Yes
	Comb-making	..	Yes	..
Fatehpur ..	Whip-making industry ..	..	..	Yes
	Weaving..	..	..	Yes
	Boots and shoes	..	..	Yes
Pilibhit ..	Hardware	Yes	..	..
	Lac *churis*	..	..	Yes
	Oil	Yes	..	Yes
	Wooden combs	..	..	Yes

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Statement showing the system of work in the various industries of different districts—(continued).

District.	Name of industry.	*Karkhana* system.	System of piece-work wages.	On owner's own account.
Budaun ..	*Khari* manufacture	Yes	..	..
	Papier-mache	..	..	Yes
	Button-making	..	..	Yes
	Cotton ginning	Yes	..	Yes
	Do. spinning	Yes	..	Yes
	Do. weaving	..	..	Yes
	Blanket-weaving	..	..	Yes
Bareilly ..	Furniture..	Yes	..	Yes
	Wire and tinsel	Yes	Yes	..
Bijnor ..	Block glass	Yes	..	..
	Hardware utensils of brass ..	Yes	Yes	..
	Ditto iron ..	Yes	Yes	..
	Shoe-making	..	..	Yes
	Dyeing and printing.. ..	..	..	Yes
	Cotton ginning	..	..	Yes
	Do. spinning	..	..	Yes
	Brush-making	Yes	..	..
	Blanket-making	..	..	Yes
	Wood carving	..	..	Yes
	Handloom weaving	Yes	..	Yes
Moradabad ..	Durrie weaving	..	..	Yes
	Embroidered caps	Yes	Yes	Yes
	Dal-splitting	Yes	..	Yes
	Blown glass	Yes	..	..
	Horn combs	..	Yes	Yes
	Brassware and nickel plating ..	Yes	Yes	Yes
	Crate-making	..	..	Yes
Shahjahanpur	Painting work of Tilhar ..	..	..	Yes
	Brassware..	..	..	Yes
	Leather	..	..	Yes
	Distillation of country spirit ..	Yes	..	..
	Carpet-making	Yes	Yes	Yes
	Silk weaving	Yes	Yes	..
Dehra Dun..	Lime stone	Yes (quarries are worked by contractors through hired labour.)	..	..
	Rice-husking	..	Yes	..
Bulandshahr	Shoe-making	..	..	Yes
	Pottery (Khurja)	..	..	Yes
	Calico-printing (Jahangirabad)..	..	..	Yes
	Cotton-ginning	Yes	..	Yes
	Hand-weaving	..	..	Yes

Statement showing the system of work in the various industries of different districts—(continued).

District.	Name of industry.	*Karkhana* system.	System of piece-work wages.	On owner's own account.
Meerut ..	Embroidery	Yes	..	Yes
	Hardware—			
	Scissors, iron utensils, *huqqa kalis*, locks.	Yes	..	Yes
	Leather buttons	Yes	..	..
	Cricket and hockey balls ..	Yes	..	..
	Soap	Yes	..	Yes
Muzaffarnagar	Brass and copper utensils ..	..	..	Yes
	Shoes and saddlery	..	..	Yes
	Blanket weaving	..	..	Yes
	Spinning	..	..	Yes
Saharanpur..	Sola hats	..	..	Yes
	Wood-carving	Yes	..	Yes
	Combs	Yes	..	Yes
	Glass bangles	Yes	Yes	..
Benares ..	Gold and silver wares making ..	..	..	Yes
	Brasswares	..	Yes	..
	Gota-weaving	..	Yes	..
	Gold thread	Yes	..	..
	Sari and *dupatta* weaving ..	Yes	..	Yes
	Silk-weaving	Yes	..	Yes
	Brocades	Yes	..	..
	Sulphuric acid	Yes	..	..
	Printing	Yes	..	..
Jaunpur ..	Soap	Yes	..	..
	Cutlery	Yes	..	..
	Perfumery	Yes	..	..
Mirzapur ..	Carpets	..	Yes	Yes (System of apprentice-ship exists).
Ghazipur ..	Brass	Yes	..	..
	Manufacture of *sajji*.. ..	..	..	Yes
	Ditto saltpetre ..	Yes	..	..
	Tin-smithy	..	..	Yes
	Shoe-making	Yes	..	Yes
	Smoking-tobacco	..	..	Yes
	Opium	Yes	..	..
	Oil industry	Yes	..	Yes
	Perfumery	Yes	..	..
Ballia ..	Iron *gagras*	..	..	Yes
	Perfumery	Yes	Yes	..
Basti ..	Hardwares	..	..	Yes
	Handloom-weaving	..	..	Yes
	Calico-printing	..	Yes	Yes
	Tat-making	..	..	Yes

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Statement showing the system of work in the various industries of different districts—(continued).

District.	Name of industry.	*Karkhana* system.	System of piece-work wages.	On owner's own account.
Gorakhpur ..	Indigo	Yes	..	..
	Brassware	Yes	Yes	..
	Cotton-weaving	Yes	..	Yes
Azamgarh ..	Cotton-weaving	..	..	Yes
	Nizamabad pottery	..	..	Yes
	Handloom manufacture ..	..	..	Yes
Lucknow ..	Chikan embroidery	..	..	Yes
	Gota-making	Yes	..	Yes
	Metal utensil-making ..	Yes	..	..
	Silverware	..	..	Yes
	Hosiery	Yes	..	..
	Gold and silver wire industry ..	Yes	Yes	..
	Kamdani	Yes	..	Yes
	Ivory work	Yes	..	..
	Zardosi	Yes	Yes	..
	Bidar work	Yes	..	..
	Horn combs	..	..	Yes
	Badla, salma and *sitara*-making	Yes	..	..
	Boots and shoe-making ..	Yes	Yes	Yes
	Calico-printing	Yes	..	..
Unao ..	Tobacco	..	..	Yes
	Metal utensils	..	Yes	Yes
	Oil	..	..	Yes
Rae Bareli ..	Crude glass phials	..	..	Yes
	Utensils of *kaskut*	..	..	Yes
	Boots and shoes	..	..	Yes
Sitapur ..	Lac bangles	..	..	Yes
	Tasia-making	..	Yes	Yes
Hardoi ..	Tobacco making	..	Yes	..
	Weaving	..	..	Yes
	Woollen blanket-weaving ..	..	..	Yes
	Locks and *pan* boxes	..	..	Yes
	Domestic utensil	..	..	Yes
Kheri ..	Hardware	..	..	..
	Domestic utensils	..	..	Yes
	Making of moulds for utensils ..	Yes	..	..
Almora ..	Wool-spinning and weaving ..	..	..	Yes
	Tea industry .. .	..	..	Yes
Garhwal ..	Copper utensils	..	..	Yes
	Wool spinning and blanket-weaving.	..	..	Yes
	Gold-refining	..	..	Yes
Naini Tal ..	Shoe-making	..	..	Yes
	Basket-making	..	..	Yes
	Cotton spinning	..	..	Yes
	Blanket weaving	..	..	Yes

Statement showing the system of work in the various industries of different districts—(concluded).

District.	Name of industry.	*Karkhana* system.	System of piece-work wages.	On owner's own account.
Fyzabad ..	Sugar-refining	Yes	..	..
	Tanda *jamdani* and *doria*, etc. ..	..	Yes	Yes
	Steel trunk	..	..	Yes
	Domestic utensils making ..	..	Yes	Yes
Gonda ..	Sword-sticks and knives ..	..	Yes	Yes
	Printing of cloth	..	Yes	..
	Sandal-wood oil	Yes	..	..
Bahraich ..	Rice-hulling	Yes	..	..
	Dal kibbling	Yes	..	Yes
	Kaskut manufacture.. ..	..	Yes	Yes
	Oil-pressing	Yes	..	Yes
	Namda-making	..	..	Yes
Bara Banki	Leather	..	..	Yes
	Cotton pile carpets	..	..	Yes
	Dal splitting	..	Yes	..
	Phul and brass utensils ..	..	..	Yes
	Durrie-weaving	..	..	Yes
	Timber-sawing	..	Yes	..
Sultanpur ..	Brass and *phul* utensils ..	Yes	Yes	..
	Indigo	Yes	..	..
	Glue-making	..	..	Yes
	Woollen blanket-making ..	Yes	..	Yes
Partabgarh	Bangle-making	..	..	Yes
	Handloom-weaving	..	..	Yes
	Blanket-weaving	..	..	Yes
	Block-printing	..	..	Yes
	Bell metal utensils	..	..	Yes

ORAL EVIDENCE.

Lucknow: January 25, 1930.

Present:

Mr. E. A. H. Blunt, C.I.E., I.C.S., M.L.C.	...	*Chairman.*
Dr. Radhakamal Mukerjee, M.A., Ph.D....	...	*Members.*
Mr. Mohan Lal Sah, M.A., LL.B. ...	...	
Rai Bahadur Babu Mohan Lal, M.A., LL.B., M.L.C.	...	
Rai Bahadur Pandit G. S. Upadhya, B.A.	...	
Dr. L. C. Jain, M.A., LL.B., Ph.D.	...	*Secretary.*

(*Witness*: Pandit Champa Ram Misra, B.A., *Deputy Director of Industries, United Provinces.*)

Dr. Radhakamal Mukerjee: In paragraph 2 of your reply to Part H of the questionnaire you have discussed the reasons why the *karkhana* system prevails in some industries and you went on stating that it is mainly due to the fact that all workmen do not know all the processes required for the manufacture of the articles. Are there other reasons? Do you find the *karkhanas* superseding the cottage industries?—I do not say anywhere that the *karkhanas* are superseding individual workers. But I have given other reasons, one of which is that a *karkhanadar* has a better status than an individual worker.

What are the special reasons for which artisans are not working independently on their own account?

The Chairman: Do you mean to say that, as a matter of fact, people who were working in the past independently are now working in *karkhanas*?—I say no.

Dr. Radhakamal Mukerjee: You know that for some industries we have now more *karkhanas* than before?—I have never said that. If you just name any one industry I could tell you the real position.

You have stated, I believe, that the *karkhanas* where they existed have not diminished in number at all?—No, I have not said so.

I have ascertained that brassware *karkhanas* in Benares and *chikan* and *zardozi karkhanas* in Lucknow have declined, and you have also said so in your note?—Yes, only in one case of *chikan* work in Lucknow it has been reported that *karkhanas* are now declining. But that is due to a change in tastes of people, that they are not now buying so much *chikan* articles as they used to do before. Because the demand for those goods has fallen there are fewer *karkhanas* now.

You have stated that cottage industries may be organised on co-operative lines, and you have also stated that it is very difficult to organise artisans working in *karkhanas* on co-operative lines?—It will be very difficult to organise co-operative societies for workers in *karkhanas*, but if you take *karkhanadars* also under the co-operative society it may be possible to organise a society.

Suppose we take the workers who now work independently at their homes in cottages. I would like to have your opinion as to how you would organise them on co-operative lines. Do you mean that this society will supply them raw materials and implements?—Yes, and there should be a society to arrange for the sale of their finished articles also.

Do you think that the same society might do for both the things?—No. I think there should be separate societies for purchase of raw materials and for sale of finished products.

Then you will have different societies?—Because the sale of finished products need not be confined to one society only. For instance, take the case of the emporium. It receives finished products from all over the province.

Then you will confine the work of a co-operative society to the supply of raw materials and improved implements?—Yes.

What about the sale?—That can also be taken up by a society.

You propose to have sale societies in different districts?—Yes, *e.g.*, they could be branches of the emporium.

You have direct experience of the work of the emporium. What do you think of its future? Do you think it can be worked as efficiently as the Home Industries Institutes in Mysore and Bengal?—I have no experience of those in Mysore and Bengal, but if the emporium is fed from districts there could be no objection to it provided there are good workers in the districts.

What are the present difficulties of the emporium? Does it deal with artisans directly or through *karkhanadars*?—It deals with artisans also, but mostly with *karkhanadars* as well as with dealers,—I mean exporters.

To be brief, will you tell me what is your scheme for the re-organisation of the emporium?—The whole matter was lately before the Government, and I do not think I need speak on it at the moment. Those papers are available.

The Chairman: Certainly I would not ask you to say anything which is confidential, but there would be little which you could not tell this committee?—There is nothing confidential which I cannot disclose to the chairman or this Committee.

Dr. Radhakamal Mukerjee: Is this emporium now purely a government institution?—Yes.

How would you like to run it so that it may do its work efficiently?—It should work on business lines, and, if it is properly worked, it ought to succeed. It is already in a much better position than it used to be in the past. A manager, with business experience, has been appointed and the emporium is doing better now.

You suggest that there should be a central organisation?—Yes, there should be a central organisation, and all the sale branches in districts may be affiliated to it.

What line of re-organisation for the independent workers do you suggest?—There should be an agency for selling their finished products and some agency for the supply of raw materials at cheaper rates. Their difficulty is that they have to go to dealers and pay interest on their raw material purchased on credit, and at the same time, not being able to sell their articles in the markets, they have to sell them to the dealers at lower prices.

In this province, as well as in other provinces, there are co-operative societies of weavers, metal workers, and so on, which supply them with raw materials and collect from them finished products. Do you think that a co-operative society should aim at both?—This is just what the Oel Brass Workers' Society does. It supplies raw materials to workers and also helps in the disposal of their finished articles.

You think that in the villages it will be better to combine both these functions in the same society?—Because separate societies may be expensive.

In your note you have referred to sweated labour. You have referred there to long hours of work, but have not touched the question of low wages at all, and you have stated that you have not come across any cases of sweated labour?—That is my opinion. I do not think there are any cases of sweated labour. No doubt, I found people working for long hours, but that is their voluntary work.

What about *chikan* and *gota* workers in Lucknow?—These people work at their homes whenever they find leisure. No doubt, they work till late hours, but the actual time devoted to the work is not much. It is not a case of sweated labour.

Suppose a woman has to live solely upon her wage. Don't you think her standard of living and wages are very low?——The wages are low, but there is no help for it. Even with these low wages the products cannot be sold. In sweated labour I would include cases where somebody is forced to work for long hours at a very small wage. Here the condition is different. He likes to work for long hours voluntarily, *e.g.*, I found domestic servants working till late in the night to earn an extra amount. Because there is not much demand for his articles the wage is low.

PANDIT CHAMPA RAM MISRA.

We have often found that a woman earns one or two annas per diem. Do you think that she does not work all the time?—When I conducted the survey of the province I went to Farrukhabad and found that the *gota* workers (Muhammadan ladies) were working very long hours and still they were earning only an anna or two a day. I then made inquiries and came to know that they were domestic workers and worked on *gota* only when they had leisure.

That may be so in their case, but there may be others who would have to live solely on this earning? (No reply.)

Have you any experience of Aligarh industries?—I have surveyed the whole province.

Among the cottage workers there is some organisation, and *karkhanadars* are also there. Some work at their homes and others in *karkhanas*?—The *karkhanadar* is more or less the person who assembles them.

The Chairman : "Sweated labour" is a relative term. From my point of view I am a "sweated labourer." I have to work long hours and I do not think I get sufficient pay, but others would not agree with me about myself, which shows that it is after all a relative term. It will not be a case of "sweated labour" if a person works for long hours for an adequate wage, but only when he works for long hours for an inadequate wage. These people in Lucknow do subsidiary occupation and get their earnings increased by that. They are not dependent entirely on that subsidiary occupation. Taking "sweated labour" from that point of view do you still think that there are no such cases at all?—I do not think there is any. I also think that the expression "sweated labour" conveys some idea of compulsion, but in these cases I find no compulsion and therefore I do not say that there is any "sweated labour."

It is only additional labour done voluntarily?—Mostly.

Dr. Radhakamal Mukerjee : The compulsion may be indirect. The woman may be compelled to work very late in the night on account of economic reasons.

The Chairman : Witness says that women work in the family. That does not mean that there is compulsion, economic or otherwise.

Dr. Radhakamal Mukerjee : But in economics we call it a case of "sweated labour." Though the *karkhanadar* may not compel her to keep long hours, social and economic circumstances may be such that long hours of work are required.

The Chairman : That is economic compulsion, but he says that he knows of no such cases.

The Witness : I would call it compulsion if people were living up to a certain standard and earning less, but if these people are working for long hours, and spending their money improvidently, you cannot say that compulsion is put upon them. This is not even economic compulsion.

Dr. Radhakamal Mukerjee : I have seen *chikan* workers in Lucknow. They are very hard up.

The Witness : Here the conditions are quite different. They have to keep long hours because there has been a fall in the demand for their goods. But in Moradabad I inquired why people were working for long hours and I found that people squandered in drinking and gambling what they earned. Ordinarily they had not to work for eight or ten hours. This is not a case of any economic pressure.

The Chairman : I agree on that point. Now I come to another question, the question of sale depôts. For how long have you been connected with this emporium?—I came to this department in 1921.

Just when I left. In the old days the emporium was a part of the Arts and Crafts School, which had a large reputation all over the world, but the trouble always was that when people ordered a particular thing or of a particular design it was impossible to get the workman to work to that design—(*The Witness*) Nor in the time stipulated.

Probably that does not suit the business here. I suppose this is the defect of the climate?

Mr. Sah : I think this is due to their habit.

The Chairman : That also is a matter of climate. Climate makes habit.

The Witness : There is another reason, *viz.*, want of education and want of proper training.

PANDIT CHAMPA RAM MISRA.

The Chairman : That is true; I was coming to that. That, of course, is a very serious matter. The chief thing wanted is this. You have been talking about co-operation at the bottom, but you should have some sort of force over your workmen to compel them to work. There should be co-operation at the top to counteract their weaknesses and there should be business agencies to market their goods?—Yes, there should be a central agency.

Do you mean that they should be linked together, or that the central agency and selling agencies should be different from the co-operative societies at the bottom? They cannot produce a market.

Mr. Sah : We have always been feeling that the chief defect is of marketing.

Dr. Radhakamal Mukerjee : The co-operative societies might send their products to the central emporium.

The Chairman : Yes. It is a business concern and not merely a co-operative society.

The Witness : The central organisation must be linked up with the co-operative societies. The co-operative society should be at the bottom and the central emporium at the top.

Mr. Sah : You say that for one particular industry workers of every sort are required. Do you mean to say that in organising such an industry all sorts of workers required should be made members of the society or workers at random will be willing to join the society?—That would not do, because the finished product could not be brought to the market unless all the processes have been gone into.

Then you mean to say that all the workers should be made members?

Rai Bahadur Pandit G. S. Upadhya : There are sub-societies in other countries. One sub-society has members of one calling; another sub-society has members doing another kind of work; so under one director or *karkhana* there are so many sub-groups, and ultimately they all combine.

The Chairman : This is a matter of detailed organisation. So far as *karkhanas* are concerned the conditions of labour in Benares are that if a worker had taken material from his dealer and not carried out his promise of delivering goods he could be prosecuted. I have had half a dozen such cases every day when I was in Benares.

The Witness : Yes. This used to be under the Workmen's Breach of Contract Act.

The Chairman : Does that condition of affairs still exist?—What happens is this. These *karkhanadars* take bonds of large sums from workers stipulating the payment of a very heavy rate of interest, but in practice interest is never paid. If he goes on fulfilling his promise and delivering his goods in time that interest is not paid, but if the man breaks his promise, the man is liable to be sued in court and the interest is liable to be recovered.

Dr. Rahdakamal Mukerjee : Are there any written agreements of this kind?—Yes.

In Benares?—I know of Moradabad, but I think there are such agreements in Benares also.

Mr. Sah : The legal position is this. He makes a promise, and if that promise is fulfilled, the interest will be remitted. If he fails to keep up the promise, he will have to pay the interest at the rate stipulated.

The Chairman : The charge there was brought on the ground of breach of contract and the man had to be punished.

Dr. Radhakamal Mukerjee : In Lucknow I have not come across any cases where interest is demanded by the *karkhanadars*. Probably this is due to the fact that they work in their *karkhanas* and do not go elsewhere.

The Witness : It is stipulated in written deeds. I have seen such deeds myself in connexion with the brass industry at Moradabad.

Dr. Radhakamal Mukerjee : What about Lucknow?—I do not know anything definite about its present conditions.

In most cases the artisans are brought to work in the houses of the *karkhanadars*, so they are quite sure about the return of their money.—(*Witness* But if the worker runs away or absents himself or goes away to another *karkhanadar* then he will be liable to be sued.

PANDIT CHAMPA RAM MISRA.

The custom is that if a worker goes away to another *karkhanadar* he pays back the money of the original *karkhanadar.*—(*Witness*) Yes.

But I have never seen such agreements.

The Chairman : Yes, I have seen them.

The Witness : I saw them in Moradabad.

Dr. Radhakamal Mukerjee : What was the rate of interest?—24 per cent.

Written in the agreement?—Yes.

That is a good lesson for the co-operators.

Rai Bahadur Pandit G. S. Upadhya : But the rate of interest is not charged unless he is a defaulter.

Dr. Radhakamal Mukerjee : Legally it is an enforceable promise.

The Witness : But there is a convention against it, and it is a very well established one.

The Chairman : When these *karkhanadars* working on this system provide materials to the workers and purchase his finished products do they give a fair living wage to him?—Yes. It is a piece-wage.

I know. You can always say that if a man chooses to work he will get his living. What about the rate? Is it fair?—I did not find it to be very inadequate in most cases.

Mr. Sah : I think it is inadequate.

The Witness : No, it is not inadequate. The difficulty is that they are very improvident. They do not keep anything for a bad season.

The Chairman : Yes, we know that is the main difficulty.

Dr. Radhakamal Mukerjee : You have stated that when there is a general depression in trade on account of change of taste or competition with foreign products the wages of the artisans are cut down and they are reduced to very low conditions of living?—Wages are not cut in many cases; it is only in a few cases. Mostly the dealers have to bear the loss and their profits are cut.

The Chairman : You mean that the dealers and the artisans both suffer together, but the dealers suffer more?—Yes, that is the case.

Dr. Radhkamal Mukerjee : In any case, it is not improvidence which is the sole cause of depression.

The Chairman : It is, I am afraid, the effect of change of taste in many directions. Many of these crafts for that reason are in a bad way. Do you think there is any means of reviving them? It is on account of change of taste that sometimes a whole industry is lost. A change in the designs of the articles may bring about the revival of the particular industry?—Yes. In most of these cases there is still hope if the workers take to changed conditions of life and change their designs according to the present requirements.

For instance, take the *chikan* work. Some time ago I used to see many people wearing those *chikan* caps in summer. I have not seen them for years now. But the same type of embroidery work could be used for other things.—(*Witness*) Yes, for instance, for curtains. If they produce *chikan purdahs* they will be able to sell them more quickly. They should take into consideration the changed conditions of life.

There is another point. We know they have to consult the taste of their clients whom they know personally. But do they ever attempt to consider the taste of possible clients?—I do not think they have any means of ascertaining this.

There are the sale depôts. I know that when Mr. Nat Heard was here he secured orders from abroad for articles of particular kinds, but the difficulty was that the workmen never cared to execute the work to the design and did not supply them at the time they wanted.—(*Witness*) For a new design you have to pay a higher wage in the beginning, but when they get habituated to that sort of work they will produce it at a lower wage.

Do you think that one of the possible means is the opening of more art schools?—More art schools are needed no doubt, and we have opened at least two such schools *e.g.*, at Benares for brass-work and at Nagina for wood-work. But what is needed more is

better organisation for sale of finished products, and through it better advertisement and filtering down to the co-operative societies. The sales depôts can very well give these ideas to them.

I think there is a very big market for these things abroad.—(*Witness*) Yes. The cottage workers can only flourish on artistic goods. These artistic industries have now declined, and I think the province is losing ground in the cottage industries.

Mr. Sah : Have you ever found that these workers have also changed their designs in order to meet the changed conditions of taste?—Very few, but yes, *e.g.*, on account of this change some of them have now taken to prints on *khaddar;* otherwise the changes are very few. Some little change that has come about, for instance at Moradabad, has been through the agency of the emporium and foreign countries. They are catering more for outside countries and they have to change their designs according to the demand abroad.

Do you think that the sales depôt is the panacea for this evil?—Yes.

The Chairman : There is another point which came to my notice quite recently when I went to Calcutta. My wife wanted to buy *sarees* for curtains, but she could not get a pair of the same colour. You could get any number of single ones.—(*Witness*) That is the reason why I have advocated standardization of goods in some parts, though there is bound to be some difference in hand work.

There is another point. How far does the caste rule the methods of the workmen?—I do not think there is any effect of the caste system on industries except that people of one caste carry on the manufacture of one kind of articles.

I know one case in which *Julahas* used to outcast if any of them used aniline dyes.—(*Witness*) Yes, when I went to Moradabad I found that if any Muhammadan gave lessons in the making of artistic brasswares to a Hindu he was outcasted. But at the same time a school has been started and a Muhammadan instructor is giving instructions to Hindu students. So the barrier even where it exists is slowly and steadily declining.

Is it a good thing or a bad thing?—It is a very good thing.

Because you are knocking down caste barriers?—As well as producing more workers.

Dr. Radhakamal Mukerjee : Does not caste present an environment in the home as well as in the particular industry which is useful for the perpetuation of hereditary skill?—On the one side this is useful but on the other side it leads to loss of orginality and improvement. You know fashions are now changing every day and only original designs can sell.

The Chairman : What about these calico prints? It seems they belong only to one caste, Sadh.—But now there is a Government school of printing which is sending out printers in numbers.

Is it a big caste, or merely a sect?

Rai Bahadur Pandit G. S. Upadhya : There are a number of them in Mirzapur and Farrukhabad. But they have their own peculiar customs.

The Chairman : They are, as a matter of fact, a sect?—Their monopoly has been attacked now. They have got a very good trade outside India, but in India others are also taking up the business. It will take some time before we can completely oust them.

Do you know anything about the agricultural industries as opposed to the art wares? Some of these are very much in the hands of a particular caste, for instance, bangle-making.—It is very much concentrated in Firozabad. But there too all castes are now taking to this business. When I went there I found a Kurmi as manager of a big factory.

Dr. Radhakamal Mukerjee : But what about the artisans in their homes?—Mostly they work under *karkhanadars*.

This seems to be a new development.

The Chairman : What are these horn combs in Etawah?—These are *kanghis*.

Dr. Radhakamal Mukerjee : You also refer to bead *purdahs* of Etah?—It is a very small industry. There are only four or five workers of one sect. They colour wheat stalks and use them with beads. This (pointing to a list) is a complete list taken out from the survey reports of the whole province.

The Chairman : What about the perfume industry in Kanauj? I think somewhere a suggestion was made whether it would be possible to extend this industry.—Yes.

PANDIT CHAMPA RAM MISRA.

A suggestion was made that students should be sent to Europe to learn the making of perfumery there.—I think the cause of decline is that people have taken to using European base for their scents. This is the chief cause of their decline as they cannot compete with European scents.

Mr. Sah : Why have they taken to use the European scents? They are quite different from these Indian scents.—Yes, that is so, still they have begun to use foreign scents. They use now blend oil instead of pure sandal oil. The scent is not so lasting, and now people have given up using these scents.

The Chairman : A number of these occupations are purely caste occupations. A performer is, I think, called a *gandhi*?—But now you will find even Brahmins in the industry.

Mr. Sah : In this province the perfumery business is not confined to that particular class?—No.

Dr. Radhakamal Mukerjee : Can you give us a general idea as to the particular ways in which cultivators utilise their time in idle months in subsidiary occupations?—This is not a list of subsidiary occupations, but it is a list of industries which are carried on in these provinces.

What we would like to know is whether there is utilisation of idle hours in less strenuous agricultural seasons in subsidiary industries.—(*Witness*) I do not know of such industries, except that there is only a little weaving of blankets, etc. Many of these industries are not carried on to any appreciable extent in the village during leisure hours.

The Chairman : I agree.

Dr. Radhakamal Mukerjee : What about rope-making and basket work?—Basket work is for their own purposes and not for sale. Rope-making and basket-making is carried on only to some extent, and not to any very appreciable extent, and you will find it everywhere.

The Chairman : Then, again, it is largely a caste business?—Yes, so far as basket-making is concerned.

Dr. Radhakamal Mukerjee : Are they not subsidiary industries?—You cannot call them subsidiary industries.

The Chairman : Yes, that is so. It is, as a matter of fact, a complementary industry. —(*Witness*) What I mean by subsidiary industries is that when the agricultural portion ends, then the industrial portion begins.

The Chairman : Yes, like a Chamar who makes shoes after agricultural work is over. We have in the list poultry-farming. Have you any views on the subject?—Mr. Sinha has studied the question, and he will be of help in the matter.

Dr. Radhakamal Mukerjee : What about bee-farming?—People keep hives chiefly in the hills.

Mr. Sah : Is it not done in the plains? I want people to take to this business here.—In the plains I do not know of anybody who has tried it on business lines.

The Chairman: This is also a matter of climate. As soon as bees find that it has become warm they transfer their hives to other places, but there is no doubt if it is taken up the business ought to prove profitable.—(*Witness*) Bee-farming is very little practised in the plains.

Dr. Radhakamal Mukerjee : Is it not possible to introduce it here?—Yes, it should be.

The Chairman: Poultry-farming can command a good foreign market. So far we have not been able to meet the demand; but, as you say, it is open to low-caste Hindus and Muhammadans to take up this business.

Dr. Radhakamal Mukerjee : Did you make a survey of industries which have declined in recent years? You stated that artisans were taking to agriculture. Was any survey conducted by your department?—No. But I have 28 years' service and, as a revenue officer, I have been in villages and I have experience of that.

I know, but are any figures available?—No figures are available. For subsidiary industries in the plains I think you should begin with making toys. Once I read about

America that before the War several crores worth of toys were taken from Germany, and now toys are going from there to Germany itself. We have no national toys here in India. Very often you will see German soldiers in uniform and Japanese toys, but there are few Indian toys.

The Chairman: But you have got very good toys in Benares?—Not very good, but still they are there.

But if they are improved and better coloured they will sell?—Yes. No doubt these things are Indian, but at the same time they are not well executed. You will find good toys with hands too long or legs too short.

Dr. Radha Kamal Mukerjee: Do you think that toy-making might be introduced as a subsidiary industry for the peasants?—Yes. If toys of artistic qualities are made here you would stop importing them from outside countries. A village boy may be satisfied even with Benares toys, though our boys may not be satisfied with that kind of toy.

Rai Bahadur Pandit G. S. Upadhya: About the sale depôt in Lucknow our experience of late has been that the co-operative societies sent a number of things to the depôt but they were not sold out and the members have suffered to some extent.—(*Witness*) The sales in India have declined of late. The emporium had closed the sales in order to take stock and to re-organise its working on a new basis. That might be a reason for that, but without inquiry it is difficult to say what was the reason for delay in sales.

The Chairman: Do you think the emporium has been able to create any market in foreign countries for our goods?—Yes.

Rai Bahadur Pandit G. S. Upadhya: Has any arrangement been made in the sale depôt for hall-marking as has been suggested?—I do not know. My suggestion is a general one. We have introduced the system in one of our stores in Agra in regard to *durries*. They have to give a certificate that the colour is fast and that its texture is of the proper quality. People who have to pay for it will have the satisfaction that the article is of the quality for which they have paid.

The Chairman: In England there is a system of hall-marking only for gold and silver.—(*Witness*) That is the case in Bombay as well.

Rai Bahadur Babu Mohan Lal: I know that personally. I bought an article in Bombay and they gave me a certificate about its genuine quality, but they charged a little fee.

The Witness: When I joined the department such a scheme was considered, but owing to financial stringency it could not be carried out.

There is another thing which I have advocated and which might interest you. I have suggested that the system of giving some advance upon the security of products should be introduced just as they do in the case of prints at Najibabad and Moradabad. In slack seasons they take prints and advance money to the workers on certain percentage basis.

Mr. Sah: That seems to be a good suggestion.

Dr. Radha Kamal Mukerjee: You think that industrial banks may advance money to the artisans on the security of their goods?—Yes, they can bring their goods to central places. If they are members of the society they will naturally bring them to you.

The Chairman: That is a practical suggestion. Do Sadhs ever take advances from banks by depositing their goods?—They are themselves rich people, but if that system is introduced it will very much benefit the independent workers.

Dr. Radha Kamal Mukerjee: What some banks have been doing is this. They advance cash in the dull season to artisans, and the artisans have to bring all their products to the banks which act as a selling agency.—(*Witness*) That will be a case worse than that of the *karkhanadars*.

It will be a co-operative society, and the membership will be confined to the artisan class. The bank will advance money to the artisans on the security of the products and will act as a selling agency that will be something of a trading association like the emporium you have suggested.—(*Witness*) I suggested to a joint-stock bank to open a branch at Firozabad where the estimated business is of about 10 lakhs yearly.

PANDIT CHAMPA RAM MISRA.

The bank did not open a branch there, because they do not want to advance money on the security of goods the prices of which fluctuate very much. Therefore, you want something like a co-operative bank.

Woven fabrics will be given to the bank, and the bank will act more or less as a selling agency.—(*Witness*) I would not make it a condition, but I think if co-operative societies are organised it should come in course of time itself.

The Chairman: What you really want is rather an industrial bank than a joint-stock bank?—Yes, not a joint-stock bank.

(*The Chairman thanked the witness who withdrew*).

Mr. SHEO NARAYAN JUNEJA, B.A., A.M.S.T., Principal, Government Central Weaving Institute, Benares.

Replies to the questionnaire.

I.—Agricultural Credit and Credit Facilities.

Part G.—Small industries allied to agriculture.

Question 1.—There are some small subsidiary industries allied to agriculture such as :—

(*a*) *Gur*-making, which is carried on to a considerable extent.
(*b*) There are some places where sugar-refining is done but to a small extent.
(*c*) Vegetable is produced to a large extent round about Benares and there is a good demand for it.
(*d*) Fruit growing is carried on to a small extent.
(*e*) Flower growing is carried on to a small extent in the vicinity of Benares for use in the temples of Benares.

Question 2.—The condition of (*a*), (*b*) and (*c*) is good; the rest are declining. Their condition may be improved by taking expert advice from the Agriculture department. If the farmers can produce better goods they can obtain a better price.

Part H.—Small urban industries.

Question 1.—Generally the workers make articles with their own money and in some cases money is advanced by the *mahajans*.

The artisans either purchase the raw materials and implements or they are given them by *mahajans* the price of which is deducted in small instalments from the wages of the manufactured articles supplied by the artisans.

The wares are disposed of through *mahajans* and middlemen or by themselves.

The middlemen go to the *mahajans* or large dealers and settle the sale of the articles and when they pay the price the middlemen get the share for their work. The large dealers either supply the raw materials and implements and pay the wages to the artisans for the work done or take the wares from the artisans and pay the price then and there or by instalments.

Question 2.—*Karkhanas* are found in weaving, brassware, etc.

The middlemen find out dealers for purchasing the wares from the *karkhanadars* or they find out consumers and take them to the *karkhanadars* to purchase their requirements.

The *karkhanadars* engage workers and pay their wages or take apprentices whom they began to pay their wages either when they have learnt to make the articles or after some period of apprenticeship.

The artisans often go away to workshops when they get better wages.

Question 3.—No instance of sweated labour has come to notice.

The home workers who cannot afford to pay for the raw material, if they get any pecuniary help from some source, can be protected from exploitation.

Question 4.—I think that co-operative organisation can remedy exploitation only if the societies are well managed and worked by honest, competent and experienced technical businessmen—mere laymen, howsoever highly qualified they may be, are not suitable for this work.

Question 5.—I think a co-operative bank would be better than a joint-stock bank for improving the present system of financing small industries. This bank should advance loans to the societies, but if the employers of labour could guarantee the repayment of the loans to the co-operative societies, it would materially help the development and stability of the co-operative societies.

Question 6.—Satisfactory marketing of goods is as important as the manufacture of the right type of goods. Sale dépôts in suitable centres would be desirable. These again should be well managed by competent and honest businessmen and not by laymen.

(For oral evidence see pages 385—390.)

ORAL EVIDENCE .

Lucknow: January 25, 1930.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C.	*Chairman.*
DR. RADHAKAMAL MUKERJEE, M.A., Ph.D.	*Members.*
MR. MOHAN LAL SAH, M.A., LL.B.	
RAI BAHADUR BABU MOHAN LAL, M.A., LL.B., M.L.C.	
DR. L. C. JAIN, M.A., LL.B., Ph.D.	*Secretary.*

(*Witness* : MR. SHEO NARAYAN JUNEJA, B.A., A.M.S.T., *Principal, Government Central Weaving Institute, Benares.*)

The Chairman : I notice that in your replies to Part G of the questionnaire—small industries allied to agriculture—you mention various subsidiary industries, but you do not mention weaving. I understand that the department has a number of peripatetic weaving schools or had a short time ago?—They had, but not now. I suppose there are one or two parties for printing and dyeing.

Were these schools a failure? They had a good many at one time.—(*Witness*) Well, I could not tell you, because I have been here only for the last two and a half years. Since I came here there have been no peripatetic schools so far as weaving is concerned.

But do you consider that weaving is a possible subsidiary industry for agriculturists?—It is a very important industry.

It is an important one, but is it one than can be left to be carried out by ordinary agriculturists in their own homes?—Yes, because they must have got plenty of spare time. Moreover, sometimes the farm has a slack season and sometimes industry has a slack season and they could fit into each other.

But there is a difficulty with the handloom weaver. This industry is not organised, and there is no arrangement for the marketing of goods?—During the last thirty years it is estimated that they had an increase of about 40 per cent. in the production of handloom products and about 450 per cent. in the production of mill products in India. But why the handloom weaving industry has not been able to take full advantage of this wonderful development in textile industry is that there is no arrangement for marketing and for organising this industry.

I suppose that is really (probably) the cause that *khaddar* is so expensive, because there are no facilities for marketing it, and also I take it it can only be produced in small quantities at a time?—Well, producing small quantities is rather economical because it eliminates all the expenses that are incurred in big factories. *Khaddar* is not cheap, because it is not produced on economical methods. The handloom weaver does not get the same quality of yarn as issued by the powerloom weaver who also heavily sizes it, and there are no arrangements for selling his goods. If these two things are provided I do not see any reason why a handloom weaver should not be able to compete with a powerloom weaver.

What would you suggest as the best method of marketing handloom products?—Well, for marketing I think there should be co-operative societies to start with for weavers. These societies should arrange to buy the raw material at reasonable market rates. We all know that every year some new co-operative societies come into existence while others disappear. The reason for their failure so far as I understand is that the business side of the question is perhaps not properly tackled. These societies should

purchase the raw material and also weaving accessories for the weavers and also their machines and improved appliances. All these things must be purchased at competitive rates and supplied to the weaver at rates not higher than the market rates. They should be supplied at lower rates, if possible, because if all these things are purchased at a particular time they could be had cheaper. For instance, there are times in the year when you can purchase yarn at a lower price; e.g., you can generally purchase cotton or mercerised yarns cheaper in the months of December and January than in the summer season, and warm material could be purchased cheaper in the summer. So you could stock at least some yarn for a few months after buying it at a cheap rate. Timely buying is of the first importance specially in fluctuating markets and very often it is in skilful buying that the producers' profit is made.

In other words, your solution is a co-operative society run by businessmen?—To start with a weavers' society.

But run on co-operative lines and managed by businessmen who are well acquainted with the conditions of the trade?—And they should also be technical men who understand the technical side of the question. After that, there should be a sales dépôt at different centres. These sales dépôts should get the orders and pass them on to the society, get the goods manufactured and sell them. These sales dépôts should also arrange to advertise.

The reason why I am interested in this is because of all these various small industries allied to agriculture that have been mentioned it seems to me to be the only one which you could introduce almost universally, and which you could introduce on a relatively large scale. In the case of the other industries you will be restricted to what you yourself can produce. As far as I can see, it will be quite possible to run a handloom weaving industry all over the province or in a very considerable tract of it, because you can always get your yarn from elsewhere. You see the difference. It is curious that comparatively few people have supported the possibility of a weaving industry.—(*Witness*) It is often said that the handloom weaving industry in India is dying in the face of powerloom competition. Besides that this statement is not borne out by facts and figures the handloom industry stands on a firmer ground. It is more suitable to the economic and social conditions prevailing in India and possesses certain advantages over the powerloom industry such as the smallness of the capital outlay, low expenses for repairs, maintenance, depreciation, overhead charges, etc. Of all the cottage industries, the industry of handloom weaving is not only the most important, but next to agriculture, is still the largest industry in India. We shall reach this conclusion whether we take into consideration the number of persons engaged in it, their annual earnings, the quality of yarn consumed and the output of the cloth produced on the handlooms. It is believed that between two to three millions of handlooms are at work in India and their annual gross earnings amount to something like fifty crores of rupees. Besides these there are those who are primarily agriculturists but, who to add a little to their earnings, do weaving during their free periods from the farm, and the number of such persons is not inconsiderable. During the five years 1896-97 to 1900-01, nearly 1,058 million lbs. of yarn was consumed by the handloom industry as against 421 million lbs. of yarn by the Indian mills, that is, nearly 2½ times as much as the mill consumption. The comparative quinquennial consumption of yarn by the handloom industry and mills in India after 1900-01 is as follows :—

1901-02 to 1905-06 :—Handlooms, 1,156 million lbs. as against 625 million lbs. by the mills.

1906-07 to 1910-11 :—Handlooms, 1,294 million lbs. as against 910 million lbs. by the mills.

1911-12 to 1915-16 :—Handlooms 1,356 million lbs., mills 1,297 lbs.

During the five years from 1916-17 to 1920-21, the period of the Great War, the consumption of yarn by the handlooms decreased, but still 1907 million lbs., of yarn was consumed by the handlooms as compared to 1,644 million lbs. by the mills. During the post-war period, however, the handloom industry again recovered the lost ground. In the five years from 1921-22 to 1924-25, the handlooms consumed about 1,485 million lbs. of yarn as against 1,356 million lbs. in 1911-12 to 1915-16 and 1,097 million lbs. in 1915-16 to 1920-21. During the five years 1924-25 to 1928-29 the handloom industry has not

lost ground inasmuch as out of a total consumption of about 5,000 million yards of cloth in India 25 per cent. is still supplied by the handlooms, 40 per cent. by the Indian mills and the rest, about 35 per cent., is imported from abroad. These figures speak for themselves and need no comment. It is, however, sometimes contended that the number of handloom weavers has gone down which shows that the industry is declining. The number of weavers may have gone down to some extent but it is no index to the decline of the handloom industry. On the other hand it clearly demonstrates the wonderful success and future potentialities of the fly-shuttle loom and other improved appliances introduced in the industry by the Government and due to which the productive capacity of the worker has increased by more than hundred per cent. and the decrease, if any, in the number of weavers in the absence of organised marketing of the handloom products, should not come as a surprise. In fact, we are today finding it more difficult to sell the cloth than to make it and in order to improve this important industry, the following suggestions may be made :—

(*a*) Peripatetic weaving parties, adequately equipped and efficiently staffed and supervised should be encouraged.

(*b*) Commercial agencies for the purchase and supply on easy terms to the weavers of raw materials, accessories, and improved appliances, to standardise goods and to advertise and sell the products of the weavers, etc.

(*c*) Manual training in handloom weaving under efficient instruction and supervision should be introduced in the ordinary schools to overcome the aversion of the Indian youth for manual work. This may also help to solve the problem of unemployment of the Indian youth.

(*d*) One or two demonstration factories may be established and worked on commercial lines.

The Chairman : There is one point I should like to ask you about. Surely one of the advantages of handloom or any cottage industry or home industry of any kind is that the quality is normally better than that of a mill? I have always understood that; in Europe in the case of anything that is home-made from food to cloth the quality is better than the machine-made stuff.—(*Witness*) : It is. In the mill-made goods you will always find a certain amount of size percentage, and that percentage of size in most of the mill cloth—even superior cloth—varies, I think, from 15 to 50 per cent. and in the lower grades of cloth, for instance, *markin*, it goes up to 100 per cent., sometimes. Therefore, you cannot have all yarn.

Then you consider that the best method of advance in the handloom weaving industry is co-operation?—There should be co-operation under efficient but economical management.

Dr. Radhakamal Mukerjee : Don't you think that there is yet another advantage to the handloom weaver, and it is this, that he produces fabrics of a much coarser type, which may be used for everyday purposes in the village than what the Indian cotton mills, for instance, could make economically?—My point is that the handloom weaver can compete with the power-loom weaving industry if organised, but under the present system he cannot.

But economists have found that the competition as between the cloth produced by the power-looms and the handlooms is not on all fours, for the very simple reason that the handloom weaver is superior with regard to a certain kind of fabric.—(*Witness*) : That is true. The handloom weaver has got certain specialized types of fabrics. For instance, take the Benares fabric, there is the *sari* and *kimkhab*. These things are not manufactured by the powerlooms.

Apart from the artistic cloths there are the coarser ones which are woven in the villages which an never be made economically by the powerlooms.—(*Witness*) : Just now a powerloom is making stuff cheaper than a handloom.

Even in these coarser fabrics?—Yes. That is why the handloom is giving up coarser work and is taking up finer work.

So you think that, so far as cloths are concerned, it would be better for the handloom to stick to the finer kinds?—I do not say that. The handloom weaver will make any kind if he can produce economically and sell his goods. These two things are necessary.

MR. SHEO NARAYAN JUNEJA.

Supposing he manufactures *gara* from ten counts. A mill is spinning its own yarn, and probably paying only about 8 annas per pound or 7 annas per pound. On any inferior quality of yarn on the same count a weaver will have to pay perhaps one anna more. So the mills make profits in two ways. They get yarn cheaper for themselves, and they sell inferior quality of yarn to the handloom weaver at a higher price.

Our task in this Committee is more in the direction of better organisation of weaving both in the villages and towns. With regard to the importance of organisation of village weaving you suggest an improvement in the central trading and buying organisation?—The first improvement I suggest is that they should have improved appliances; and, secondly, there should be an organisation for economical production and marketing of goods.

With regard to the marketing of goods in the villages do you think that in the light of experience of failure of many weaving societies—we need not enter into an explanation why these weaving societies have failed—do you think we should have sale dépôts in the different districts, with a provincial emporium somewhere, *e.g.*, in Lucknow or Benares?—This is what I suggest.

Or, do you think that these co-operative societies in the villages might be federated into wholesale unions?—No, I do not think that co-operative societies in the villages would be suitable agencies for the marketing of goods.

So you propose a central organisation which would act as a sales dépôt?—They should not only sell but secure orders and pass them on to the society and advertise the goods. They should have an information bureau attached to them; they should study the market, standardise cloths and advertise them.

Do you think such an organisation should also take over the task of the distribution of yarns, because in many cases the weavers are in the hands of middlemen who supply them with yarns?—Weaving should be organised by buying yarns, weaving accessories, as well as the looms and appliances. These societies should do that, and the central dépôts should have nothing to do with these.

What would be the relation of the sales dépôt to the weaving societies which you mention?—The sales dépôts will sell.

In Bihar and Orissa these weaving societies have two branches. They supply yarns to the weaver and then they also collect the finished fabrics and sell them. Do you think that would be a convenient method?—I think a separate organisation would be better. There would be a division of work, but if one organisation can manage there can be no objection.

Should this be an official or non-official organisation?—As non-official it will be better, but there should be a guarantee that the management is efficient. The supervision should lie with the Government.

Have you had any experience of the emporium at Lucknow?—I have no personal experience,

Mr. Sah: What improved appliances do you suggest? Do you think that these primitive appliances are not suited for the kind of cloth which these weavers produce? Can any improved appliances produce better cloth than they produce now?—In this stage it is a question more of cloth production. Take, for instance, *gara*. I do not suppose the average of any weaver can be more than seven or eight yards per day.

So when you refer to improved appliances you mean that they should be able to produce more cloth in less time?—Yes.

Dr. Radhakamal Mukerjee: Are you an advocate of the fly-shuttle loom?—Yes.

Do you think that the organisation would be different in the villages from that in a city like Benares, where we have a strong and old weaving community?—In several places you have got a strong weaving community; not only in Benares, but Mau, Tanda, etc., are all full of weavers.

In your written evidence you say that the *karkhanadars* engage these weavers and pay their wages, and pay apprentices either when they have learnt to make the articles or after some period of apprenticeship.—(*Witness*): That is the usual system.

What is the difficulty of the weavers in Benares in the matter of purchasing raw material and in selling their finished products?—In Benares there are weavers who are well-to-do and have got some means. They buy raw material and sell the product on their own account. But there are others also who depend upon the *mahajan*. They have no means. Supposing a weaver has made stuff worth Rs. 100. This man is a poor man. He will take the thing to the *mahajan* and may get an offer even below his cost price, and instead of earning anything he may lose.

Can you give an instance which would not be hypothetical?—We have got instances where profits go to the capitalists and middlemen which should have gone to the weavers themselves.

You refer to *karkhanas* in your answer to question 2, Part H. Do you mean power factories?—Not power factories. By *karkhanas* I mean small workshops. Suppose I am a *mahajan*. I will engage some 100 weavers. They have got small workshops. I will give them raw material. They will take it to their houses and bring back the product to me.

Have you any idea of the profits which are appropriated by these *mahajans* and middlemen in Benares, the profits which might have gone to the artisans, if they worked independently on their own accounts?—There are several cases of artisans losing from their own pockets.

The Chairman : Is not the main difficulty in the case of this Benares work that the material is so very expensive that no ordinary artisan can afford to pay and therefore he has to serve someone in some shape?—That is so. But the manufacture of suitings and shirtings from spun silk has greatly increased.

That is not expensive?—It is not so expensive.

Dr. Radhakamal Mukerjee : Then their difficulty is that they cannot easily sell the costly products. That is why we propose a dépôt. In the case of Benares if we have co-operative weaving societies which would supply yarns to weavers and pay them wages either on piece work system or any other method and then collect these fabrics, if we have an independent sales dépôt just like the Emporium here, it will meet the case.

The Chairman : Can you have the same organisation both for purchasing yarns and implements and supplying them to weavers and selling the products?—I am in favour of having separate organisations.

Dr. Radhakamal Mukerjee : What would be the advantage of separate organisations?

The Chairman : I will tell you that. If you have got your very expensive fabrics collected in a sales dépôt you will be capable of extending its branches all over the world. You were speaking of Bihar and Orissa just now. They have organised to a very great extent. They are selling their *purdahs* even in England.

Dr. Radhakamal Mukerjee : Can't you have them in Benares?—Why not if there is a demand for it.

Then there should be direct connection between the weavers and the people who are well acquainted with business methods?—Not only people with business methods but capitalists, too.

The Chairman : Let me tell you one thing. In the old days when this emporium was attached to the Arts and Crafts School, I found there that it had orders from 21 different countries and from all over the world. If we have, say, half a dozen emporia like that imagine what our sales would be. You will find large European firms placing their orders with them. I have answered several letters myself from Australia and Japan, and even in languages which I could not read and which had to be translated. Mr. Teyen informed me that they were selling our stuff in London.

Dr. Radhakamal Mukerjee : How should these banks advance loans to societies?—There must be some guarantee for the repayment of the loan. Unless this is done, these societies can never flourish. Moreover, the whole work should be conducted by honest people. Honesty is the most important thing in business.

MR. SHEO NARAYAN JUNEJA.

The Chairman : Then you want co-operation for production and business methods for sale?—Yes, I quite agree with that.

Of course, weaving is another matter. Not merely silk, but there are brassworks and other things which India has produced for centuries, but has no market for them. I find that foreign countries are manufacturing materials which India used to manufacture. In Sheffield they are manufacturing Indian wares.—(*Witness*) : The reason is that we have no trading or proper organisation for our products so far. When emporia are started in two or three places in the province and they are run on strictly commercial lines we will be able to collect the fabrics from the weavers for sale.

Can you tell us something about the Mirzapur carpets?—They work entirely on the cottage industry system. It is all hand work.

That industry is largely in the hands of European firms?—There are some Indian firms also.

(The Chairman thanked the witness who withdrew).

Rai Bahadur Babu MADAN MOHAN SINHA, M.B.E., Bar.-at-Law, Officiating Director of Industries, United Provinces.

Memorandum on the Egyptian scheme of loans on the security of cotton.

The Egyptian scheme of loans on the security of cotton to assist the small producer appears to be a sound one. The small producer in India also requires assistance, and if the scheme is worked on a reasonable basis there is no reason why it should not succeed. In general, therefore, I agree that a similar scheme should be introduced in India. I believe I am not required to go into details at this stage. The expenses which are recoverable from the borrower are not very clearly mentioned in the scheme, and these should better be defined when a similar scheme is formulated here. It would be much better if cotton could be warehoused in the first instance at the ginning factories themselves. This will save the producer the cost of transfer from the warehouse to the ginning factory. The scheme should, in my opinion, not be restricted to co-operative societies alone. Similar work is done by some of the joint-stock banks, and they will probably be able to assist where co-operative district banks cannot. Much of the success of the scheme will depend upon the kind of men that can be obtained for grading, weighing and looking after the cotton. On the whole I am of opinion that it deserves to be given a trial. I am also of the opinion that schemes similar to this can and should be worked out for some other important articles—both manufactured and otherwise—like sugar and hand-made cloth, etc.

(For oral evidence see pages 392—397.)

ORAL EVIDENCE .

Lucknow, January 29, 1930.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., ...	*Chairman.*
RAI BAHADUR BABU MOHAN LAL, M.A., LL.B., M.L.C., ...	
DR. RADHAKAMAL MUKERJEE, M.A., PH.D., ...	*Members.*
RAI BAHADUR PANDIT G. S. UPADHYA, B.A., ...	
MR. MOHAN LAL SAH, M.A., LL.B., ...	*Secretary.*
DR. L. C. JAIN, M.A., LL.B., PH.D., ...	

Witnesses :—(1) MR. C. ST. L. TEYEN, O.B.E., I.S.O., *Deputy Secretary to Government United Provinces.*

(2) RAI BAHADUR BABU MADAN MOHAN SINHA, M.B.E., *Officiating Director of Industries, United Provinces.*

The Chairman : You both represented the United Provinces at the Wembly Exhibition in 1924. You must have acquired some knowledge of the working of small industries and of the possibility of finding markets in England for the United Provinces exhibits displayed at the Exhibition. Take one particular industry and tell us about the manner in which they get their raw materials and implements. Where do they buy their raw materials from? I have got facts about Benares and Lucknow industries, and about Nagina carving and Saharanpur wood-working industries. I have also got figures about Aligarh lock industry.—(*Mr. Teyen*) : I can instance the calico-printing industry of Farrukhabad. Its working is partly in the hands of large families who had been doing good business. Previous to Wembly foreign business was in the hands of well-known export middlemen in England, and they had good connections there. But Wembly opened the eyes of the Farrukhabad manufacturers to the possibility of considerable expansion, and I might say definitely that they have expanded the business. Some representatives of the industry have been going to England every year, and have established direct connections in London. They get also at least at present an order of 2 lakhs a year from New York. As regards their finance it has been more or less a family affair.

That is right. They are rich men and there is no difficulty about it.—(*Mr. Teyen*) : Their work is entirely satisfactory and they have got direct connections. Besides they are going to open store godowns of their own in London for business on a wholesale basis, and will possibly expand in America.—(*Mr. Sinha*) : They had some financial difficulties in 1924. They, however, sold their produce in Wembly very well and paid off their debts within a couple of months.

How do they work? Have they got factories?—(*Mr. Sinha*) : It is a cottage industry. They have got workmen at their homes and in other places. The industry is not confined to one caste.

Dr. Radhakamal Mukerjee : Do the *karkhanadars* belong to different families, and are they rich?—(*Mr. Sinha*) : They are well off.

Do the villagers also do this work in villages independently of these *karkhanadars*?—The villager works for himself, and he works cheaper.

The Chairman : In other words his work is relatively inferior, but the art is there, so the industry is in the whole flourishing?—Yes. With credit facilities it may be extended.

Tell me another thing. How do these sell in the country itself?—There is not much demand in this country.

Dr. Radhakamal Mukerjee: Have they contracts from different firms?—Yes.

If they want credit facilities on a large scale, will these people be able to obtain them from joint-stock banks?—No, they are not sufficiently big for joint-stock banks.

The Chairman: I will take another industry. Do you know anything about the Saharanpur wood-working industry?—That industry is also doing well, but they also are financially weak. They have got no money to pay for the timber. They have got material for local consumption, but no one is willing to give them credit. For example, a good firm was recommended by the Collector for a loan to the Loan Commissioners who are dealing with that question. The firm has received an order from abroad and wants to buy timber to complete that order, but has got no money. It is a good firm, the stock is valued at several thousands, but it cannot get credit.

According to this note they have got stocks in their market?—But it is not seasoned wood. The difficulty is about seasoned wood. They have to get wood about 12 months' old, which is an expensive job. I looked into the matter not long ago. We have got a seasoning plant at Bareilly, and I suggested to the man to send his stock to Bareilly and kept it there.

How does the Saharanpur wood-work go to England? It is a very popular industry and their art is very popular. They can sell several thousands worth of stock.—(*Mr. Sinha*): The art is there, but they are lacking a little financially. If they get financial aid they will do much better.—(*Mr. Teyen*): Personally I think there is a possibility of greater success provided there is greater propaganda.

Any suggestion about Moradabad industry?—(*Mr. Sinha*): Barring a few families, the industry is in the hands of big men. With credit facilities the industry can expand among poor families. If co-operative societies are started amongst these artisans, they will supply raw material as well as implements. A co-operative artisan society would be very suitable for this class of work. If we start a co-operative artisan society and an industrial bank the co-operative society will do its part of the work and the industrial bank its own part. They are both needed. I think co-operative effort is required in every direction. If there is going to be any industrial improvement in this country it can be done only by co-operation.

Rai Bahadur Babu Mohan Lal: Co-operative societies also require money.—(*Mr Sinha*): If we have an industrial bank we will have a much wider clientèle.

Of course it will help other industries also.

The Chairman: In fact we want a number of co-operative artisan societies with one provincial industrial bank.

Dr. Radhakamal Mukerjee: If we have an industrial bank either in Benares or in Lucknow, will it be able to operate for the whole of the province?—(*Mr. Sinha*): One central bank with branches in different places of the province will serve our purpose. To start with, we suggest that the bank should be located at Benares, and that Government should have some direct connection with it.—(*Mr. Teyen*): I have with me some points on which Mr. Sinha and I agreed last evening after discussion. Firstly, it is essential that it must function as a bank and not be a government department, even if Government has a connection. I doubt myself, under the present conditions and for some time to come, whether any bank or section of a bank dealing in industrial credit would get shareholders unless Government showed that they had an interest in it. Our idea may be briefly stated to be this:—*Firstly*, Government should take a definite share. The amount does not matter at present, because it depends on the volume of business which the bank or section of the bank would transact. *Secondly*, Government should have correspondingly a voice in the directorate.

That is about the shares. I am referring to the organisation of such industrial banks. In other countries Government have raised it to 50 per cent.—(*Mr. Teyen*): That is a question of detail. When you begin to float a bank and call for shares, the

Government shares should be as little as possible, but it should be sufficient to enable the bank to get going, and Government should have a corresponding voice in the directorate. A *third point* is, I personally should applicable particularly to India. It may be applicable also to other countries, but there is no doubt in my mind of its applicability to India under present conditions. It is that, while Government should have a voice in the directorate, they should also conduct a half-yearly inspection of accounts super-imposed over the ordinary audit by Chartered Accountants. *Fourthly*, shareholders will not come forward unless they see that Government is making some sacrifice. The sacrifice which I suggest is that in any case Government should not take a big dividend. In effect its dividend should be limited to the market value of Government stock, any excess due going to the reserve fund. I may take as an illustration that gilt-edged securities are at 5 per cent., and that the bank is able to declare a dividend of 8; Government should take the former, and its share of 3 per cent. should go to the reserve fund and not to other shareholders. The reserve fund should be formed as quickly as possible. I might even go further and say that in the case of an industrial bank the examination dividend declarable for all might in the initial stages be limited, so that the reserve fund could be formed quickly. *Fifthly*, the reserve fund should be kept in the hands of separate trustees, possibly the Government director and the managing director of the bank. It should not be merged with the ordinary funds of the bank. *Finally*, the bank should not deal in credit for experiments. Experiments with a view to starting a new line must be left to Government and private individuals.

The Chairman: You would admit, I think, that the reserve in the case of the industrial bank would be relatively larger than in the case of the ordinary bank?—I think it is inevitable. The reserve fund should be made up quickly and should be as large as possible, because of the character of the work which the industrial bank or industrial section of a bank would do.

And your idea of having separate trustees would be to prevent the raiding of it, to which there would be a big temptation in the case of the industrial bank?—I think the very stability of the bank would depend on it. The nature of industrial credit is such that without a safe reserve, a bank might be in serious difficulty.

We come to this that you would have your reserve and practically hide it?—Yes.

Dr. Radhakamal Mukerjee: And you consider that different branches of the banks in industrial centres should be linked with it?—(*Mr. Sinha*) Yes.—(*Mr. Teyen*) My knowledge of smaller urban industries is of 1924; but Mr. Sinha has details and is up-to-date. I agree with him that if such a bank were formed, for example, at Benares, it probably would secure sufficient work on a certain scale as a start. The bank would not necessarily confine its operations to Benares, but would also gradually provide credit elsewhere; and later, as need arose, would open branches in other parts of the province.

The Chairman: Because a good deal of your work will be short-term and you would want it in a hurry?—(*Mr. Teyen*) Yes.

Rai Bahadur Babu Mohan Lal: Will you get sufficient work from the industries to get the bank going?—(*Mr. Sinha*): Benares has a huge business in cottage industries.—(*Mr. Teyen*): The volume there is not small. But we do not wish to be misunderstood. Our industrial bank would be an ordinary bank with a charter definitely authorising it to deal in industrial credit.

Mr. Sah: How will the bank obtain a working capital? Will it take deposits?—(*Mr. Teyen*): It will take deposits as is inevitable in all banks. While its real and alleged function would be to provide credit facilities for industrialists, it will also deal in other banking operations. So far as my knowledge goes, a bank dealing only in industrial credit cannot exist merely on that.—(*Mr. Sinha*): Without receiving fixed deposits you cannot finance your banks.

Will you limit your fixed deposits?—(*Mr. Teyen*): I prefer not to answer that because it touches a point of detail.

Dr. Radhakamal Mukerjee: In some of the smaller countries we have small banks in different cities catering to the needs of their creditors. Do you think that small industrial banks may be established in Moradabad or in Aligarh?—(*Mr. Teyen*): It sounds very nice, but I think the personal factor, if nothing else, rules out, at present at any

rate, any idea of starting small industrial banks in several places all at one time—(*Mr. Sinha*) : One bank at Benares first. You will then only have to extend it.

How would you solve the difficulty of satisfying the credit needs of other industrial centres?—(*Mr. Sinha*) : The man in charge there would look into the industries of other districts also.

The Chairman : What you mean is that this Benares bank should deal not only with Benares, but with the whole province. It is only a question where you should have branches later on?—(*Mr. Teyen*) : The point is that in Benares the bank would have, so far as our knowledge goes, a reasonable amount of business actually there in the place, but it does not mean that the bank would not seek business elsewhere. The need for branches would only arise as business itself develops.—(*Mr. Sinha*) : Then in the beginning the question of personality comes in. If the officer in charge is very successful, your bank will flourish at once.

Dr. Radhakamal Mukerjee : You agree that there is a large volume of business in these industrial centres and the need for short-term credit also exists? Do you think that a bank at Benares could cater successfully to the needs of a man at Aligarh?—(*Mr. Teyen*) : In our view you cannot start separate banks in different places. We have suggested a bank located at Benares, but operating also throughout the province. Now there is a real difficulty for the authorities of such a bank to get to an industrialist at Moradabad or Aligarh by way of example. A bank cannot keep a large number of inspectors; it cannot add to its charges too much. As a solution we suggest that to start with in such cases the bank should receive a great deal of assistance from the Industries and Co-operative departments without charge. This might take the form of these departments getting information on points fixed by the bank. In fact a sort of questionnaire would be sent. The departments would reply to these points, and this would constitute the measure of Government assistance rendered directly to the bank free on behalf of industrial development. On receipt the bank would supplement points and would deal with any application for credit.

Do you think that local knowledge about the conditions of credit and of business of the smaller industries would be left better to the authorities of the Industries department or to the branch of the provincial industrial bank?—(*Mr. Sinha*) If you have many branches in every town, will there be sufficient business for all of them? Take Moradabad. What is the extent of business in Moradabad?

What I would like to have your opinion about is this, agreeing that local knowledge and information are absolutely essential for advancing short-term credit to workers, do you think that the provincial industrial bank or a local branch would be the best agency for it?—A local branch would certainly be better, but in the beginning you may not have a local branch everywhere. You have got to make a beginning.

Why not? They have in other countries. In the small agricultural countries in Europe they have them.—(*Mr. Sinha*) : Now take a bank in Moradabad. How much business do you think it would do?

The profits of the bank would pay for the staff. Do you think that the problem of industrial credit can be solved by reorganising indigenous banks?—Certainly. But there you want legislation for the indigenous banks. You cannot proceed in this country without that. At present one cannot be certain whether their books are correctly kept. If you legislate and if they keep books correctly, indigenous bankers will give more advantages to small industries than a bank would in the next ten years.

Rai Bahadur Babu Mohan Lal : I have often heard that the books are not correctly kept. But my personal knowledge is that they are kept very correctly. On what basis do you put this?—Of course, the bigger indigenous banks do, but I had in mind the small village banker who does not keep any books.

The Chairman : I think we are getting away from the point. It is not a question what the indigenous banker does or does not. You say that an industrial bank should finance all these industrialist societies, and the Industries department should help. In the initial stages we will assume you will get all the help you want. What I want to put to you is this, that you are merely really in practice substituting an industrial bank for the present industrial Board of Loan Commissioners?—The industrial bank will be something quite different.

I know it is something quite different. But what you are actually doing at the present moment is that if you want to finance an industry through Government, you do it through the Board?—(*Mr. Sinha*) : No. For that I would suggest the Aid to Industries Bill. That must come in. Without that we cannot make any headway.—(*Mr. Teyen*) : The operations of the Board of Loan Commissioners are very restricted, practically limited to new enteprises, whereas a bank will deal with credit generally. The Board, for instance, does not give credit for raw material or for working expenses. In fact the Board is not operating at all as a bank, and even as a supplier of credit its function is strictly, and I think rightly, very circumscribed.

A bank would and could and should take over the work.—(*Mr. Teyen*) : That is a point on which we have not come to a final opinion. We have said that a bank dealing in this kind of thing must not be allowed to deal with experimental work. It is the duty of Government to give grants or to give loans for experimental work.

Admitting that, wouldn't it be simpler as a mere administrative business to put the grant of a loan or whatever sum of money the Government is prepared to spend or risk on the experiment in the hands of the bank to play with?—That is a possibility we have not considered. But the bank would not be able to do it.

I am talking of the organisation.—(*Mr. Sinha*) : But the Aid to Industries Bill if passed would institute another body in place of the Board of Local Commissioners.

Dr. Radhakamal Mukerjee : Do you think that the help of the Industries department is absolutely indispensable?—(*Mr. Sinha*) : They are required only to help in the beginning. You cannot have an army of inspectors in the beginning.

The Chairman : The whole point is, Government offers you an agency so cheap that it costs you nothing. Whatever agency you put in, if it is not a Government agency you will have to pay for it.

Mr. Sinha : The moment you do not want Government help that agency will disappear.

Mr. Teyen : Later on Government will retire as much as possible.

Dr. Radhakamal Mukerjee : Your idea is that the Industries department would help the industrial bank at Benares, for instance, to give loans to the *karkhanadars* of Lucknow, and if the volume of such business increases, you would start an industrial bank in Lucknow itself?—(*Mr. Sinha*) Certainly, that is for the bank itself.

The Chairman : Well, I do not think we need trouble you very much about Benares and Lucknow industries. We have information about these industries here. Do you agree with this?—(*Mr. Sinha*) : The information is quite correct.—(*Mr. Teyen*) : Yes, the information is quite correct.

You were going to tell us about Moradabad; of course that is important, because that is one thing we have not had much information about.—(*Mr. Sinha*) : There also the important firms are in a position to deal with foreign importers if they extended their business. They are doing well, but they are also in need of financial aid for the time being. You see they receive an order, and meet it, but it takes easily four months before they can receive their money. During that time they are handicapped. They want some facilities where they can hand over their papers and the bank could deal with the importers direct.

Am I right in putting it this way, that Moradabad brass like practically every industry is really in need of some organisation which will give it a cash credit for pure working purposes, i.e. day to day working expenses?—(*Mr. Sinha*) Yes.—*Mr. Teyen*) Moradabad would not need long-term credit.—all short-term. I know one instance in Moradabad where an American tourist got into his head that he wanted a brass urn about six feet high. He went to Moradabad and placed his order. He deposited his money, and came back after some time and took the brass urn.

Dr. Radhakamal Mukerjee : The small industrialists' credit, generally speaking, is short-term credit?—(*Mr. Sinha*) : Yes, short-term.

The calico-printers' credit would not exceed more than eight months?—(*Mr. Sinha*) : Not more than eight months.—(*Mr. Teyen*) : The nature of their work is such.

And the Benares silk industry?—(*Mr. Sinha*) : The Benares silk industry will not require more than six months.

The Chairman : To leave that question, let us get to the marketing business. What we want to know is, in your opinion, the best method, having made these wares, of putting them on the market in the fullest sense of the term. We all know the method of the ordinary *chikanwala*. He is hawking about for most of the time.—(*Mr. Sinha*) : There is not sufficient advertisement, and for that we are both of the opinion that we should have, in important districts to begin with, a central dépôt—a sort of emporium—not to do so much sale business as to advertise. That would lead to a good deal more business than is being done now. At present we do not even know what particular article is being manufactured in a particular locality. Take ordinary silk handkerchiefs. They are making in Sandila very good silk handkerchiefs costing about eight annas per piece and the market value in high-class retail shops is 14 annas. The handkerchiefs are very good, but we do not know the names of these workers, nor do these poor workers know the places from where they can get their raw material cheap.—(*Mr. Teyen*) : Marketing is a matter which will be dealt with in a variety of ways. I only quote an instance in connection with the Benares silks where they have all kinds of import duties and difficulties in coming into England and also in France. Well, the Benares men generally find it worth their while to go over with their goods. When they were last in Paris they got a provisional order. Now, one of the Farrukhabad merchants is taking on behalf of Benares producers different designs of silk for ladies' bags to Paris with his ordinary personal luggage and there he will find out which is the most favoured or whether any other designs are suitable, or whether the silk requires any modification to suit market conditions, and a variety of things. That is one way of assisting which is possible, but of course that is only occasional.

The point I was specially thinking of was the fact that in my opinion there is not sufficient touch between the producer and the consumer. I mean the producer does not know what the consumer really wants.—(*Mr. Sinha*) : We found in Wembly that our Agra carpets wer not selling very well; we were surprised. We inquired, and found that it was because of the dull appearance that the carpets were not selling. We made further inquiries and found that they had a peculiar method in London and Paris by which they removed the extra dye and gave a better and shiny appearance. We sent our carpets to these places. It cost a shilling a square yard to do this, and when we had had this done, our carpets were sold off in no time. I wrote also to the Director here suggesting that we must find out a method of giving our carpets a silky appearance. They have done something in this direction in the Harcourt Butler Technological Institute, but the trade has not taken to it. But the fact remains that we could not sell these Agra carpets till we had had them smoothed and given that shiny appearance.—(*Mr. Teyen*) : We went and saw the process with our own eyes.

Dr. Radhakamal Mukerjee : Apart from the facilities of advertisement which you think that these emporia would give, don't you think that marketing facilities ought also to be given so that these emporia should not merely be advertising but also sales agencies?—(*Mr. Teyen*) : But my experience is that their marketing activities are generally failures.

There is a Home Industries Institute in Mysore which has given enormous facilities to the artisans and the small industrial workers in the Mysore State in selling their goods abroad. Don't you think that an emporium like this might help us a great deal?—(*Mr. Sinha*) : Mr. Teyen and myself think that to begin with the Industries department should really start an emporium in important districts. It will not cost much money. We can easily finance it. You only want a room and a reliable clerk. It would be mostly done by the Divisional Superintendent.

(The Chairman then thanked the witnesses and they withdrew.)

Hon. Justice Dr. SIR SHAH MUHAMMAD SULAIMAN, Kt., M.A., LL.D., Bar.-at-Law, Judge, High Court of Judicature at Allahabad.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part C.—Extent and nature of agricultural indebtedness.

Question 3A.—Restrictions placed on alienations by agriculturists under the Bundelkhand Land Alienation Act must naturally affect their credit to some extent. As a consequence high rates for loans prevail in Bundelkhand, where the agriculturist's land cannot be easily purchased. But on the whole the protection has been of great advantage to the agricultural tribes, and they have benefited considerably from the provisions of the Act. Bundelkhand is comparatively speaking a poor area and for want of good water-supply is not as fertile as the Gangetic valley. Its agriculturist class would have been reduced to extreme poverty and their families driven to penury, if the Land Alienation Act had not offered them protection.

My short experience does not justify me in stating that an ordinary *bania* has been replaced by a professional agriculturist moneylender.

II.—Indigenous banking.

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

Question 1.—I agree that there is often an unreasonable protraction of legal proceedings which delays the recovery of debts, but since the publication of the Civil Justice Committee's report attention of the courts has been drawn to this grievance and some steps are being taken to remedy the evil.

But I do not agree that high rates of interest are the result of laws' delays. They have been brought about by the ignorance of the borrowers and the caprice of moneylenders. The prevalence of high rates of interest has in the past been the result of the removal of all limitations on the power to contract. While the rate of interest has fallen in England considerably since 1855, it has risen in India in a marked degree. This is so, even though there have undoubtedly been considerable improvement and facility in the procedure for the realisation of loans and interest, and with the establishment of peace and order there has been greater security since the pre-mutiny days.

The principal difficulty of the creditor is the delay in obtaining his decree and further delay in realising the decretal money by execution. Sometimes false defences are raised which prolong the hearing. Then again, futile objections to the execution are frequently urged and matters are taken up in appeal unnecessarily. But in the long run the creditor seldom suffers inasmuch as his interest at the high contractual rate continues to run all the time and the final result is that he gets future interest on the compounded sum as well as costs.

There are numerous recommendations of the Civil Justice Committee which are being considered and some have already been given effect to but they themselves are not likely to lower the rate of interest.

Question 2.—I do not at all agree that the Usurious Loans Act of 1918 is a dead letter in these provinces. In several cases which have come within my notice, the lower courts have applied the provisions of the Act and given relief from extortionate demands. The real reason why the Act has not been availed of in most cases is that the limitation on registered mortgage deeds executed after 1918 has not yet expired. The success of the Act will depend on the view which the courts will take as to what amounts to an unconscionable bargain or an excessive rate of interest. If rates amounting to Rs. 1-8 per mensem, compound interest, or even Rs. 2 per mensem simple interest, are to be treated

as reasonable, the Act will certainly remain an almost useless piece of legislation. On the other hand, if the courts take pains to examine the circumstances surrounding each transaction and ascertain whether the bargain was in fact unconscionable, they would offer redress to the agriculturist class, who owing to their poverty are always in the clutches of local moneylenders. The needy borrower, in his helpless condition and under pressure of necessity, is always dominated by the rich moneylender, and unless the courts exercise their discretion in a judicious manner, the recent legislation will not have any salutary effect on the so far unchecked greed of moneylenders.

In my opinion the principal defect of the Usurious Loans Act is that the legislature has not given any lead to the courts as to the rate of interest which may be presumed to be excessive. This defect would have been removed if there had been a proviso that any rates exceeding Rs. 1-8 per mensem should be presumed to be excessive unless the creditor satisfies the court that in the circumstances it was not so.

As the Usurious Loans Act has not yet been sufficiently tried and sufficient time has not lapsed, I would leave it alone for the time being.

Mr. JITENDRA NATH ROY, B.A., LL.B., Judge, Small Cause Court, Lucknow.

Replies to the questionnaire.

PART II.—INDIGENOUS BANKING.

I CAN say something only about one class of "indigenous bankers," *i.e.*, individuals lending money, and it is as follows :—

There are many such bankers in Lucknow. I have known two or three instances in which two or more persons entered into a partnership to carry on moneylending business, but it was not successful. It ended in litigation, each partner accusing the other of foul play. Some of these bankers are very rich. One banker, I was once informed, paid as much as Rs. 15,000 as income-tax. There are others again who seem to do pettifogging business.

Some of the indigenous bankers combine other business with their own. They have generally a cloth business, or gold or silver business. It is not possible to give any detailed information regarding these without inquiry or examination of their account books.

I have come across cases in which an indigenous Lucknow banker would send his men and money to the interior of districts in Oudh at regular intervals and there advance loans to the agriculturists at their own houses. I am informed that such loans are sometimes given to the agriculturists to enable them to pay rent and purchase cattle and seed grain. Generally, however, the borrower comes to the house of the banker for the loan.

The most popular method of advancing loan is the *ugahi* system. In this system the borrower would take an advance of, say, Rs. 10 agreeing to pay Rs. 12 instead (Rs. 2 being on account of interest) in a year in monthly instalments of Re. 1, and in case of default they would agree to pay interest on the money or part of the money remaining unpaid at the end of the year at the rate of six pies per rupee per month. When the banker has to sue, he claims interest at six pies per rupee per month from the beginning of the second year. This rate of interest is generally allowed in the small cause courts at Lucknow, and having regard to the want of security and the risk that the creditor has to run, I do not consider this rate exorbitant. I sometimes find that the borrower agrees to pay interest at one anna per rupee per month, *i.e.*, 75 per cent. per annum. This is certainly an exorbitant rate and is never allowed in the small cause courts. On inquiry I have come to know that the creditors have generally to sue about 25 per cent. of their debtors but they cannot realize interest at this exorbitant rate even from the remaining 75 per cent. of the debtors who discharge their debts without litigation. They say that they find it difficult to realize interest out of court even at the rate of six pies per rupee per month.

The next popular method of lending money is on promissory notes. Interest is generally the same, six pies per rupee per month. The promissory notes are payable to the creditor or order and are worded accordingly.

Suits on bonds are comparatively rare in the small cause courts at Lucknow.

Money is sometimes lent on what is known as the *rozahi* system, i.e., in which the debt is discharged by daily payments. A man would borrow say Rs. 10 agreeing to pay Rs. 12-8 in two months 22 days at the rate of ten pice per day, or in 5 months 15 days at the rate of five pice per day, and in case of failure interest at six pies per rupee per month on the money remaining due at the end of the period. This method does not seem to be much in vogue.

Money is sometimes borrowed by pledging ornaments. In such cases the interest charged is generally Re. 1 per cent. per mensem which I do not consider unfair.

The indigenous bankers generally keep two and sometimes three kinds of account books. The first is the day book (*rokar*) in which daily transactions are entered and

balance struck every day. This is generally faired out from a rough copy which is called the *kachchi rokar*. The second is the ledger (*khata*). The third is what is known as *angutha bahi*. This is almost invariably kept by those bankers who send their men and money to the villages. The amount of the loan and the interest are entered in the book and a stamp of one anna is affixed to the entry (when the amount exceeds Rs. 20) on which the thumb impression of the debtor is taken. The wording of the entry is generally to this effect :—

" .....*ke nam*.....*ugahi di*.....*rupaiya*.....
.....*mahina*.....*wada pachhle ka biaj dar* ½ *anna*
rupaiya.....*miad* 12 *mahina* (Thumb impression)."

Since the inspection by the Chief Inspector of Stamps, United Provinces, last year we have decided that this is an agreement and should bear a stamp of eight annas. We have yet to see what will be the effect of this decision on the practice of maintaining the *angutha bahi*.

There are no facilities for the clients of bankers in inspecting their accounts with them and generally they do not seem to care to inspect the accounts. On very rare occasions we come across a case in which the defendant pleads that he asked the plaintiff to settle his account but he paid no heed, while the plaintiff would say that he asked the defendant to come and see his account but he would not care.

One defect often strikes me in the dealings of indigenous bankers with their clientèle. The money lent at six pies per rupee per month interest doubles itself in the course of about three years. Generally about the end of the third year the banker gets the pronote renewed, sometimes making a small additional advance and sometimes even without that. Then about the end of the second or third period of three years he would sue for double or treble the amount originally lent. All that the poor ignorant villager remembers is that he took a loan of say, Rs. 10, for which he has now to pay Rs. 30, and costs in addition, and is perplexed as to how this could happen. Similarly, two persons go to a banker for loans. The banker advances some money to each and gets two pronotes executed by both treating one as the principal debtor and the other as surety. The ignorant villager does not understand the liabilities of a surety and often wonders why he has to pay the money borrowed by another. I do not consider it desirable that a party should leave the court with a suspicion lurking in his mind that he has not got absolute justice. In my opinion the banker ought to explain the situation clearly to his illiterate client before he gets his thumb impression on a pronote or any other document in such a case. It is difficult to suggest any means by which this can be ensured. I think some benefit may be derived if the banker be compelled to add a memorandum of account in the pronote or receipt and get it signed or thumb impressed by the debtor, and in the other case to expressly note that one of the debtors is a surety and the other the principal debtor, with a certificate that the situation has been explained to the debtors. Another defect that I notice is that receipts are not always given to the debtors for payment made. It sometimes happens, and especially when the banker sends his agents to a village to make realizations, that a debtor pleads that he has paid more than what the books of the banker show. Fortunately such cases are rare. I must say in fairness to the respectable bankers that they seem to be scrupulously honest in their dealings with their clients. A payment of even a rupee made out of court during the pendency of a suit is sure to be notified to the court even in *ex parte* cases. But in order to ensure that there may be no errors or deception by the agents of a banker, it is desirable that receipts should be invariably given for payments made by debtors.

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

Question 1.—One of the principal difficulties encountered by the creditor in endeavouring to recover a debt by process of law is the claim preferred to, or objection made to the attachment of property by a third party. A judgment-debtor can cause a great deal of delay to the recovery of the debt and sometimes may even defeat the claim of the creditor by this simple device. Even after the objection is thrown out by the court executing the decree a decree-holder may have to fight out a regular suit. Experience has shown that more than 75 per cent. of such claims and objections are entirely baseless, the outcome of a collusion between the judgment-debtor and the objector. In my opinion,

MR. JITENDRA NATH ROY.

if the objector be called upon to deposit some sort of security for the due performance of the decree in case he is unsuccessful it will have a salutary effect. We have an analogous provision in the Provincial Small Cause Courts Act (IX of 1887), section 17, when an application to set aside an *ex parte* decree or for review of judgment is made. I would suggest that an objector to attachment may be asked to deposit security (preferably in cash) to the extent of the estimated value of the attached property or the amount of the decree, whichever be less. This will put an end to frivolous objections and a very annoying cause of delay to execution of decrees will be removed. I am not unmindful of the fact that it may cause some hardship in individual cases; some poor man who is unable to give the security may suffer; but then the law cannot be perfect and we ought to look to the greatest good of the greatest number.

Another principal difficulty is that in the case of moveables the *supurdar* occasionally would not deliver up the attached property for sale. The law as it at present stands does not ensure the speedy recovery of the attached property from the *supurdar*. In my opinion the courts should be expressly authorized to arrest a *supurdar* who does not deliver up the attached property and send him to the civil prison if necessary, or to attach and auction his property. This will remove another source of delay and annoyance.

We also ought to have a better class of persons to execute the processes in execution cases. So long as warrants for attachment and arrest are executed by ill-paid process-servers it is not possible to get satisfactory results.

Question 2.—I cannot say that the Usurious Loans Act is a dead letter so far as the small cause courts of Lucknow are concerned. Here the interest claimed is often very high. The *Kabuli* moneylenders claim interest at two annas per rupee per month, *i.e.*, 150 per cent. per annum. Many Indian moneylenders often claim half the amount. In such cases the interest is invariably reduced to six pies per rupee per month.

I cannot think of any defect in the Act from the creditor's point of view. From the debtor's point of view there seems to be one defect. The Act is not clear whether the court can interfere in those cases in which the defendant by a compromise with the plaintiff agrees to pay an exorbitant interest. There are cases in which the debtor seems to be entirely in the control of the creditor and agrees to pay an exorbitant interest, either for fear of displeasing the creditor to whom he may have to go again for a loan, or as a consideration for getting instalments. In my opinion the courts ought to be given powers to interfere in such cases also.

(For oral evidence see pages 403—406.)

MR. JITENDRA NATH ROY.

ORAL EVIDENCE.

Thursday, January 30, 1930.

LUCKNOW.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C.	*Chairman.*
DR. RADHAKAMAL MUKERJEE, M.A., PH.D.	*Members.*
RAI BAHADUR BABU MOHAN LAL, M.A., LL.B., M.L.C.	
MR. MOHAN LAL SAH, M.A., LL.B.	
RAI BAHADUR PANDIT G. S. UPADHYA, B.A.	
DR. L. C. JAIN, M.A., LL.B., PH.D.	*Secretary.*

(*Witness* : MR. JITENDRA NATH ROY, B.A., LL.B., *Judge, Small Cause Court, Lucknow.*)

The Chairman : You have told us of your experience about indigenous bankers, but though a judicial officer you have told us comparatively little about law. We have it definitely stated by a good many people that one of the main causes of high rates of interest is the difficulty incurred in recovering debts. You said something about the subordinate courts' functions, but I should like you to tell us more about that if you can. The position as I understand it is that it is one thing to get a decree but totally different to get the money realized. Could you give us some details?—The chief difficulty arises from the staff of process-servers. My idea is that these low paid men do not work satisfactorily. They try to extort something from the decree-holder and something from the judgment-debtor. Unless we get bailiffs who are well paid and who are more respectable, the thing cannot be improved. As an example how a process-server can baffle a decree-holder —a warrant of attachment is issued in the *nazarat*. A poccess-server is sitting there. He will go and inform the judgment-debtor that an attachment will come on such and such date, and when the process-server wil come he will find the doors shut. That is the root of all trouble in my opinion and unless you get a better class of persons as process-servers the evil cannot be remedied.

You think the staff should be considerably improved and better paid?— Not only better paid but should be of a better class, because I have heard that *amins* in the Agra province who, where a process-server will be satisfied with Re. 1, demand Rs. 3. There is only one bailiff in the small cause court and one in the District Judge's court. I would suggest, if possible, there ought to be four or five bailiffs in the small cause courts and an equal number for the civil courts. I suppose that will remove a great cause of annoyance and delay.

You think you can do with a smaller staff if it were a better staff?—Yes.

Mr. Sah : Do you propose this only for Lucknow or for all civil courts?—It ought to be for all civil courts.

The Chairman : But the small cause court is the regular debt collecting court. More cases of debt go into the small cause court than in any other. They correspond to the County Court in England?—Yes.

These are the post-legal delays. How about the legal delays?—Another cause of delay is the objection preferred by a third party. The property of the judgment-debtor is attached; he wants time; he puts up somebody to file an objection who says the property belongs to him. Now as soon as the objection is made we have got to fix a date, perhaps three weeks or a month ahead, and perhaps summons is not served and we fix another date. Now when the case is ready and we hear the evidence, we find that the whole thing is false and it was simply in collusion with the judgment-debtor that this was done.

You have no power to reject an objection summarily?—We can only do so if it is put in after a great deal of delay; if at a belated hour a man comes up with an objection, we reject it.

MR. JITENDRA NATH ROY.

Mr. Sah: In this matter you have suggested that some security should be taken from the objector. Will it not act very hard on the *bonâ fide* claimants?—I have already said that in my opinion it will cause some hardship.

But you have said greater good would be done to the greater number. My point is that the method suggested by you in the matter of these objections will act very hard upon *bonâ fide* claimants, and then the decree-holders are apt to take undue advantage of this provision of law, as objectors are taking just at present, when there is no such law. The law should be such that *bonâ fide* claimants would not be denied justice.

The Chairman: Possibly you might be able to find a way of suggesting something to meet that difficulty. The point I should like to make is what sort of objections are these?—Suppose some property is attached, a brother or other relation comes up and says that the property belongs to him and not to the judgment-debtor. It is only in rare cases that we find that the decree-holder is in the wrong and he went and attached somebody else's property.

In other words, the nature of the objection is mostly connected with the man's personal law. I mean the objections arise on account of the peculiarities of the Hindu joint family system?—No, not necessarily.

Can you tell me what changes of law, apart from the security business, you would make so as to prevent this kind of thing?—I at least cannot think of any other change in law.

We are left with the position that this statement is perfectly true, that so long as statutory and customary law make the recovery of debt difficult, credit can never be cheap?—I think so.

And you see no other remedy for it?—Except for these two, *viz.*, the one I have suggested and the other that Mr. Mohan Lal Sah has suggested, I cannot think of any.

Have you ever used the Usurious Loans Act yourself?—Oh yes, almost every day.

But some say it is a dead letter?—Certainly not in the small cause courts of Lucknow.

How does it work exactly; in what circumstances do you apply it?—It may perhaps be said with some truth that now we do not require to use it generally, because as soon as the interest comes to, say, 75 per cent. we at once reduce it to half. The *Agha* and *Kabuli* moneylenders charge two annas per rupee, *i.e.*, 150 per cent. These people know that the court will not allow more than six pies per rupee, i.e., 37½ per cent. So if they go to court they take care to see that the interest is put down at six pies per rupee. If any stray cases come where the interest is usurious it is at once reduced.

Is it always six pies?—In the small cause court, having regard to the risk that the creditor has to run, we allow six pies and it has become almost a custom.

In other words you regard the rate of 37½ per cent. as fair?—Yes.

Because of the risks?—First the insolvency law. A man goes to half a dozen moneylenders and takes money from every one and then applies to the court to be declared insolvent. There are other people who have not got any property, and they take loan, but when the time comes for payment the moneylender cannot recover the loan; or somebody may die or somebody may run away. So these risks have to be considered.

Now the Insolvency Act is another matter in which the law is deficient. Can a man be declared insolvent if he says he is?—I should say that seems to be the law, and that seems to be the opinion even of the High Courts in a way, because the law itself says that if the court is satisfied, *primâ facie*, that the person is unable to pay his debts, it need not take any further evidence; and there are rulings that the sworn testimony of a man is *primâ facie* evidence of his inability to pay.

Mr. Sah: Can you suggest any modification of the present insolvency law with a view to making it more difficult?—I always try to make it as difficult as I can.

Do you find any defect in the Usurious Loans Act?—In my opinion there is one defect. At present it is left entirely in the discretion of the court to determine what it thinks to be a reasonable rate of interest. Now, you see that courts have got their own ideas. Some court is very strict and some court is very lenient. What happens is

this. If the presiding officer, who is very strict, finds that a creditor has charged 37½ per cent. he thinks he is a Shylock and would not allow more than 12 per cent. or 6 per cent. There is nothing in the law to prevent and control such idiosyncrasies of courts. I, however, thought over the matter but could not find how this defect could be set right.

The Chairman: Possibly the solution would be to give some definition of 'usury in the Usurious Loans Act. At present I do not think there is any definition in the Act?—Yes, there should be something in the Act to show what should be considered as a reasonable amount of interest. Something can be said in favour of the creditor as well. What happens is this. A man goes to a moneylender and wants to borrow some money. The moneylender says that he will charge two annas per rupee per month. The borrower agrees to pay that, knowing that if he refuses to pay that rate he will not get the loan. The creditor advances money on this explicit understanding. Now, when he comes to the court for the recovery of the debt his interest is substantially reduced. That is a sort of injustice to the creditor. I was also considering this aspect of the question. When a man has definitely contracted to pay a certain amount of interest it should also be taken into consideration in determining what interest would be reasonable.

Yes, you might have some sort of definition in the Act laying down that the reasonableness of the amount of interest would depend on the nature of the security—not exactly the security offered for the loan but the probability of the repayment of the loan.—(*Witness*) Yes, we have to take that into account.

I think that is the only method on which you may base your rate of interest.—(*Witness*) As I have already said there is another point to be considered, *i.e.*, the amount that the debtor himself promises to pay.

Rai Bahadur Babu Mohan Lal: Do you think it will do if it is laid down in the Usurious Loans Act that in the matter of these personal loans or loans up to Rs. 500 or so, interest at a fixed rate of one per cent. or 1½ per cent. should be taken as reasonable? Would it not do better than to leave the whole thing to the idiosyncrasies of the courts?—That may do for loans up to Rs. 500. But something should also be done for different classes of people.

That may be multiplying the difficulties. Up to Rs. 500 or so 1 per cent. or 2 per cent. may be considered reasonable.

Dr. Radhakamal Mukerjee: Do you think that the difficulty would be better solved if a maximum rate of interest is fixed?

Rai Bahadur Babu Mohan Lal: That would again leave discretion to the court.

Mr. Sah: If a committee is formed in every district to determine the maximum rate of interest, do you think it will be helpful?—It is quite possible it may be helpful. Certain gentlemen of the bar and certain judges may sit together and fix the rate of interest which such and such classes of persons are to pay.

The Chairman: The whole point is that there ought to be some sort of definition in the Usurious Loans Act. We cannot very well go beyond that. It is a matter for the draftsmen. Now tell me one thing. You apparently use this Act yourself freely. Is it your experience that it is used pretty freely by other courts in the province?—That unfortunately I cannot say. I cannot tell you anything about the other districts, but in the small cause courts judges generally use it in the way in which I do, that is to say, as soon as it is found that the interest is more than six pies per rupee it is invariably reduced to that amount.

Rai Bahadur Babu Mohan Lal: In other places also, if the judges find the interest is more than 1 per cent., they always reduce it to 1 per cent per month. There is a ruling of the Chief Court in which the Hon'ble Judges of the Chief Court have held that 1 per cent per month is a reasonable rate of interest.

Rai Bahadur Pandit G. S. Upadhya: You have said that here the general practice is reduce the interest to six pies per rupee. Can you tell me what is the practice followed in the other districts of Oudh?—I cannot say what is the general practice there in the courts.

I am talking of small cause courts.—There are only three judges here and they do the same thing as I have said above.

MR. JITENDRA NATH ROY.

So far as we are concerned, even this rate of six pies per rupee appears too much. I therefore want to know the general practice prevailing in other courts.—I do not know that, but if you want it may be inquired from the districts.

Dr. Radhakamal Mukerjee: From the debtor's point of view you have pointed out one defect. You think that it is not clear in the law whether the court can interfere if it thinks that the rate of interest charged in a compromise filed in court is very exorbitant. How will you deal with it?—Courts have been given power to interfere even in *ex parte* cases if the rate of interest is considered to be exorbitant. The Act, however, is not clear in regard to cases where two persons come to a definite understanding and file a compromise in court agreeing to pay a certain rate of interest. We cannot interfere in such cases.

Rai Bahadur Babu Mohan Lal: In the case of pronotes and bonds there is a clear agreement to pay a certain amount of interest, but you have got power to reduce the rate of interest, if the court considers that the rate agreed upon is exorbitant. How do you say that the court cannot interfere if two parties agreed to a certain thing?—If the Act were before me I migh be able to show that it would be possible to reduce the interest in the case of a compromise. The law is not clear on that point. Suppose the debtor and the creditor come to the court and say that they have compromised between themselves and that the debtor agrees to pay a certain amount, how can the court interefere? In the case of pronotes and bonds the debtor when in court refuses to pay the interest at an exorbitant rate in spite of the agreement.

The court has been given discretion to reduce the amount of interest and it can very well say that it would not sanction that compromise?—I think the law ought to be made clear.

Dr. Radhakamal Mukerjee: If you add in the Act the case of compromise, do you think it would make the position clear? Yes.

The Chairman: I think the Act ought to be amended from top to bottom.

Mr. Sah: You say that the court should be given power to arrest the *supurdar* for refusal to deliver the property entrusted to him. Has not the court already got power to arrest the *supurdar* for contempt of court?—It is very doubtful.

I remember a case in Agra in which a *supurdar* was arrested.—(*Witness*) The Hon'ble Judges of the Chief Court do not seem to be favourably inclined towards this view. I had a talk with some gentlemen here and it seems that they do not think that the law authorises this procedure. They have provided that the court may appoint the *supurdar* a receiver. If the *supurdar* does not give the property, I appoint him receiver and all the provisions of law in that connexion will apply to his case. In any case we can only attach his property and cannot arrest him. If we can arrest him at once, the difficulty will be solved.

Would you favour the idea of establishment of special courts here similar to Courts of Request in England, which will not have jurisdiction beyond Rs. 50 or so, so that the total law charges may not exceed Rs. 2 or Rs. 3?—(*Witness*) who will be the judges?

Like those of small cause courts.—(*Witness*) Like village *panchayats* or honorary munsifs?

Yes.—(*Witness*) I do not favour such courts.

Not even honorary munsifs?—My experience is that their work is not satisfactory.

The idea is to reduce charges of litigation. At present for the recovery of Rs. 20 or 25 a moneylender has to spend Rs. 5 or 6, but in a court like the one I have suggested the charge will be very small.—(*Witness*) But that can be done even under the present circumstances. The charge can be reduced.

There is the question of delay also.—(*Witness*) I would say that it would be far better to add to the number of judges who are present working, than to appoint a new class of judges from untrained persons. I am not in favour of appointing as honorary munsif a person who may be in the good books of a high official. I suggest that the present number of judges should be increased and they may be given special powers.

If trained judges are appointed, would you still disfavour the establishment of courts such as I have suggested?—No.

(The Chairman thanked the witness, who withdrew.)

MR. JITENDRA NATH ROY.

Dr. ABUL MAJID MUHAMMAD ABDUL AZIM SIDDIQI, M.A., LL.D., Additional Subordinate Judge, Lucknow.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—THE agriculturist generally borrows from the village moneylender. Co-operative societies have been established and every effort is being made to infuse among the agriculturists the spirit of co-operation, but it appears that, owing to the lack of proper training and also owing to unfamiliarity with the system, the agriculturist has not full trust in it. No doubt the early disasters of some of the co-operative societies are at the bottom of this mistrust. It will be some time before the agriculturist can make full use of the co-operative system and give up the village moneylender.

So far as I know (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, and (viii) expenses of cultivation are generally responsible for the debts. Litigation is not so rampant amongst the agriculturists as a rule. They prefer to get the matter decided by the *panches* of their community, and very few of the lower classes of the agriculturists have the means or the inclination to resort to litigation against the *zamindar* or the influential villager. Agricultural improvements are also not responsible to any great extent. The agriculturist no doubt sinks a well now and then but that is not a costly affair with him.

The village moneylender provides at least 80 per cent. of the money to the agriculturist. Government *taqavi* is resorted to only during famines or years of bad harvest; and the co-operative banks may, now after their developed efficiency, be providing some 20 or 15 per cent. of the money.

Question 2.—The rates of interest charged by the village moneylender are no doubt exorbitant. I understand a deduction is made at the very outset. For instance, if Rs. 50 are advanced, the pronote would probably be for Rs. 55, Rs. 5 being the advance interest for the first quarter. On the repayment of loan, as well as at the time of advancing the loan, other incidental charges are made in the name of charity, such as a contribution for *gaushala*, etc.

Question 3.—I understand in the matter of security that the standing crop bears the brunt to a great extent where petty cultivators are concerned. Pledge of ornaments is also favoured by the village moneylender. Pledge of implements is resorted to by the *zamindar* as a means of insuring payment at due time.

Question 4.—Creditors seldom resort to the courts. Self-help seems to be the guiding principle. The village moneylender duns his creditor to an extent that the latter finds it impossible to evade payment. The vigilance of the moneylender is creditable. No sooner he learns that a debtor is receiving any money from the sale of his crop that he is there to have his share in the money, and there is no doubt that this system has proved very successful, and the village moneylender seldom goes to court.

The agriculturist has not the means to know the rate of grain in the big markets, but I believe he knows generally the rate prevalent in the villages where markets are held. But in spite of knowing this he has to accept the rate suggested by the moneylender which is no doubt favourable to the moneylender, to some extent. Better education alone can inculcate businesslike methods of raising capital for agricultural purposes and making profit out of it. At present borrowing money is an evil which is resorted to by the agriculturist to avert a pressing evil, irrespective of future consequences. It is a series of makeshifts, one debt borrowed to pay off a former debt, and so on.

Question 5.—I have no idea of the working of the *taqavi* system. My impression is that whenever *taqavi* is distributed there seems to be a scramble for it. It is regarded as a boon in the gift of the *patwari* of the village who recommends the cultivator for the *taqavi*, and no doubt his favour is much courted by the agriculturist on such occasions.

DR. ABUL MAJID MUHAMMAD ABDUL AZIM SIDDIQI.

Pandit RAJ RAJESHWAR SAHAI, Subordinate Judge, Muzaffarnagar.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

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

Question 1.—I think the agriculturists in this district mostly borrow from the village moneylenders and the bullock dealers.

In my experience the amount is mostly borrowed for—

(i) repayment of earlier debts	50 per cent.
(ii) payment of accumulated interest	
(iii) marriage and other social functions	
(iv) subsistence	
(v) seed	50 per cent.
(vi) purchase of plough or other cattle	

The whole debt goes to the village moneylenders and to the bullock dealers in equal proportion; and most of it is incurred in cash or in purchase of bullocks.

In this district grain is seldom borrowed.

No money is borrowed for a short period. It is borrowed on bonds or pronotes or *bahi* entry, and suits are filed generally within three years.

Question 2.—For all loans interest is charged between 1 to 2 per cent. monthly. The rate is mutually settled when the loan is advanced. I think, considering the difficulties which the moneylenders have to face in realizing the debt on executing the decree, and the circumstances under which they take the risk of advancing the loan, the rates of interest are not exorbitant.

I know of no other charges incidental to the loan.

Question 3.—In borrowing for agricultural purposes no security is generally given and simple bonds are executed.

It is not correct to say that the better the title to land the greater the amount of indebtedness. I think the tenants are more indebted than the landlords.

I think the amount of debt secured on land mortgage is decreasing since the passing of the new Agra Tenancy Act, and the debt advanced on land mortgage is about one-fourth as compared to the unsecured and otherwise secured debts.

Question 4.—The usual methods of conferring payment from agriculturists are by attachment of crops and movable property as well as by arrest.

Question 5.—I think the cultivator freely borrows *taqavi* for seed, cattle or agricultural implements, but not for building tanks or wells.

The cultivator generally borrows *taqavi* during famine years only.

I think no sufficient attempt is made to find out deserving men to whom to advance *taqavi*. A little more personal attention on the part of the revenue officers concerned will improve the *taqavi* system.

Part J.—Internal remittance and negotiable instruments.

Question 1.—There are banks at the headquarters but not in the tahsils and villages, and therefore the public has facilities to obtain cash at the headquarters of the district but not in the villages. This defect can be removed by having branches of the banks in the villages.

Question 2.—Negotiable instruments afford much facility for remittance of money and play an important part in the internal trade of the province.

PANDIT RAJ RAJESHWAR SAHAI.

Question 4.—I think if the stamp duty is reduced, the use of bills of exchange will be extended.

Question 5.—Reduction in money-order charges, insurance fees and postal charges for letters will, I think, improve the post office agency for handling internal remittances.

Question 6.—The *hundis* current in this district are now mostly payable on presentation, and the words "pay to Rupees on presentation of the *hundi* for value received by us" are generally used by the firm executing *darshani hundis*. The other forms of *hundis* are being avoided since the increase of the stamp duty.

I think the Negotiable Instruments Act is good enough and requires no amendment.

Hundis in this district are generally held by merchants or commission agents and pass freely from hand to hand. They are discounted in this district as well as in the neighbouring districts and are also sent to Delhi, Calcutta, Bombay and other trade centres in India.

Question 7.—The person who is asked to advance on railway receipts or invoices doubts if the goods mentioned therein will be safely delivered to him as security. This difficulty can be removed if the railway authorities, through a duly authorised agent, are prepared to certify that they safely hold the goods in their charge.

PANDIT RAJ RAJESHWAR SAHAI.

Pandit VISHNU RAM MEHTA, M.A., LL.B., Officiating Additional Sessions Judge, Benares.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—Ordinarily, the agriculturists borrow money from the village moneylenders or moneylenders residing in towns close to their villages.

They generally borrow money for one or more of the purposes mentioned in the questionnaire. It is often noticed that the purposes for which they borrow money are not mentioned in the document by which the loan is incurred. In a good many cases agriculturists borrow money for payment of rent or purchase of seed or bullocks, and often for repayment of earlier debts and interest. I have not seen many instances of loans for sinking of wells, or digging of tanks, or for agricultural improvements of other kinds.

It is very difficult to say in what proportion debt is incurred among the different purposes mentioned in the questionnaire, but it can safely be said that at least 60 to 70 per cent. of the total debt is borrowed from village moneylenders or moneylenders living in towns.

Suits for debts incurred in grain are not so common as those incurred in cash. The reason for this may be that grain debts are paid off in kind soon after the agriculturists reap their harvest. It is, therefore, difficult to say what proportion of the total is incurred in cash and grain. From the number of suits brought in court one may say that more than 90 per cent. of the debts are incurred in cash.

Short-term loans are generally incurred on promissory notes, which are generally payable on demand. In bonds, which generally come to courts, it is not unusual to see a period of one to three years mentioned as the time for payment.

Question 2.—The usual rate of interest charged by the moneylenders for cash advances is Rs. 2 per cent. per mensem. Sometimes it is more, but in a few cases it is less than 2 per cent. This is when no security is given. On very small amounts interest at Rs. 3-2-0 per cent. per mensem is charged, but the rate of Rs. 2 per cent. per mensem is common. For loans in kind for seed the usual covenant is that 25 per cent. more grain would be returned at the time of the following harvest. This 25 per cent. is the interest till the period of the next harvesting season. No other loans in kind are usually noticed in courts.

The method of calculating the rate of interest by moneylenders is in accordance with the Hindi calendar, and in some years, which is generally the third or fourth year, interest for 13 months is charged, because that particular year has 12 ordinary months and one intercalary month.

In the case of agriculturists and labourers in cities and villages there is generally no security and moneylenders have to take a lot of risk. They often lose some part of the interest or both the principal and interest, and, therefore, I think, the rate of 2 per cent. per mensem is not at all high. But I consider the rate of Rs. 3-2-0 per cent. per mensem exorbitant. Although there is a law, which empowers the court to reduce the interest or re-open a transaction when the interest claimed is excessive, I think that the courts should have power to still further reduce the rate of interest in cases where a debtor is willing to pay immediately the principal and such interest as the courts think reasonable. Under special circumstances of the case the court should have power to order a debtor to pay the amount or the principal plus interest at a reasonable rate to be fixed by the court at once or within a specified date, which should not be long, and in case of default he should have power to order that the larger sum named would be payable. My reason for making this suggestion is that moneylenders insist on obtaining a decree for the full amount claimed by them as principal with interest, as they are afraid that some part of it may not be recoverable. There would be no grumbling if they knew that the amount due to them with reasonable interest would be payable by a particular date, and, in case of default, they would be entitled to recover a larger amount.

PANDIT VISHNU RAM MEHTA.

It is well known that moneylenders often deduct some money for their servants or for some charity or religious objects like Ramlila, etc., and something for payment to the scribe of a bond or a promissory note, although these matters are seldom mentioned in courts.

Question 3.—The usual security given by borrowers is of land mortgage, or house property, or ornaments; but a great majority of loans are without security, and these documents are the subject of a good many suits which come to small cause courts.

Question 4.—The most common method of enforcing payment of debts incurred by agriculturists is by arrest or attachment of their movables and agricultural produce or standing crops.

If a cultivator who has borrowed grain, is unable to pay at his next harvest, as covenanted by him, and if he has money to pay off his creditor, he generally pays the price at the market rate. This is about the same as the prevailing rate in the villages concerned.

Question 7.—It is not unusual in cases that come to courts that they are defended on the ground that the creditors obtained the signature or thumb-impression of the borrower on a blank stamp paper or on a paper. In some cases this undoubtedly is a true defence, although it is very difficult to prove it. The reason for this is that borrowers do not take care to see that all the formalities necessary for borrowing money are completed before money is actually taken by them. The creditors, too, do not take care about this. In a good many such cases the scribe or witnesses for attesting documents to be written are not present at all when money actually passes hands. The borrower, in order to prove a defence like the one mentioned above, must of necessity try to produce perjured evidence or not press his defence at all. In order to prevent any fraud it seems proper that some provision should be made compelling the creditors to keep up proper accounts, and also to get their bonds attested by some public officer like a sub-registrar. A small fee might be fixed for this purpose so that there might not be any difficulty in carrying out the proposal on financial grounds.

Part J.—Internal remittance and negotiable instruments.

Question 6.—I am attaching a sample* of a *hundi* which shows the wording of a *hundi* which one often comes across. *Hundis* drawn by traders or merchants are either on some other merchant away from the place of residence of the drawer, or drawn on some man of the same locality, to obtain finance or price of commodities sold. The rate of interest is seldom mentioned in such *hundis*. Where money is borrowed on such *hundis*, payable after a fixed period of say 30, 60 or 90 days, the person who advances the money deducts interest at the prevalent rate current at that time from the amount that he advances on the *hundi*.

Hundis are often held by middlemen or commission agents. They are persons whose business it is to purchase *hundis* or to cash them on commission.

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*Not printed.

PANDIT VISHNU RAM MEHTA.

Mr. N. B. DEANE, Deputy Chief Accounting Officer, United Provinces.

Replies to the questionnaire.

III.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

B.—Cheque habit.

Question 4.—Officers in the United Provinces who are entitled to draw bills for their individual claims are now, under the scheme of separation of accounts from audit, paid by cheques. I have tested the effect of this change in procedure in the Land Revenue and General Administration departments which deals with the largest number of such officers. In April, 1926, when the scheme was first started the number of officers who asked for their cheques to be paid direct into their banking account was 53. In February 1927 the number was 87. It can, I think, be assumed that all officers who had banking accounts originally, asked for their cheques to be paid into those accounts and, therefore, the increase in the number now requiring payments into banks has resulted from the opening of accounts which were previously not in existence. Some of these new accounts may be due to the fact that branches of banks have since been opened in places where they did not exist previously, but I think it can fairly be claimed that a very big percentage of the accounts have been opened as a result of receiving cheques in payment of claims. I think that the experiment might be tried of extending the privilege of receiving individual cheques to the class of government servants who are at present not entitled to draw their own bills. I would limit the privilege to those who are in receipt of a pay of Rs. 200 and over.

There is one factor which militates against the smaller men opening banking accounts and that is that some banks stipulate the maintenance of a minimum current account balance. It is, I think, very desirable to remove this condition. It is a rule, I imagine, that is seldom enforced, once an account has been opened; but its existence certainly tends to discourage accounts being opened.

Question 5.—While it is possible for the illiterate man to open an account with the bank and to pay in and draw money on personal attendance, it would be extremely difficult to arrange matters so that he could derive the full facilities of a banking account in the same way as a literate person. Some system of coupons might be possible but this would probably involve more precautions than the account would be worth. I doubt whether any bank would welcome anything but a deposit account with an illiterate person. There is, I think, a large enough field for the promotion of the banking habit among the literate classes without troubling at present with the illiterate.

Mr. P. M. KHAREGAT, I.C.S., Registrar, Co-operative Societies, United Provinces.

Memorandum on agricultural finance and co-operative banks.

THE ordinary cultivator in the province requires finance both for carrying on his agricultural operations and for the maintenance of himself and his family. His principal requirements are for food, clothes, seed, labour, bullocks, rent and other miscellaneous expenses. The amount actually required in cash is, however, not very large. Thus the expenditure in cash on food is usually not heavy; for, broadly speaking, it may be said that cotton, late rice, sugarcane and wheat are the principal crops sold for cash, while the rest of the produce is retained for food purposes. Again, seed sufficient for his own requirements is often stored by the cultivator from his own produce; more usually, however, he obtains it at seed time from a neighbouring dealer on *sawai*, that is, 1¼ times the amount of seed taken is repaid when the harvest is ready. It is only occasionally that seed has to be purchased for cash. Further, the greater part of labour required for cultivation is usually supplied by the cultivator and his own family; neighbours also sometimes help each other for the purpose. Extra labour has however to be employed almost invariably for special operations such as the transplanting of rice or the harvesting of crops; whenever possible, payment is made to these labourers in kind, though often they have to be paid in cash. The rent has usually to be paid in cash from the money obtained from the sale of the crops; sometimes, however, the money so received is used for the repayment of loans, and then fresh loans are taken to pay the rent. Bullocks are ordinarily purchased either from the proceeds of the sale of crops or from money borrowed for the purpose. In some places, however, they are obtained on credit from itinerant dealers, the money to be paid when the next crop is ready. Naturally the price paid in such cases is much higher than that for cash purchase. Similarly, cloth is also often purchased on credit and a very high price paid for it.

2. The sources from which the money required for the various purposes is obtained, vary considerably. Small amounts for incidental expenses are often borrowed from friends and relations. For somewhat larger sums, the itinerant Pathan or Purabi moneylender has established himself in many localities. He advances money on practically no security and without ever taking anything in writing; he therefore charges a very high rate of interest and obtains repayment of principal and interest by threats and deeds of violence. It is only the very poor who go to him. The better class of cultivator deals with the resident village moneylender, who is a more respectable individual and often happens to be the landlord himself. A loan is rarely given by him for any fixed period; a running account of repayments and advances is kept by the lender; the borrower, being illiterate, knows little about the account or how the interest is calculated and has to accept the word of the lender as to how much is outstanding at any time. When the landlord does moneylending he has the additional advantage that he can credit all payments made to him to the loan and interest account, leaving the rent in arrears; he thus has an additional hold on the borrower, as he can always sue him for arrears of rent or distrain his crops, instead of having to file a civil suit for the recovery of the loan. The rate of interest charged by these moneylenders varies with the security available; the usual rate is 24 per cent. compound interest, though quite often it goes up to 37½ per cent.; where there is greater security in the shape of landed property the rate drops to 12 per cent., and when property is mortgaged it may be as low as 7½ per cent., though 9 per cent. is more usual. What tells hardly on the cultivator, however, is not so much the rate of interest to be paid, as the fact that the accounts are often not kept correctly and he can never be certain as to how far the amount shown against him is really due. It is not unusual for him to find that in spite of constant repayments the loan has, in a very few years, doubled or trebled itself, for the interest is always added on to the principal every month or every six months or every year as the case may be. Once a large amount is borrowed by a cultivator, it becomes very difficult for him to extricate himself from the clutches of the moneylender, and the latter takes good care to see that he is unable to do so by manipulating the accounts. It is sometimes said in his favour that he occasionally

remits part of his dues; this, however, probably only means that he usually tries to take more than his dues. On the other hand, however, it must be admitted that he often suffers losses through default and finds great difficulty in recovering his money; and there is always the prospect of the whole of the debt being lost to his heir in case of his sudden demise. In order to safeguard himself as far as practicable, when he advances large amounts for the cultivation of expensive crops such as potatoes or sugarcane, the moneylender often enters into an agreement with the cultivator by which the crop is sold to him in advance at a price so much below that ruling in a fixed market on a fixed day or on the day when the crop is delivered to him; the loan advanced is thus treated simply as part payment for the produce. Occasionally the agriculturist hands over the whole of his produce to the moneylender who sells it and adjusts the money received in settling the accounts of loans borrowed in the past; a certain portion of the previous loan is always carried forward and shown as unpaid; he, however, keeps on advancing fresh loans or grain for food as the case may be from time to time for the needs of the cultivator, to be adjusted again at the next harvest.

3. Village moneylenders ordinarily confine their activities to the financing of agriculturists for their routine operations, and rarely encourage capital and permanent improvements. Practically the only form of improvement undertaken on an appreciable scale by cultivators in this province is the construction of wells. They are financed either by *taqavi* taken from Government or from the savings of the cultivators themselves with the aid of small loans from others.

4. The best organisation for supplying credit to the cultivators is, or at least should be, the village co-operative society which charges a lower rate of interest than the moneylender and maintains clear and public accounts. Unfortunately, they have not made sufficient progress in this direction for a variety of reasons. To some extent, the better class of cultivator is frightened by the bogey of joint responsibility. The chief reasons, however, are that accounts have not always been correctly maintained; that the members have had to put up with a great deal of personal inconvenience and even indignity; that they cannot get sufficient money for their requirements; that they have often to wait a long time for it; and that they are not educated to the necessity and importance of punctuality in repayments and prefer the more accommodating policy of the moneylender, forgetting its ultimate consequences. At the present time, in a great many cases, the moneylender and the co-operative society flourish side by side, the cultivator using both to suit his convenience. He obtains part of his finance from the society and the rest from the moneylender. When the crops are ready there is a regular tussle between the landlord, the moneylender, the supplier of goods on credit and the co-operative society as to which of them should get their dues first, as there is not enough to satisfy all. In many cases, co-operative societies have made agreements with landlords that their own dues should be paid up first and they will immediately after advance fresh loans to pay off the rent; but it has often happened that, with the withdrawal of the landlord from the scene of the conflict, it is not the co-operative society which has gained but others who are on the spot. Very often moneylenders recover their dues first and then advance loans themselves to the members of co-operative societies—usually at one anna in the rupee per month or part of a month—in order to repay the dues of the societies, and take back their money as soon as fresh loans are given to the members by their societies. In spite of all these defects, however, the fact remains that the existence of co-operative societies has often succeeded in bringing down the rates of interest charged by moneylenders in the vicinity. In a few cases village moneylenders have joined co-operative societies and placed their own money in deposit with the societies for financing the members. This tendency was however strongly discouraged by the co-operative banks to which the societies were affiliated; partly because the moneylenders continued their private moneylending to the members, and dominated them in virtue of their position in the society, and partly because the banks had surplus money which they wished to lend out to the societies themselves. In 1928, only 1·84 lakhs were borrowed by co-operative societies from individuals, as against 55·14 lakhs taken from co-operative banks. Opinion in the province is at present divided as to the advantage of village societies depending on local moneylenders for their finance; on the whole, however, it is considered that it would conduce to the benefit of both the moneylender and the society, provided the former gives up his private moneylending and is not allowed to dominate the society; for the society will be rid of his competition and

get the benefit of his advice and experience, while the moneylender would have greater security. It must be admitted that, without the aid of the village moneylender, it would be impossible to finance all the agricultural operations of the locality. The best solution, therefore, is to fit him into the working of the co-operative movement, to the mutual benefit of all concerned. Similarly, dealers who advance goods on credit might also be fitted into the co-operative system, if they could be made to work on behalf of co-operative societies and in conjunction with them. Last year a successful attempt was made in a very small area to grapple with dealers on credit in cloth by purchasing cloth in bulk for the members of local co-operative societies and treating the value of the cloth sold to each member as an additional loan to him from his own society. It should not be very difficult to develop this system, using the dealer himself to do the work (presuming him to be honest) on behalf of the co-operative societies on a small remuneration. It must, however, be borne in mind that any real improvement in the finance of agriculturists by co-operative methods must depend on themselves and on their own education and must therefore be a slow process.

5. But even then one fundamental difficulty will remain. If the produce of a cultivator is insufficient to maintain himself and his family, after meeting the expenses of cultivation, there can be no sound system of financing him. Only a speculative moneylender can do the work on the off chance that there will now and again be a bumper crop which might compensate him in part for losses in other years; but it is difficult for a co-operative society to finance him. It is not suggested that this is actually the condition of the ordinary cultivator; but a considerable proportion of the poorer cultivators are such that though they can just subsist in ordinary years, as soon as there is any unforeseen calamity to the crops or in the family, or any special expenditure has to be incurred, the expenses in subsequent years tend to exceed the income, as the interest charges and the loan instalments that have to be repaid are additional expenses. A co-operative society that deals largely with this class of cultivator can hardly expect to be really successful in its moneylending activities. It can, however, help to develop a habit of thrift and foresight, for which constant education is essential. The only effective way of doing this is for the society to constitute itself the banking agent of its members; more simply, each cultivator should deposit all the money that he receives from the sale of his produce or from other sources with his society; and he should draw on the same from time to time as his needs arise. He may also put aside small sums as deposits, to be utilised only for special purposes. In this way there would be less waste in seasons of plenty and, as the savings would be available in times of necessity, large extra loans would not be required then. It is not denied that it is very difficult to persuade any cultivator to act accordingly; he has not sufficient confidence in his society nor is the society sufficiently developed to do this work in such a way that the members would be put to no inconvenience. Every member ought to be able to get money at once for urgent needs; but at present the average society dare not keep sufficient cash for such requirements, as the men in charge cannot be relied upon not to misutilise the money themselves. Nor does the society advance an adequate amount to each of its members. The cost of cultivation of certain crops has been prepared by assistant registrars and is given in the appendices.* The following abstract shows how much of the money required for the cultivation of one acre with some of the principal crops is borrowed and how much is met by the cultivator himself :—

Crops.	Total cost of cultivation.	Portion thereof borrowed.	Not borrowed.
	Rs.	Rs.	Rs.
Potatoes in Farrukhabad ..	355	209	146
Tobacco in Tanda	250	185	65
Wheat in Muzaffarnagar ..	70	45	25
Cotton in Aligarh	63	50	13

*Not printed.

From these figures, knowing the total area under any crop in any particular tract, the total amount of capital required for agricultural operations in that locality can be roughly estimated. The minimum amount required in a normal district with a cultivated area of 1,000,000 acres would be 500 lakhs and that for the province would be 200 crores. Actually there are 5,957 credit societies whose total working capital is 115·91 lakhs. These figures show that though co-operative societies have confined themselves almost exclusively to the financing of agricultural operations, they supply only a very small fraction of the money required. It goes without saying that unless a co-operative society can supply to the cultivator as much finance as he really needs it cannot be expected that it can become his sole banking agent. The society in its turn cannot, however, advance such large amounts, because there is no guarantee that the money will be repaid; it has practically no security except the honesty of the members, and experience has shown that this is considerably limited by their capacity to repay and is at best a very nebulous quantity. The joint security of a number of people each of whom has practically nothing amounts in fact to very little.

The only solution appears to be for the society to take hold of the saleable produce itself and sell it, or at least see that the sale takes place under its own supervision and that the money realised is received by it.

6. At present the cultivator sells his crops in many different ways. Sometimes they are sold soon after they are sown; in such cases the rate is occasionally fixed beforehand, but more often it is settled on the basis of that which will prevail in a certain market on a certain day or when the crop is delivered. Occasionally standing crops are sold when they are nearly ripe. The more usual procedure, however, is that travelling dealers go round and see the crops on the threshing floors and purchase them there. Often to help in this process the cultivator takes samples to the market and arranges there for the dealer to visit his place. This method saves him cartage, time and, above all, the worries and vexations to which he is apt to be put if he goes himself to the market with his produce. On the other hand, however, he gets a lower price for it. Cultivators, particularly in the west of the province, are therefore developing the habit of taking their produce to the market themselves. The expenses incurred in the marketing of certain crops are mentioned in the appendices* along with the figures of the cost of cultivation of these crops. Roughly speaking, it may be said that if the value of the crop marketed is one rupee, the cartage amounts to five or six pies and other expenses of marketing come to another six pies, though the latter figure is doubled in the case of potatoes in Farrukhabad. In other words, if the village rate is more than one anna in the rupee below the market rate, it is more profitable for the cultivator to take his crop to the market himself.

7. It must be admitted that no serious attempt has yet been made in the province to tackle the problem of co-operative sale of produce. An experiment is, however, being tried at the present time for the joint sale of sugarcane in a small area. There is a society in each of 15 or 20 villages which adjoin each other for encouraging the cultivation of sugarcane and collecting it from the members; these societies have together formed a union which has undertaken to obtain 50,000 maunds of cane from these societies and supply it to a neighbouring mill at the prevailing market rate. It is hoped that the cultivators will be freed from the vexations, delays and incorrect weighments of which they now complain. Similar action might perhaps be taken in other spheres of activity. It is probable that co-operative organisation for the sale of the produce would, apart from giving greater security to the credit societies and thereby strengthening their position, succeed in decreasing the various unnecessary charges that are made in the markets. Co-operative sale, if undertaken in earnest, cannot, however, end with the sale of the agricultural produce in the nearest market. It would have to aim at supplying the goods direct to the wholesale merchants in the big towns or the exporters as the case may be. Officials of the Co-operative department have not been able to make detailed enquiries as to what happens to the crops after they have been sold by the cultivators to the traders, as they have no business experience. The services of a capable business man are required for this purpose; in other words, a marketing officer should be appointed as recommended by the Royal Commission on Agriculture. He would be able to study the question thoroughly and then decide to what extent joint co-operative sale or the formation of pools would result in additional income to the cultivators. The problem

*Not printed.

of standardisation and grading would not be insurmountable; if there is sufficient profit to the cultivator, he would be prevented from resorting to adulteration and sharp practices by the fear of losing the profit. If this work is undertaken as it ought to be, a large amount of extra money is likely to be required and the question will naturally arise as to where this is to come from.

8. At present about half the working capital of the co-operative societies is their own, in the shape of shares, reserve and other funds, etc., and the other half is borrowed from co-operative banks. It may be made clear in passing, in order to avoid confusion, that only central financing co-operative organisations are referred to in this note as co-operative banks, so that the term includes what are known as banking unions as well; all other co-operative institutions are called societies or unions as the case may be. There are in this province 70 co-operative banks; their total working capital is 85·41 lakhs, of which 23·25 lakhs is share capital, 11·59 lakhs constitute the reserve and other funds, 6·08 lakhs are raised from societies or other co-operative banks, while the remainder, *viz.*, 44·49 lakhs, is borrowed from outside, being raised chiefly in the form of fixed deposits from private individuals.

9. Co-operative banks have on the whole very few dealings with joint-stock banks. A few keep their cash balances with the latter in current account and a few others have taken small loans from them. In 1926 an attempt was made to enter into an agreement with the Imperial Bank for advancing money to co-operative banks in case of need and for keeping their surplus money. But the Imperial Bank was not agreeable to the proposal and an informal arrangement was made along these lines with the Central Bank of India. The rate of interest offered by the latter on the surplus money invested with it was, however, so low that not a single co-operative bank thought fit to place any money with it in deposit. Again, it proposed to lend money to co-operative banks at 7 per cent. on the security of their bonds and government securities; most co-operative banks, however, found that they could raise deposits from individuals at the same or a lower rate without such pledging; hence for two years only one bank availed itself of this arrangement. During the scarcity of 1928-29, there was an acute shortage of money and three or four banks had to borrow from the Imperial Bank or joint-stock banks by pledging their reserve fund which is invested in government securities; in one case a cash credit was obtained in this way but not drawn upon. In 1929 the newly-started Radhaswami Bank of Agra offered to lend money to co-operative banks on the security of the pronotes of A, B or C class societies; but no bank has yet taken advantage of this offer.

10. It may fairly be said that at present there is no competition of any sort between joint-stock and co-operative banks. The latter do not do any real banking business and have practically no dealings with individuals, to whom they do not advance money either for trade or for any other purposes. They only give loans to co-operative societies, which in turn make advances to their members; and the amounts given by the societies are so small, averaging about Rs. 50 per individual in a year, that no joint-stock bank could undertake that work. It is possible that if co-operative societies develop and undertake the financing of trade or the marketing of the agriculturists' produce, some competition may arise; but it will be a long time before such work can be taken up by co-operative societies on an appreciable scale. Another branch of a bank's activity is the raising of money. It is true that about half the share capital and most of the fixed deposits of co-operative banks have been raised from private individuals; this, however, is not money which would otherwise have been invested in joint-stock banks. Deposits in co-operative banks are due largely to the personal confidence of the local people in the managing directors; and, but for the influence and efforts of the latter, this money would either have been hoarded or used for the purchase of land. In fact, at times co-operative banks have refused deposits, but the money so refused has rarely found its way to joint-stock banks. In short, so far as the raising of money in the shape of bank deposits is concerned, there is considerable scope for the activities of both joint-stock and co-operative banks. Even if the latter were to open savings deposit accounts as they ought to, or current accounts for individuals, there is not likely to be any appreciable competition at the present stage.

11. The relations between co-operative banks and indigenous bankers are also harmonious. Many of them are directors of co-operative banks, while some of the bigger bankers have also placed money in fixed deposit with co-operative banks; a few

act as treasurers and keep the cash balances of the bank in current account with themselves, occasionally allowing a nominal interest on the same. On one or two occasions they have kept the surplus money of banks in deposit at a favourable rate of interest, till a better field for investment could be found. In short, in many cases co-operative banks depend for their very existence on the help and support received from indigenous bankers and are even sometimes run by them.

12. Thanks to this assistance, they have hitherto had, on the whole, no special difficulty in raising capital for financing their co-operative societies. In fact, till recently many banks were constantly complaining of surplus money and often deposits were refused or even returned against the wishes of the depositors; money which ought to have been attracted to the movement and kept in it was allowed to go out of it. In 1928-29, however, many societies could not repay their loans, but needed fresh advances. More money was therefore required than in normal years and this was not forthcoming; in this emergency many banks had to starve their societies, thereby compelling the members to borrow more largely from local moneylenders and dealers, while a few were able to obtain money by depleting their reserves and selling some of their government securities. Those banks which had followed a wiser policy were able to tide over the difficulty with greater ease and were even able to lend money to other co-operative banks. Ordinarily, however, interlending between banks is not popular; for usually the banks which require money are those which are not well managed or in which the local people have not sufficient confidence, and other banks do not think it safe to invest their money with them.

13. Almost all the money raised as deposits by co-operative banks is short-term capital, the usual period of repayment being one to three years. For long-term capital the banks have their own share money which is more than one-fourth of their total working capital. It is true that very little share capital is subscribed by private individuals after the first enthusiasm for the starting of a bank has abated, as usually good dividends are not received; but the shares received from societies keep on increasing from year to year. The money raised by banks is advanced to the affiliated societies almost entirely for short-term purposes, such as the payment of rent or the purchase of bullocks. Small amounts have been advanced occasionally for the purchase of land or for the redemption of mortgages, but these have not been separately distinguished as long-term loans. If more money is likely to be required in the future for such purposes, a distinction between short and long-term credit may become essential. In such cases co-operative banks will have to raise debentures or special long-term deposits; it is, however, doubtful if they will get an appreciable amount of capital in this way on their own, as public confidence in the co-operative banks is based largely on the personal factor. Hence, though it is true that the amount of capital available at present for financing the co-operative movement is sufficient, and though a great deal more short-term capital could probably be raised by co-operative banks with a little effort when required, if the work of the redemption of mortgages or the purchase of land is taken up on an appreciable scale by the formation of land-mortgage societies, there is likely to be a considerable shortage of capital for that purpose.

14. For long-term investments indigenous bankers prefer land to deposits in co-operative banks although such investment brings in a smaller return. To some extent their activities in this direction are restricted by the fact that most agricultural holdings in the province are non-transferable. But village moneylenders often obtain possession of fields of occupancy tenants as mortgagees, though officially they are only recorded as sub-tenants. There are no legal restrictions on mortgages or sales by landlords, fixed-rate tenants and permanent tenure-holders, save in Bundelkhand, where the Land Alienation Act applies and a non-agriculturist cannot purchase land but can only obtain possession for a period of twenty years at the most. In the rest of the province there is believed to be a tendency for land to be sold by the ancient proprietors to the moneylending classes; any way, the advancing of money on the mortgage security of landed property is fairly common among indigenous bankers, but there are no regular mortgage or agricultural banks for the provision of long-term credit. The lines on which such institutions should be established and worked are laid down in the resolutions of the 9th and 10th conferences of registrars of co-operative societies, and there is little to add to those recommendations. Assistance from Government would be essential in the shape of guarantees on debentures.

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15. It is however suggested that in the first instance experiments may be made with two or three small societies consisting of petty landholders or tenants with transferable rights, as are to be found in the east of the province. Where ancestral property has been mortgaged, the probability is that there has been extravagance, carelessness or mismanagement; if any of these causes still operate, the mere advancing of loans for the redemption of mortgages and making the society the mortgagee in place of the moneylender will not really improve matters. To work land-mortgage societies successfully, it is essential that the borrowers should have both the will and the capacity to pay punctually the instalments fixed. A great deal of education and propaganda must be undertaken to explain to the members the need for prompt payment; and thriftless individuals must be rigorously excluded. Further, a detailed enquiry must be made as to the income and the expenditure of the owner of the property it is desired to redeem; unless the income is sufficient to meet the expenditure in addition to the annual charges involved in the process of redemption, the instalments cannot be repaid in time except by borrowing again from private moneylenders. Unless great care is taken at the start rigorously to exclude thriftless individuals from these societies, they are likely to become nothing better than miniature ill-managed courts of wards, with all their evils and none of their good points. In fact, in some ways it might be sounder at the start to have these societies, not for the redemption of old mortgages, but to enable the tenants to buy up themselves the land which they cultivate; such purchasers are likely to be more thrifty and more sturdy and therefore more dependable from the point of view of the societies; there are, however, other difficulties in the way of adopting this alternative of an agrarian and semi-political nature. Hence, the work must be started on a small and experimental scale; if so, no extra finance would be required in the beginning, for the share capital of co-operative banks, or at least a reasonable part thereof, might be used for the financing of land-mortgage societies, while more short-term deposits could be raised for the usual loans to credit societies. Later on, however, more money is likely to be required, and then land mortgage banks would have to be started which would raise debentures and thus supply long-term credit.

16. This development should, however, be preceded by the establishment of a provincial co-operative bank. Such a bank, though perhaps not absolutely necessary at the present stage, would certainly be of considerable utility and would help in the development of the co-operative movement along sound financial lines. Apart from the fact that loans advanced are not always repaid by the time fixed, the chief difficulties of co-operative banks are that some of them cannot raise enough money for even their limited requirements, while others have large surpluses which they do not know how to invest profitably. The banks as a whole are lacking in business methods, due to lack of business knowledge. For instance, many banks do not even know what treasury bills are or what the bank rate is; they never keep themselves abreast of market fluctuations and are often ignorant of the steps to be taken for the buying or selling of securities in the market. The first great need of these banks is adequate financial guidance and education; that part of the work could be done either by a provincial bank or by an expert on the staff of the Co-operative department; the latter would, however, not have the same control and authority as the former. Further, the provincial bank could act as a balancing centre and control inter-lending. Again, it could raise capital at a lower rate of interest than the majority of co-operative banks, or raise more money at times of stress than individual banks could do. It has been mentioned that the activities of the Co-operative department are likely to expand considerably in the near future in the direction of financing the marketing of produce or giving loans on mortgages of land for land improvement, redemption of old mortgages or purchase of land; it is very doubtful if individual banks can raise the necessary funds, but a provincial bank would be able to do so.

17. It is suggested that only co-operative banks or central societies should be shareholders of the provincial bank, individuals being excluded as in Bengal. If the latter are included, some sort of government guarantee to the shareholders might be required, and it would be better to have a provincial bank managed by its constituent banks, without bringing outside un-co-operative influence on the management. Following the model of an ordinary co-operative bank, a share might be Rs. 100, of which, however, only Rs. 25 would be paid up and the rest kept as reserve liability. For every Rs. 400 or fraction thereof held by a bank as share capital and reserve fund, it may be required

to purchase one share in the provincial bank; that would bring in a share capital of about two lakhs. The provincial bank would, however, depend mainly on deposits placed with it both by private individuals and by banks which have surpluses. Even at the present time the fluid investments of co-operative banks over and above the reserve fund amount to 3·42 lakhs, while the repayment of deposits exceeded their receipts in 1927-28 by 1·99 lakhs. Further, advances of government loans for land improvement or during scarcity for agricultural operations might also, to some extent, be made through the provincial bank. In order to prevent friction, it would have to be laid down that no co-operative bank may raise deposits at more than a half per cent. above that given at the time by the provincial bank without the permission of the latter, nor may it raise money from outside its own area of operation. The provincial bank would be in close touch with the market and keep on altering the rate it offers from time to time as occasion requires, keeping its affiliated banks informed of all alterations. It would also be able to enter into an agreement for adequate cash credit from the Imperial Bank or other joint-stock banks. Inter-lending between banks would have to be disallowed, except with the special permission of the provincial bank; in return, the latter would receive all the surplus money of the banks and invest it in suitable ways, such as by advancing the money to other co-operative banks in the province, or by placing it with other provincial banks or joint-stock banks or in treasury bills or other suitable securities. To keep itself in close touch with its affiliated banks, the provincial bank would have the right of demanding certain returns from them and of inspecting them through its own agents, so as to advise and guide them aright.

18. The next question is whether the bank could work profitably on these lines. It is expected that it could, on condition that the Government grant it the loan of the services of a financial expert, such as the agent of a branch of the Imperial Bank, for a period of five years in the first instance, and pay his salary, etc., itself; or, better, give a grant for the purpose for about eight to ten years, which may steadily decrease after the first three years. From the point of view of the Government, this would be less expensive than the appointment of a banking expert on the staff of the Co-operative department as a permanent measure. The chief apprehension is that the provincial bank may be saddled with large surpluses which it would not know how to dispose of. The old time bogey of seasonal surpluses during the so-called slack season, July to September, is disposed of by a reference to the actual figures of surpluses. The average of the past three years of the closing balances of banks at the end of each month is as follows :—

	Lakhs.
July	6·33
August	5·46
September	4·76
October	4·12
November	3·91
December	4·56
January	4·45
February	4·49
March	4·59
April	6·20
May	11·42
June	8·58

It will be seen that the largest cash balances are held by co-operative banks in the quarter April to June, during which repayments and advances are both heavy, and therefore there is no likelihood of banks being able to invest that surplus elsewhere, unless it is for very short periods. Besides, if such a tendency does manifest itself at any time, the provincial bank can always lower its rate of interest on its own borrowings as a temporary measure. It may, however, be pointed out that in January, 1929, the cash balance dropped to 2·89 lakhs and several banks had to borrow money by pledging their reserve funds. But even supposing that some co-operative banks have surpluses, at present the money is apt to be left idle. If it can be placed in deposit at three or six months' notice with the provincial bank at say 4 per cent., which is higher than the rate that could be obtained by placing it in the post office savings bank, it is a clear gain to the depositing bank, while the provincial bank can make a small profit by re-investing it in treasury bills or government securities at 4½ per cent. or 4¾ per cent. Thus, if about three lakhs are so placed with the provincial bank, the latter could get

an income therefrom of Rs. 1,500 to Rs. 2,000 a year; and as inter-lending decreases this amount is likely to increase. Next, there are the deposits of slightly longer terms, of from one to three or five years, which the provincial bank ought to be able to raise at 5½ per cent. or even perhaps at 5 per cent. The rate offered would depend on the amount likely to be required for profitable investment. At present the amount lent by co-operative banks to each other is 2·76 lakhs, and even then some banks are paying 7½ per cent. and even more on deposits. If the provincial bank raises say 5 lakhs at 5½ per cent. it ought before long to be able to advance at least 3½ lakhs thereof to other co-operative banks at 6½ per cent., while the balance might be kept in government securities at 4·6 per cent. Thus the expenditure would be Rs. 27,500 and the income Rs. 28,775, *i.e.*, the net income would be over Rs. 1,000. If the money can be used for other purposes, such as the financing of trade operations, the profit could be considerably greater. Lastly, there is the share capital of about two lakhs; supposing the dividend given is 3½ per cent., which would be the interest received if the money were placed in the post office savings bank, and must be regarded as the minimum dividend that should ever be paid, the total dividend comes to Rs. 7,000, against which the bank ought to get not less than Rs. 9,000 by investing the money; this could therefore bring in a net income of Rs. 2,000 at least, if the dividend is restricted as suggested, at least in the beginning. The total income thus comes to Rs. 4,500 a year, which should suffice for ordinary expenses in connexion with staff, etc., and a small reserve fund could be built up from this. The figures given have been prepared by one who is not an expert in these matters; they constitute nothing but a rough surmise as to what is likely to happen, and as the effects of future developments have not been considered, the estimate of profits is probably on the conservative side. An experienced banking or financial expert would be able to run the bank on better lines and bring it greater income; and a proper scheme for a provincial bank can only be drawn up with his aid. The discussion of the details of the scheme is likely to take time and it would not take less than two years actually to establish a provincial bank. It is hazardous to prophesy what may happen in that interval; but if the experience of one district where intensive work has been undertaken is any guide, the amount of capital required by the co-operative movement is likely to be doubled within three years; and the danger is that when the time for expansion arrives, the work may be held up because there is no provincial bank. In fact, without a provincial bank or at least financial guidance and control from an expert, the movement is not likely to develop as it ought to.

19. If the provincial bank, after it is started, is in need of money and has to issue debentures, it would certainly be a great help if such debentures are included in the list of trustee securities. Such action would not be in any way undesirable. But it must be emphasised that what the co-operative movement in the province needs at present is not actual financial assistance but sound financial guidance and management to take the movement out of its moneylending rut and enable it to take up the larger questions of encouraging savings, of facilitating marketing and financing trade along safe and sound lines and of developing land-mortgage societies.

Memorandum on artisans' co-operative societies.

THE usual method of work of the cottage industrialist is that he purchases his raw materials on credit. He takes the finished goods to the trader and sells them as best he can and from the proceeds pays off his debt for the raw materials purchased; and at the same time he takes more raw materials for making more goods. Sometimes the trader who purchases the finished articles also supplies the raw material.

2. It is true that in this process there is considerable scope for exploitation of the producer by the dealer. But the difficulties of the dealer are also very great. On the one hand he has to see that the articles supplied by the producers are up to standard and he is not being deceived by them as to the quality of the goods supplied. Then he has to stock the articles for some time and try to find suitable purchasers. This is the most difficult part of his work, for it is becoming increasingly difficult for the products of cottage workers in many cases to compete with mill-made goods. Naturally the tendency for the trader is to try and get the articles as cheaply as possible so that he may be able to sell them; equally naturally the manufacturer tries to deteriorate the quality so that he may get a living wage. The only possible result is that the trade gradually dies out. It is unfair to blame either the trader or the cottage worker, as this is the effect of world economic forces over which they have no control.

3. Co-operators started tackling this problem as far back as 1912 when credit societies were formed for artisans in comparatively large numbers. Unfortunately most of them failed, involving the banks concerned in heavy losses, and it was gradually realised that the problems of the cottage workers were complex and could not be solved merely by the supply of cheap credit. The next step was to try and organise them jointly for the purchase of their raw material. Though the idea was received with favour by most of the workers in the first instance, the co-operative store was not able to compete with the local dealers. To run a store successfully it is essential to have some expert knowledge as to when to purchase and how to stock and sell; the workers are lacking in such knowledge, nor were other co-operators, official or non-official, able to give useful guidance in the matter. The staff employed was usually far from honest and there was no one who could adequately control it, the workers themselves being too ignorant and uneducated for the purpose. Again, the dealers were prepared to give credit facilities and to advance raw material on the security of the finished goods pledged with them till they could be sold, which the co-operative store could not do. Further, many of the artisans were already indebted to dealers for raw material purchased by them in the past. The dealers often have an understanding with the purchasers of the finished goods in the market to penalise any worker who does not purchase from the recognised dealers and particularly one who does not discharge his debts to them; hence the workers were often not able to break off their connections with these dealers. We now realise that a store for the supply of raw material is not likely to be successful by itself. The real problem is the sale of the finished goods; if the articles manufactured can find a ready sale, questions of credit and joint purchase of raw materials would readily be solved.

4. This problem has to be tackled from two sides simultaneously. On the one hand the producer has to be taught improved methods of manufacture which might succeed in reducing his costs of production. He must also learn to give up the deceit and trickery to which he is habituated and manufacture articles of uniform quality; the changes in the tastes of the consumers must be ascertained and brought to his notice, better designs suggested and the general lines along which improvements may be effected should be pointed out to him, so that the article produced may appeal to the consumer. At the same time the strength of the market must be correctly gauged and adequate arrangements made for the stocking of articles which are likely to be in demand at particular seasons (for they cannot be produced at the last moment); moreover, the consumer must be educated to appreciate the quality of the goods supplied and pay a slightly better price for superior quality. In short, both the business and the productive sides of the question have to be tackled at the same time, the object being to improve

the quality and reduce the price, as far as that is possible without decreasing the margin of profit, to standardise and guarantee the supply and to stimulate the demand. Without expert advice on these matters, neither the cottage workers nor the co-operators who wish to help and organise them can really succeed in effecting anything substantial.

5. I agree that sale dépôts or emporia would be very useful in advertising and marketing the products of cottage industrialists (I am referring to ordinary articles and not art wares with which I am not conversant). But I maintain that an essential preliminary to this must be the organisation of the production of the artisans. So long as the goods they produce are of a quality that cannot be guaranteed, and so long as they cannot be relied on to manufacture promptly what is required, the starting of sale dépôts is useless waste of money. If a person orders a thing through an emporium and he has to wait for months before he can get it, or when he does get it he finds that it is not what he ordered, he is not going to the emporium again. The problems of standardisation, grading and speed of manufacture must be tackled in the first instance; and when they are solved, the starting of emporia or sale dépôts would soon become a necessity. The tendency to try and push on the demand before the supply is organised must be guarded against as it is likely to have a harmful effect.

6. I agree that an industrial bank for the financing of small industries would be useful; but here again I maintain that this must be an after development. The problem is not one of provision of money but of sale of finished goods, and unless that is arranged for, it is risky to advance money. But when production and sale are organised, money will certainly be required and then an industrial bank would supply a real need.

7. As to the form of such a bank, I would say that it should be of the co-operative type. I admit that the ordinary district co operative bank is quite unsuitable for this sort of work as its methods are meant only for agricultural societies. But with suitable modifications it can deal with societies of cottage industrialists. A joint-stock bank would advance money to individuals and would probably not be prepared to risk its money without adequate security which these people cannot give. If a joint-stock bank would agree to advance money to co-operative societies for this purpose, I would have no objection thereto; but a co-operative industrial bank which would get into touch with the money market like other co-operative banks would be better, as it would take not a strictly business point of view but one of business and sympathy combined.

Memorandum on exemption of co-operative societies from income-tax.

THE whole question of income-tax in the case of co-operative societies needs to be considered in some detail. A copy of the Government of India, Finance department (Central Revenues), notification no. R-Dis. 291/I.T.—25, dated August 25, 1925, is appended. One income-tax officer has recently propounded the theory that though the profits of a co-operative society are exempt from income-tax, they are liable to supertax.

2. Again it is not clear what is meant by "profits" in the notification; is a co-operative society liable to pay income-tax on the money received by it as interest on (1) government securities, (2) deposits in joint-stock banks, (3) loans to or deposits in other co-operative banks, (4) loans to primary co-operative societies? The usual idea is that items 1 and 2 should pay income-tax but not items 3 and 4; on what grounds this distinction is made is not clear. It does sometimes happen that a society borrows money at 6 per cent. and invests it in government securities at 5 per cent.; even in such a case is it liable to pay income-tax on the 5 per cent. received?

3. There is a proposal for exemption from income-tax of subscriptions paid to provident funds of co-operative societies. I must frankly admit that the point is not quite clear as to what it is that it is proposed to exempt from income-tax. The proposal would seem to indicate that a society receiving monthly subscriptions from members by way of deposits, should pay income-tax on those deposits; that would be absurd, as such deposits are receipts of the society but are not its income. If the idea is that the society should be exempt from paying income-tax on the interest received by it by investing such deposits in government securities or in any other way it likes, I agree that it is highly desirable that this should be done, but how the society can specify as to what portion of the investments in government securities represent deposits of this nature and what portion of them is derived from other sources I do not know.

4. Personally I would strongly recommend that all this juggling with words may be done away with by definitely and straightforwardly saying that a co-operative society is exempt from income-tax. The loss arising to the Government of India from this change would be extremely small; it would save a good deal of unnecessary correspondence and discussion, and would be of substantial benefit to co-operative institutions and be much appreciated by all co-operators.

5. The question of the money received by the members of co-operative societies stands on a different footing. The present rule is that the dividend or bonus received by members on account of profits are exempt from income-tax. Interest received on deposits in co-operative societies is not exempt. I think that requires a little amendment; and interest received by members on provident fund or savings deposits should be exempt; a provident fund or savings deposits may be defined as a provision made by a member by way of deposit for certain specific future requirements such as scarcity, physical incapacity, old age and for his family in the event of his death. There is a demand in certain quarters that interest received by members on all deposits in co-operative societies should be exempt from tax; that would certainly encourage such deposits but I am afraid such a provision is likely to be abused and I am not disposed to support that claim. But I do strongly recommend that interest received by members on their provident fund or savings deposits in co-operative societies should be exempt from income-tax.

Copy of the Government of India, Finance department (Central Revenues) notification no. R-Dis. 291/I.T.—25, dated August 25, 1925.

In exercise of the powers conferred by section 60 of the Indian Income-tax Act, 1922 (XI of 1922) . . . the Governor-General in Council is pleased to direct that the following class of income shall be exempt from the tax payable under the said Act, namely :—

"The profits of any co-operative society (other than the Sanikatta Salt-owners' Society in the Bombay Presidency) for the time beging registered under the Co-operative Societies Act, 1912 (II of 1912), or the dividends or other payments received by members of any such society on account of profits."

MR. P. M. KHAREGAT.

Memorandum on the weaving industry in Agra.

[*Being an extract (paragraph 23) from the annual report on the working of co-operative societies in the United Provinces for the year* 1928-29.]

It was found that the ordinary *pagri* weavers in Agra were living on starvation wages of three to four annas a day as the kind of cloth they had been making was not finding any sale in the market. Some of them were taught to use fly-shuttle looms, and an effort was made to arrange to supply the needs of ordinary agricultural societies in the way of cloth from the products of these societies of weavers. It is too early to judge of the success of this endeavour, but it is not an unpromising line of development, though it has its own difficulties. The superiority of the products offered over those sold by itinerant dealers has to be brought home to intending purchasers by education and propaganda. But the chief trouble is that the societies cannot manufacture in a short time the large amount that is likely to be required, and customers are apt to be disappointed. After some experience it may be possible to gauge the kind of articles likely to be in great demand in particular seasons and start manufacturing for them in anticipation. This is not without an element of risk, but there can be no business without risk.

The chief complaint of the *darrie* weavers at Agra was that they received a very low price for their *darries* from the dealers because they could not afford to hold up the sale of their produce till prices were better. It was therefore resolved to allow them to pledge their *darries* to the bank, by stocking them at the local co-operative store and to advance them 75 per cent. of their value as further loan on that security, on the clear understanding that the weaver himself would be responsible for finding a purchaser in due course. Many weavers tried to extort exorbitant prices by holding up their produce, but they discovered their mistake before long and found that they lost heavily by doing so; they soon learned that they must dispose of their produce as quickly as practicable, and only keep it for the future in exceptional cases. But with this realisation came the demand that the store itself should try to dispose of the produce. The only way in which this could be done was to secure orders, pass them on to the weavers and then to see that the articles made were up to the requisite standard. The problems of grading and standardisation had therefore to be tackled.

As a first step towards a solution of these difficulites it was decided to teach the *darrie* makers to use fast colours for their dyes. Thanks to the interest taken by the Director of Industries, Mr. Shah, in the matter, a special instructor was kindly lent by the department of Industries whose business it is to go round to the houses of the weavers and train them in the use of fast dyes : this work is still in progress. A small subsidy was also given by the Board of Industries to selected weavers for the use of improved methods of dyeing. Partly as a result of this action, and partly owing to the rigid scrutiny exercised before any article made to order is accepted, it has been found that the quality of *darri* has begun to improve. In fact the tone of the market itself is changing and even those who are not members of societies have begun to manufacture better *darries*. This in itself is no mean achievement. A trader from Bombay happened to be in Agra and unasked he offered Re. 1-14 a yard for *darries* from the co-operative store as against Re. 1-12 a yard offered by him in the open market. It would appear that if efforts along the lines now adopted are continued, the store may in course of time be able to establish a good name for itself so that its guarantee would itself be a marketable commodity. The next step must be to keep an adequate stock of samples at the store, so that outsiders may see them and place orders accordingly.

Memorandum on the Egyptian scheme of loans on the security of cotton.

I enclose an abstract of the views of the co-operative banks which have sent their opinions and the views of the Provincial Co-operative Union. It will be seen that, excluding one or two which are enthusiatic about it, and two or three who are against it, the rest seem to be indifferent towards the scheme.

As regards my own views, I must admit at the outset that I do not know much about conditions in the cotton market, whether in Egypt or in this country. The scheme of the Egyptian Government is designed "to prevent the accumulation of cotton in markets and to co-ordinate supply and demand;" but frankly I fail to see how it can attain this object, save by encouraging speculation among farmers. In the ordinary village economy the farmer sells his produce as soon as it is ready; it is the trader who purchases it, takes the trouble and the risk of storing it, and then sells it as occasion requires, at a profit to himself sufficient to cover his expenses, risk and outlay. It was, doubtless, the action of speculative traders who may have formed a ring and unduly lowered prices at harvest time and enhanced them later, which led the Egyptian Government to launch this scheme. However laudable the object, it is feared that the result will be to turn the farmer himself into a speculator and he will be put to heavy losses in competition with those who understand the business of speculation. If the buyers have formed a ring, they will keep on manipulating prices to the bewilderment of the farmer and his ultimate ruin; and by holding up the sale of his produce he may do himself harm instead of good. The whole scheme rests on the assumption that prices will continue to go down at harvest time and rise later, which may be true at present, but need not be true always; in fact, it is based on old time economic conceptions without a full appreciation of present day economic facts and others. Supposing, further, that the purchasers or traders are not so organised that they can dictate prices and that prices do fall at harvest time and rise at other periods, the exact extent of the rise needs to be studied before it can be decided whether it is economically more profitable to sell out at once or to hold up the produce and pay the expenses of storage and the interest on loans. In the proposed scheme the interest charges have been kept abnormally low and all expenses are to be met by Government, *i.e.*, by the general tax-payer; it is not known whether the proposal will be economically profitable to the farmer even then. Further, a fixed advance is to be given for each kind of cotton; it is not clear what proportion the advance will bear to the actual price that the cotton is expected to realise; without knowing what the sale price of the ginned cotton is likely to be, it is impossible to say whether the advance is suitable or not; if the figure has been fixed on the basis of expenses of cultivation, it is probably sounder, but even so there are grave risks in advancing money on a fixed basis without having any idea as to what the market price of the goods are or will be. But the greatest defect of the scheme is that it proposes to set up a whole host of petty officials and invest them with extensive powers; it will be difficult to find men who will be able to distinguish the various grades, which are probably likely to be received in mixed conditions; to give these subordinates the power to decide as to the quality of the cotton and to entrust weighing to them is a sure way of encouraging bribery and corruption on an extensive scale. The inevitable result will be that, on the one hand, the villagers will have to resort to bribery, trickery and deceit, and, on the other, Government will itself be deceived and may be put to severe losses. It is unnecessary to detail the various methods that are likely to be adopted by such officials for their own gain, whether at the expense of the villager, or at that of the Government.

Under the circumstances, it is suggested that it should be examined, in the first instance, in this province whether there is any need for such legislation; is the difference between the price paid for unginned cotton and that realised by the purchasers for the ginned cotton so great as to justify the Government in stepping into the breach and involving the public purse in a large expenditure? At present the work of advancing money on the strength of grain or cotton suitably stocked is done by joint-stock banks and it may be done if necessary by co-operative banks, on the basis of a certain percentage (two-thirds

or three-fourths) of the prevailing market price. There seems to be no adequate reason, at least at present, for Government to interfere with these arrangements or to set up an army of officials with all their attendant evils. Perhaps all that is required is the starting of cotton sale societies along the lines of those in Bombay or Berar, and the regulation of existing markets. But I am not prepared to make any specific constructive recommendation until the whole question of the present difficulties, if any, has been carefully studied with the aid of an expert officer who understands the question of the marketing of farm products.

Abstract of views of co-operative banks.

Serial no.	Name of bank.	Abstract of reply.
1	Kheri-Lakhimpur ..	Says that the scheme is worth being introduced in one or two districts as an experimental measure, though this cannot be done in the district of Kheri which is not a cotton-growing district.
2	Dehra Dun ..	Cannot be introduced as their's is not a cotton-growing district.
3	Mahoba	Favours the introduction of the scheme.
4	Jarsana	Approves of the Egyptian scheme, but says that it is not possible to introduce it this year.
5	Gorakhpur ..	Says that their opinion is unnecessary as Gorakhpur is not a cotton-growing district.
6	Balrampur ..	Says that the scheme cannot be tried in their district.
7	Bareilly	Says that the scheme is workable and will certainly assist the small producers if introduced in cotton-growing areas.
8	Deoria	Scheme of no use as their's is not a cotton-growing district.
9	Garhi Bhilwal ..	Says that the scheme is a good one for those tracts where cotton is grown extensively. He thinks that the introduction of the scheme in the district of Bara Banki is, however, unnecessary.
10	Mohanlalganj ..	Not applicable as cotton is not grown in the area of operations of the bank.
11	Rampur Garhwan ..	Says that the scheme seems to be sound, but cotton is not grown in the area served by the bank.
12	Jowar	Says that the Egyptian scheme deserves a trial, but there is no possibility of its success under the area served by the bank.
13	Lucknow	Says that the scheme is a good one, but it is not expected to be a success in the district.
14	Ghazipur	Says that, though the scheme is a good one, there is very little prospect of giving effect to it as cotton is not produced in the district.
15	Gola	Says that the scheme cannot be introduced.

Abstract of views of co-operative banks—(concluded.)

Serial no.	Name of bank.	Abstract of reply.
16	Bulandshahr ..	Says that the scheme is full of advantages to the small cultivator and should be worked in the case of other kinds of produce also, *e.g.*, wheat, barley, etc. It adds that co-operative banks will not be able to advance money on such a low rate of interest as 4 per cent. and Government must come to their help.
17	Biswan	Says that the scheme is very good, but cotton is not grown in the district on any extensive scale. However, if it is introduced in the district it may have good results.
18	Mainpuri	Says that the scheme does not seem to be workable.
19	Agra .. .	Says that it is primarily a question for the consideration of Government, but, if it may be possible to eliminate the vicious element of speculation, the scheme may be given a limited and judicious trial in a selected cotton-growing area in the province.
20	Fatehpur	Says that there is no harm if the scheme is tried on a small scale in a few selected areas where cotton is grown in large quantities.
21	Bhatiyana.. ..	Says that the present crop is over and the scheme may be tried next year.
22	Farrukhabad ..	Says that the scheme seems to be very sound and can very easily be introduced into the cotton-growing parts of the district, but it will require further expansion of the co-operative movement and establishment of some ginning factories.
23	Arya Bank ..	Says that the scheme is quite good and helpful to the cotton producer.
24	Moradabad ..	Says that in view of the present condition of this country, and particularly of this province, the scheme is not considered to be practicable and very useful.
25	Etawah	Says that the scheme is very practicable, and Etawah will not have much difficulty in giving effect to it, there being a large number of ginning factories with godowns in the district.
26	Banda	Does not favour the scheme.
27	Allahabad ..	Says that the district is not a cotton-growing one and the scheme cannot be tried.

Copy of a resolution passed by the Executive Committee of the United Provinces Co-operative Union, Ltd.

The Egyptian Government's scheme of granting loans on the security of the cotton produced was considered, and it was resolved that the Committee strongly supports it and thought that it could profitably be adopted to the marketing of other agricultural produce. Resolved, further, that the Committee was prepared to draw up a similar scheme to suit local conditions, provided that the Local Government be prepared to give the facilities which the Egyptian Government had promised.

MR. P. M. KHAREGAT.

Supplementary written evidence.

Question 1.—*What is the extent to which the co-operative societies have succeeded in bringing down the rates of interest charged by the moneylenders in their vicinity?*

Answer: It is not possible to estimate the extent to which the rates of moneylenders have come down owing to the existence of co-operative societies in the vicinity. This is only a general impression, and there are no figures to prove the assertion. A detailed enquiry in selected tracts—preferably backward ones—with and without co-operative societies would give some useful information on the subject.

Question 2.—*Is an agriculturist at present able to maintain himself and his family from the labours of cultivation? If not, can you please tell us why not, and under what conditions it would be possible for him to do so? If the cause of his inability is the fragmentation of holdings or the unremunerative nature of cultivation itself, do you not think that the first step, before credit facilities could be suitably organised, should be the consolidation of holdings or improvement in methods of cultivation? How many acres would you normally consider as an economic holding?*

Answer: It is impossible to generalise on the subject. The Brahman or Thakur small *pattidar* in the east of the province is often not able to maintain himself and his family, while his neighbour, the *Kurmi* tenant, can do so easily. My own impression is that the majority of agriculturists, though they may, and often do, borrow for maintenance when the stock of the grain of the previous harvest is exhausted and before the new harvest is ready, do manage to exist on the labours of their cultivation in normal times by adjusting their expenses to their income, even if it means semi-starvation in some cases. Their difficulties, however, arise not in normal years but at abnormal times when crops fail or when there is prolonged illness in the family or expenses have to be incurred in connection with marriages, deaths, etc., while litigation is also an important factor in driving them into debt. In other words, the problem of the agriculturist is not so much how to make both ends meet as how in addition to put by money for future needs from his meagre resources.

It was hoped that the introduction of cheap credit would enable the agriculturist to save. But experience has shown that this has not had the desired result. The reason is that the co-operative society was generally regarded simply as an institution for lending money at a cheap rate. The fact that it is a method of organisation applicable to every walk of life was lost sight of. The real object of a credit society is to replace uncontrolled by controlled credit, to lend money for a productive purpose, to see that it is applied for that purpose, and to stimulate and to enable savings to be made for future requirements. It is a means of education, and its importance as such should not be underrated because it may not have succeeded in doing all that it ought to have done; the mistake was in not following up the starting of credit societies by the introduction of other necessary improvements.

I am afraid that if attention is concentrated now solely on trying to increase the income of the agriculturist by effecting agricultural improvements we will be making a similar mistake and the results will be precisely the same. First of all, it must be pointed out that the introduction of improved agriculture needs a little more initial expenditure; hence it may not be practicable to have improvements unless credit facilities are organised in the first instance. Secondly, the normal result of such improvements would be a small but imperceptible increase in the normal standard of living; the change would hardly be appreciated while some articles which are now luxuries would be regarded as necessaries. But famine and disease and death would continue practically as before, and money would have to be borrowed for these purposes—perhaps a little more would be required as the normal needs have increased. Hence the agriculturist would not be appreciably better off than he is now. Or, again, the only result of the increased income may be that more is wasted in litigation or in feeding Brahmans; this is a contingency that must be guarded against.

MR. P. M. KHAREGAT.

I, therefore, do not agree that the introduction of improved methods of agriculture would solve the problems of the agriculturist, or even that this should be the first step in that direction. I maintain that it is impossible to improve his lot by tackling his problems from any one aspect only. We must teach him *at the same time* (1) to decrease his unnecessary expenditure; (2) to increase his earning capacity and income; and (3) to put by the resulting savings for emergencies. Our object must be to teach the agriculturist to save partly by getting rid of such social customs as cause disease or unnecessary waste, and partly by taking up improved methods of cultivation or otherwise improving his earning capacity. In short, better farming, better living, and better credit facilities must all go hand in hand together.

Turning next to the question of the consolidation of holdings, I think its importance has been grossly exaggerated; it cannot by itself appreciably improve the condition of the agriculturists. Consolidation is only a means to an end, that end being better farming. Unless it can be followed by improvements in methods of cultivation it would do more harm than good. One result of consolidation may be an increased income for some and a decrease in income for others; or again, it may result in a slightly increased income in normal years and fall in the produce in bad years. The justification of consolidation is to be found only in the probability of improvements being made thereafter. But to what extent can tenants, *i.e.*, those who are not proprietors and have not a heritable and transferable right, effect such improvements; and what would be their increased income from such action, bearing in mind that their rent is also likely to be enhanced? I would attach more importance to the consolidation of cultivation by joint and organised action (*i.e., co-operation*) than to the consolidation of holdings.

As regards an "economic holding," I agree with Mr. Strickland that there is no such thing in the abstract. It is a question of fact in each individual case whether a particular holding can or cannot support the agriculturist who cultivates it and his family in the way they are accustomed. Thus fifty acres may not be an economic holding for a graduate requiring the luxuries of a town; while five may be more than enough for the village Chamar. The amount of labour that can be put in is also an important factor; the kind of crops that the holding can grow is another; the extent to which the production can be increased by the application of science is a third; transport and market facilities must also affect its size; and so on. The value of the produce of one acre may well be anything from one to one thousand rupees and the economic holding may be anything from one-tenth of an acre to a hundred acres or even more.

Question 3.—*How is the estimate of Rs.* 200 *crores as capital for agricultural operations arrived at?*

Answer: A very rough calculation is given in my note, *viz.*, the cultivated area of the province is about 42 million acres, the average cost of cultivation per acre is about Rs. 50: hence the cost of cultivation in the province is 42×50 million rupees = 210 crores. Another way of looking at it is as follows:—

Cotton	1·1	million acres at Rs.	63	per acre costs	6½	crores to cultivate.
Sugarcane	1·3	,, ,,	100	,,	13	,,
Other kharif	19·3	,, ,,	40	,,	77	,,
Potatoes	·1	,, ,,	350	,,	3½	,,
Tobacco	·1	,, ,,	250	,,	2½	,,
Vegetables	·4	,, ,,	200	,,	8	,,
Wheat	7·1	,, ,,	70	,,	49	,,
Other rabi	12·8	,, ,,	40	,,	51	,,
			Total	..	210½	crores.

Question 4.—*You suggest that the co-operative societies should take hold of the borrower's produce and sell it. Do you think the co-operative system has sufficient money to undertake advances against produce? If so, will you please give an estimate of the money required for marketing purposes and explain how the estimate is arrived at? If not, how should such capital be found? Should not advances against produce be preceded by storage facilities? How should storage be done? Is it possible, in your opinion, to make a working arrangement between co-operative societies and commercial banks whereby the former will be the agents and trustees for grain on behalf of the latter and the commercial banks would meet the financial deficit in the resources of the co-operative banks?*

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Answer: There certainly is not sufficient money in the co-operative movement to undertake advances against produce on a large scale. But I see no reason why small beginnings should not be made in that direction, particularly in the case of special crops. The question of storage would, of course, have to be tackled, and we would need expert advice on the subject. As regards funds, arrangements with commercial banks for supplementing the resources of co-operative banks would be essential.

The actual amount likely to be required by each cultivator, of the class usually to be found in co-operative societies, is not very large. A rough average would be that he would want to market the produce of about two acres of wheat and half an acre of sugarcane. This would mean about 20 maunds of wheat, costing Rs. 100, at Rs. 5 a maund, and about 225 maunds of cane which at 5 annas a maund (which is the usual price in Gorakhpur during the season) would mean Rs. 70. On an average, therefore, each individual member is not likely to need more than about Rs. 170 for the marketing of his produce. If money is required for this purpose for each member of a co-operative society at present, the maximum possible requirements may be put down at two crores, though I think that about half that sum would be nearer the correct figure. If every agriculturist in the province is considered the figure would be about a hundred times that amount.

Another way of estimating the figure is to consider the area, yield and value of the principal crops which are marketed in the province, excluding those which are kept mainly or largely for food. The results may be seen at a glance from the following table :—

Name of crop.	Area in lakhs of acres.	Produce in maunds per acre.	Total produce in lakhs of maunds.	Price in rupees per maund.	Total value of produce in lakh of rupees.
				Rs. a.	Rs.
Late rice	24	8½	204	7 0	14,28
Wheat	71	9½	675	5 0	33,75
Potatoes	1	200	200	2 8	5,00
Vegetables..	4	At Rs. 400 per acre.			16,00
Oilseeds	10	3	30	7 0	2,10
Sugarcane..	13	150	5,850	0 5	18,28
Cotton	9	14	126	6 8	8,19
Hemp	1½	6 (fibre)	9	5 0	45
Tobacco	1	At Rs. 300 per acre.			3,00
Total ..	..		..		10,105

It is true that a certain amount of early rice, gram, barley, etc., are marketed; but, on the other hand, the whole of the late rice, wheat and sugarcane are not marketed. The amount required for the marketing of all the crops is thus 100 crores.

It may be mentioned that the Assistant Registrar, Agra, had estimated that the value of the potato crop near Farrukhabad is 44 lakhs and the trade there in potatoes

is 55 lakhs. He also works out the value of the cotton produced in Aligarh as 59 lakhs and that of the ginned cotton, excluding seed, at 54 lakhs.

Questioon 5.—Do you not think that with the spread of the co-operative credit movement there will be increasing competition between the co-operative and other types of banks in the matter of deposits? How should such competition be guarded against?

Answer: It is impossible for me to predict the future. At the rate at which the movement has spread in the past 25 years there is not likely to be any competition between co-operative and joint-stock banks for at least another quarter of a century.

Question 6.—How do you reconcile your statement that the amount of capital available at present for financing the co-operative movement is sufficient when the total resources are under 1 crore with your estimate of 200 crores required for agricultural finance?

Answer: The one crore we have is sufficient for our present requirements which only touch a population of about 100,000 agriculturists. The number of agriculturists in the province is 10,000,000 or 100 times the number of people with whom we deal. Moreover, as mentioned in paragraph 5 of my memorandum on agricultural finance and co-operative banks the society dare not advance to the member even half the amount that he needs.

Question 7.—Would it not be advisable if the apex co-operative bank is established on joint-stock-cum-co-operative principles, so as to attract sympathy and capital from those sources which at present are outside the co-operative influence? The primary object of the co-operative machinery being to facilitate credit as cheap as possible by pledging collective responsibility, would it not be met if the dividend on shares of the provincial bank is confined within reasonable limits?

Answer: It is not understood what is meant by "joint-stock-*cum*-co-operative principles." At the present stage the chief need is for sound financial guidance, and not of sympathy or even of capital. The primary object of co-operative machinery is *not* to make credit as cheap as possible, but to supply controlled credit in place of uncontrolled credit and to encourage thrift and self-help. I agree that dividend on shares of the provincial bank should be restricted "within reasonable limits," and that it should not exceed 7 per cent. at the outside and preferably 5 per cent.

Question 8.—It is said that there should be land mortgage associations grouped under district and provincial land mortgage banks to supply long-term credit. Some say that such an organisation would involve unnecessary duplication, and that there should be a provincial land mortgage bank with a few branches which should employ the existing co-operative banks and societies as its agents and thus meet the difficulty of not having enough competent men to manage land banks as well as lower the working cost. Which view do you favour and why?

Would it not be difficult, if not impossible, for small land mortgage banks to float and find a market for their debentures? Please go through the note prepared by a member of the Committee and give your views on the same.*

Answer: I have perused with much interest the note prepared by a member of the Committee. It gives full details about the constitution of the proposed bank, but does not appear to explain fully its scope or its working.

The first thing we must be clear about is as to exactly what a land morgtage bank is going to do. For what purposes is it going to advance money—for redemption of old debts, for land improvements, for land purchase or for being wasted in riotous living? If the underlying idea is chiefly debt redemption the question as to whether it is worth while redeeming debts in many cases, especially where big landlords are concerned, is worth consideration. Should we not rather aim at encouraging their tenants to buy up the land they are cultivating? I am not suggesting this as my own view: it has been put to me, and, as I do not consider myself competent to answer the question, I am referring it to the Committee.

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* Mr. B. T. Thakur's memorandum on land mortgage banks, Vol. II, pp. 71—81.

The method of work of the proposed bank is not clear. The note itself makes no mention of branches. One bank situated at Lucknow or Cawnpore could hardly advance money to individuals in Garhwal and Ballia. How is it going to ascertain the fitness of the applicant to receive the money? How is it going to find out all about his land and its value? Is there not a serious risk of its becoming a prey to the whims or even the dishonesty of its employees if it depends on travelling agents or degenerating into a family affair to help the friends and relations of the directors? Again, what agency will it have for the prompt recovery of its dues? And, above all, how would it settle matters when its dues are not received? Even if there are a few branches the same difficulties would be felt, though, perhaps, a little less acutely. In this connection the experience of the Punjab may be cited; they started with land mortgage banks covering an area of a district; after seeing the results they now hold that the maximum area which can be covered by such a bank is a tahsil.

It has been suggested that the services of co-operative societies and banks should be utilised; and that, in the case of advances to tenants, the loans should be guaranteed by primary societies and district banks. I do not think that ordinary co-operative societies will or should take on themselves this responsibility. In the enquiries into the working of the co-operative movement, held in Madras and in Burma, the committees concerned strongly recommended that long-term loans should form no part of the business of the primary credit society. To saddle them with this responsibility on behalf of a provincial land mortgage bank would be a step in the wrong direction. Nor would district banks accept the suggestion; they already advance money to these societies up to the limit which they consider safe; how can it stand guarantee for the advance of a larger amount by the land mortgage bank? This objection would, perhaps, not apply in the case of societies which are working largely with their own capital, but even so there appears to be no reason why the district bank should undertake this additional responsibility for which it would get no return whatever.

In view of these difficulties I think that the best course is to have separate societies dealing solely with this work of land mortgage; they could all be affiliated, directly or indirectly, to the provincial land mortgage bank from which each of these societies would draw its funds. These societies must be of the co-operative type, and each must operate in a small area; one such society may deal only with tenants of the locality, another may decide to lend only to landlords, a third may think it advisable to have dealings with both, and so on; there would be diversity to suit local conditions. If there are several such societies in a district they would naturally federate themselves into a district land mortgage bank, and such district land mortgage banks would unite in the provincial land mortgage bank. I do not think there would be any unnecessary duplication in this; without such local societies, adequate supervision and control would be impracticable.

Nor would the question of finance present insurmountable difficulties. Each society would try to raise its own funds from the local area which it covers by means of shares and long-term deposits; this would teach it from the start to rely on its own resources and would eliminate the element of spoon-feeding which many consider to be responsible for the failure of so many co-operative societies to make good. When a district or provincial land mortgage bank is organised the society would naturally be able to draw on it to supplement its own resources. It is not denied that it will be difficult, in the first instance, for such societies to raise enough money; but this very difficulty will teach them sound business methods; after a few initial successes these difficulties would decrease. Undoubtedly the reverse process, *viz.*, that of starting a provincial land mortgage bank first and letting it finance land mortgage societies throughout the province would result in more speedy development; but it would also be more risky and would result in an unstable condition; a cone can rest on its base but not on its apex. The Burma provincial co-operative bank tried a similar experiment in the case of ordinary credit societies and we see the result. To build up a provincial bank on the strength of existing institutions is sound; to start with a provincial bank and let it send out branches on top may succeed for a long time, but it is likely to topple over, sooner or later. In the latter case an emergency would knock down the whole structure; in the former a few of the supports might give way, but the main structure would survive. Hence I, for one, have no doubt as to which is the better policy.

Question 9.—Opinion seems to be divided as to legalising the transferability of occupancy rights. Those who oppose it say that it will lead to the transfer of land to

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non-cultivating classes as well as make cultivators spendthrift. Those who favour it, on the other hand, say that the present holders are either those who through the process of moneylending have come to be the holders and as such are economical or those who have survived the temptations of borrowing and are anxious to avoid borrowing by living within their means. Which view do you favour? Will it be safe if the transferability is legalised only in the case of co-operative societies and land mortgage banks, so that well-deservnig cases may be able to offer some sort of acceptable security for long-term credit? Should there be right of pre-emption in favour of persons upon whom the right in property would devolve under the present law?

Answer: It is highly probable that if occupancy rights are made saleable or transferable many occupancy tenants will borrow unnecessarily. But that does not seem to me to be a valid argument against introducing this change. It would, perhaps, not be a bad thing if by the operation of natural laws occupancy tenancy were to pass from the hands of the thriftless to those of the thrifty cultivators. In particular, in the west of the province, many occupancy tenants have such large areas that they cannot cultivate them themselves efficiently, and it would be better for them, as well as for the country, if they could give up their rights in some of this land for a consideration. Again, since the introduction of statutory tenancy in the province, there is serious danger of creating a landless class; it is becoming increasingly difficult for the labourer to become a cultivator, and this is bound to have a harmful effect in the long run; to a certain extent the risk can be decreased by making occupancy rights transferable. In making this change care will have to be taken to see that the transfer takes place only in favour of those who do or will cultivate the land themselves; the danger of the land passing to non-cultivators must be guarded against, for they would only sub-let the land to others at a high rent, keeping the profits themselves for doing nothing, and would become practically like under-proprietors, introducing one more middleman between the cultivator and the Government. I would, therefore, suggest that the transferability of occupancy rights should be legalised only in the case of those who actually cultivate themselves or would do so, with a right of pre-emption in favour of those on whom the right would devolve under the present law; it may also be legalised in the case of co-operative societies and land mortgage banks with the proviso that they, too, may only transfer the rights in their turn to *bonâ fide* cultivators, unless they cultivate themselves (as better farming societies might wish to do).

Question 10.—*You suggest that the co-operative banks should lower their deposit rates during the periods of large cash balances. Will such a course not lead to the diversion of deposits, as commercial banks have generally a fixed rate for* 12 *months' deposits? Would it not, on the contrary, be more in the fitness of things if the loss of interest due to idleness of funds is recouped and minimised by suitable short-term investments in financial centres*, e.g., *discounting of* hundis, *treasury bills, advances against produce, etc.*

Answer: If a co-operative bank decreases the rate it offers on deposits, it does not mean that those who have already deposited their money would receive a lower rate; it would simply check the influx of fresh deposits and might result in non-renewal of deposits which mature at that particular time. I do not think there is any serious danger of diversion of deposits outside the co-operative movement by such action at the present time. But I am in entire agreement with the statement that it is better to resort to suitable short-term investments: unfortunately we know nothing about this type of business and need expert guidance for the same.

Question 1.—*Do you think it will be possible for moneylenders to completely merge themselves in the co-operative societies and thus lose the dominating position which they hold at present?*

Answer: I do not think that if moneylenders merge themselves in the co-operative movement they will thereby lose their dominating position. He who has the money and supplies it will always be able to call the tune, even in the co-operative movement. But I admit that at present moneylenders will certainly not merge themselves in the co-operative societies.

Question 2.—*Do you think it is possible to have a scheme of life insurance in the case of tenants wanting long-term credit fitted in with instalments towards payment?*

Answer: The idea is attractive, but to what extent it is feasible I am not in a position to say. It would require a good deal of education and intensive propaganda.

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to explain the scope of the suggestion. Then again, if we start with the presumption that ordinarily the tenant is just able to make both ends meet, the question would arise as to where the additional money required for the annual premia is to come from. As stated in my reply to question 2, the tenant will have to be taught to decrease his expenditure and increase his income at the same time, and, if as a result there is any saving, that would be available for life or famine insurance, provided of course the premia he is required to pay do not exceed the amounts he can save; that is where we have no facts and figures to go upon at present.

Question 13.—*Are you aware that of late a system is developing under which large buyers and shippers are dealing directly with the cultivators and are also advancing them even when the crops are standing? How far is such a system in your opinion beneficial to the agriculturists, particularly with regard to the following* :—

(*a*) *Price of produce.*

(*b*) *Putting agriculturists under the bondage of such buyers instead of the present village grain and moneylenders?*

Answer : I admit I am not aware of the growth of the system referred to. In fact, some 12 months or more ago, when we were thinking of starting sugarcane supply societies in Gorakhpur, we had particularly looked into the question of advancing money for the purchase of standing crops. This is often what the *khandsalis* do in the west of the province, and some of the *sattadars* in Gorakhpur do similar work; in Etawah we found the *katawan* system prevalent for *ghi*—the lender advancing so many rupees and receiving so many maunds of *ghi* in return. I recommended the adoption of a similar system to the sugarcane sale societies, but they did not approve of it.

Personally I think that the system, if properly worked, is very sound. What the cultivator really needs is a fair return for his labour and his expense; if he can get that, he ought to be satisfied. Under the existing system it may happen that he may get a larger profit; it may equally happen that prices may fall abnormally and thus, owing to no fault of his own but due to the operation of world forces over which he has no control, the money he gets might not cover even actual expenses, leave aside the cost of labour. The system referred to eliminates this risk from the agriculturist and passes it on to the lender. The danger, however, is that it may be used for forcing down prices unduly when dealing with ignorant and uneducated villagers. If, however, this sort of work is done by a co-operative society, and it makes a big profit, that would be passed back to the members. The system must not be condemned; but if it is being abused by outside buyers and shippers, the proper course is for the agriculturists to organise themselves to do exactly the same work so that they may be under their own "bondage" and not that of outsiders; village moneylenders can and should help such organisation by advancing money to them; if they pursue a selfish policy enterprising outsiders are not to be blamed for taking advantage of the situation.

ORAL EVIDENCE.

Lucknow, January 31, 1930.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C	...	*Chairman.*
DR. RADHAKAMAL MUKERJEE, M.A., PH.D.	...	*Members.*
RAI BAHADUR PANDIT G. S. UPADHYA, B.A.	...	*Members.*
RAI BAHADUR BABU MOHAN LAL, M.A., LL.B., M.L.C.	...	*Members.*
MR. MOHAN LAL SAH, M.A., LL.B. ...	...	*Members.*
DR. L. C. JAIN, M.A., LL.B., PH.D. ...	...	*Secretary.*

(*Witness* :—MR. P. M. KHAREGAT, I.C.S., *Registrar, Co-operative Societies, United Provinces.*)

Rai Bahadur Pandit G. S. Upadhya : The whole committee has been building hopes on the success of the co-operative movement, but it seems that the Oakden Commitee report and the report of the Sandila Bank Enquiry Committee have had a depressing effect. I should, therefore, like to know whether we can improve the present state of affairs, and, if so, in what way. Firstly we find that Government is held responsible for the movement; secondly, we find that the department cannot force the Board of directors of the bank to carry out the instructions issued by Government or the department. The registrar has got power to liquidate a bank or society, but he has no other powers. This is just like the case of the judge who has got power to hang a man, but has no power to inflict a smaller punishment. Is there any way in which the department can force the authorities of the co-operative bank to carry out the instructions issued to them, as well as a way in which the movement could be improved generally? If Government is to remain wholly responsible, certainly Government should have some hand in the matter.—(*Witness*) Something is being done in that connexion and the Union Committee have just recommended a little more control over the audit of societies; but, as you say, the real difficulty is that though the auditor may point out defects, or even the registrar may point out defects in the working of the bank, nothing can be done at present if the bank does not choose to take any action. I therefore think that it is essential to give the registrar some powers so that he may be able to compel the bank to take action if there are serious defects. Whether that should be in the way of a penal clause or it should form part of the bye-laws of the bank itself so that in case it fails to take action arbitration may be resorted to, I cannot say at present, but something like that is essential.

Dr. Radhakamal Mukerjee : Does not the Act give such powers to the registrar?—No.

Rai Bahadur Pandit G. S. Upadhya : It only gives the registrar power to liquidate the society.

The Chairman : Into this point of audit I should like to go a little deeper. No doubt you realise, Mr. Kharegat, that one of the greatest weaknesses of Indian administration is that audit is always systematically neglected by everybody, whether it is a local body or a co-operative bank or Government themselves. The great difficulty that the auditor has to experience is that he can only point out mistakes, but cannot enforce the rules. In England the matter is entirely different. There the auditor has very big penal powers. Suppose he goes down, for instance, to a municipality and finds that the full amount of tax has not been collected, the tax collector is held responsible. The auditor will allot a certain time, say a week, to collect the money and if the tax-collector fails, he has to pay the money himself. I may mention the case of the London County Council. The auditor found that a certain sum had been spent out of the Council funds—I think

in giving an entertainment to school girls. He did not consider it to be a proper charge on the Council funds and surcharged every member of the London County Council. He divided the entire cost among them and it came to about £50 each. The matter had to go to Parliament before his order could be upset. If we had that sort of power in India, what do you imagine would be the result? Do you think in that case people would like to come on to these local bodies? Do you think that many people would care to be managing directors?—The penal provision would not normally be enforced; it would only be enforced in exceptional cases.

I know. It would be only in very exceptional cases. The mere fact that the power is there is sufficient to prevent most men from committing any irregularity?—Yes, quite so.

But supposing you use it even once, what would be the result?—It is impossible to say. If, however, the thing is properly explained to the other co-operators, I think they would endorse it.

Probably enjoy it?—If it is properly explained, I do not think it would have a bad effect. On the other hand, it should be of very great service to the cause.

That is exactly what I wanted to know. I have always been urging that audit should be made more real in every direction. Then, if this power of surcharge is given to the auditor you do not think that this would deter people from doing the work of these societies?—I do not think it would deter them if the power is properly exercised. If, on the other hand, it is abused even in one single instance, then it would certainly have that effect.

In other words, you think that there is sufficient sense of public spirit to run that risk?—I think so.

I am glad to hear that. It seems obvious that the very first thing to do is to improve those auditors, and you certainly want very much better men. Do you also want more men?—Yes, a few.

Do you think that you can get on with the same number of men if you have decidedly better men?—No, we could not.

That I quite understand from my experience of the local fund audit. After all there are only 365 days in a year and there are only a certain number of hours during which a man can work every day. Do you think you are able to get the proper type of men?

Rai Bahadur Pandit G. S. Upadhya : I will just explain the whole thing. For the last two years you (Mr. Kharegat) have been employing B. Coms. and you have arranged to train them for six to twelve months in this audit work. . . . .

The Chairman : I personally do not attach importance to the B. Com. for auditors.

Mr. Sah : Why not employ qualified accountants?

Rai Bahadur Pandit G. S. Upadhya : These people have a regular training in account keeping.

Dr. Radhakamal Mukerjee : We have a Faculty of Commerce, and these B. Coms. are taught book-keeping.

The Chairman : Account keeping is one thing and audit is another. Of course, you cannot audit unless you know accounts, but you can know accounts without being able to audit. So, Mr. Kharegat, you think that you can get the supply of proper men?—Yes, but we would need some men who would train them better.

What sort of expert do you want—a banking expert or an audit expert?—It would be better if we can find an all-round man. I want a man who would be able to guide the banks in their financing operations, *i.e.*, a practical banking expert.

Do you want more a banking expert or a practical financier? A man may not know anything of the inside working of a bank, yet he may be very good at making investments.—(*Witness*) It is the banking part of the business in which we want guidance. We want one who would be good in understanding figures. There are so many, for instance, balance sheets and other statements of figures, and at present there is nobody in the department to analyse them and then to tell us exactly what the figures mean, what the real condition of a bank is.

Mr. Sah: Do you want more or less a book-keeper?

The Chairman: You want a man who knows something about statistics and can extract some meaning from them?—Yes, he should understand what the figures mean.

With a knowledge of banking he ought to know what they are likely to mean?—Yes.

How about a man who knows banking and co-operative banking? Can you find a man who knows both?—We have never searched for one.

You will admit that there is a difficulty?—Certainly, it would not be easy.

Rai Bahadur Babu Mohan Lal: You say some penal power should be given to you because it will have some deterrent effect although it may be exercised rarely. Should you not have the power of rewarding all those banks which carry out the audit instructions faithfully and loyally? Which of the systems do you consider better in this democratic movement and in the interest of public workers, namely, whether those carrying out instructions loyally and faithfully should be rewarded, or whether those who do not carry out those instructions should be punished?—Both.

Rai Bahadur Pandit G. S. Upadhya: That would be much better.

Rai Bahadur Babu Mohan Lal: Which of the two do you consider the better?—As a matter of fact, the other part we already have. Good workers are honoured and rewarded.

The Chairman: Of course it seems to me that if there is a definite system of rewards and punishments, there will be plenty of rewards and no punishments.—(*Witness*) Let us hope so anyway.

Rai Bahadur Babu Mohan Lal: You want a combination of both?—Yes.

The Chairman: We come back to the banking expert. I think at the bottom of your trouble is audit. There is no question of that. Would you visualize a complete audit, or a test audit?—A complete audit.

A complete audit of accounts?—Yes.

Once a year?—Yes.

You would require a considerable staff. The staff of the Examiner of Local Fund Accounts is for a test audit. A complete audit is more an inspection than an audit.—(*Witness*) Yes.

What sort of pay would you give to your new brand of auditors?—At present we give them a pay of Rs. 70 rising to Rs. 100.

With my experience of the Local Fund Accounts, I think you should pay not less than Rs. 120 rising to Rs. 400. You want both junior men and senior men. Junior men have to pass an examination. Junior auditors and senior auditors work in pairs. You ought to have something like that. Is it in contemplation?—No, it is largely a matter of funds. We dare not ask for it.

There is no harm in asking for it. I take it that your budget is about four lakhs?—Four to five lakhs.

Rai Bahadur Pandit G. S. Upadhya: Perhaps it may not be necessary to give a pay of Rs. 400. I think they will be satisfied with the grade of inspectors. At present good auditors are promoted to inspectorship which post carries a salary of Rs. 120 rising to Rs. 250.—(*Witness*) Yes.

The Chairman: What is the precise difference between the work of an inspector and that of an auditor?

Rai Bahadur Pandit G. S. Upadhya: Inspectors have not to do audit, but do administrative work.

Witness: They are just above auditors, but, as suggested by the Chairman, it will be better, for audit purposes, if we have senior auditors in the grade of inspectors.

The Chairman: I would put your senior auditors above inspectors on the same lines as your registrar over assistant registrars.

Mr. Sah: Is it desirable to have a separate service of auditors different from that of organisers?

The Chairman : That was the point I was coming to. Of course, the whole essence of audit is that the auditors should be entirely independent of the department they are auditing. Your cadre of auditors should be something like our Local Fund Accounts auditors—not under you, but possibly under me?—No, because they are not auditing our own department, but the societies which are quite independent.

What I have got in mind is that an auditor might in the course of audit have to criticise strongly particular individuals of the department.—(*Witness*) Yes, that might happen.

The auditor should be entirely independent of the persons he audits. He should be free from any sort of bias in his work.

Rai Bahadur Pandit G. S. Upadhya : May I point out that the Maslagan Committee laid down, and the Government of India agreed, that the auditor's duty, so far as the co-operative department was concerned, would not be purely the work of audit, but that they were also inspectors?

The Chairman : Exactly, I just mentioned the point. What you want is inspection from inside and from outside too.

Rai Bahadur Pandit G. S. Upadhya : Therefore, if the auditor's duty is confined to audit and criticism, he is taken away from the department and the inspection part of his work will suffer.

The Chairman : No, you will have your inspectors separate.

Rai Bahadur Pandit G. S. Upadhya : The inspectors are quite separate.

The Chairman : If you are going to have a complete audit, you can combine the two duties provided that the auditor is independent. He will have to inspect for you and report what should be done, but he must not be under you. To put it in the plainest terms, if an auditor who was your subordinate were to point out that you are guilty of such and such an irregularity, you would feel a natural inclination to get your own back the first chance you got.

The Witness : I agree that the auditors should be quite independent. In the case of my department they have no connection with the banks or societies or their employees; they are quite independent of them even though they may be working under the department.

The Chairman : I quite appreciate the point. Do you consider that they are sufficiently detached from the societies and banks to be absolutely independent?—To a large extent they are. I admit there are exceptions, and cases have come to my notice where the auditors are won over; but that might happen under any conditions even though they are entirely independent.

That solves one point Now comes another. I am asking simply for information. I understand that these societies and banks are purely non-official, that is, they are run entirely through a non-official agency. At the same time you have the right of supervision and inspection?—Yes.

Now, having regard to the unfortunate history of the past, do you think that it would be better to have more official control or more official workers inside the societies and banks than you have at present? I hope you are going to say "No."—(*Witness*) It varies from bank to bank. There are many banks which can manage their affairs well. There are many others which need more official help and guidance than what they are getting at present.

This is not quite what I meant. I understand that when a bank needs more help, it is a matter of administration and you give it. Would you have in every bank an official director?—Yes, it would probably be a good thing. As an official director, he would be one out of many; the Collector is already there as a Chairman.

Yes, but leave out the Chairman.

Rai Bahadur Pandit G. S. Upadhya : Even now the banks have no objection to taking on our inspectors on the directorate.

The Chairman : That answers my point.

Witness : Some banks deserve to be completely officialised; they are not competent to manage their own affairs. But there are other banks which do not need any control and very little guidance.

The Chairman : It comes to this that you have got to help the weak cases?—That we have.

On that statement I can take it that co-operation in some parts of the province is really flourishing and is not stagnant?—It is flourishing in a very few places. I mean real co-operation.

There is some hope for it?—It is certainly better in some parts than in others.

Rai Bahadur Babu Mohan Lal : Is it progressing or deteriorating?—This is a very wide question and it is difficult to answer it. As a matter of fact, I may quote from my forthcoming report on that very subject :—

"I was once asked whether all this expense was worth while and whether co-operation was really taking root in the province. Onlookers may be interested in discussing the point, but the workers are not. We know we have a difficult job in front of us; we are aware of the fact that the movement in the province is still labouring under a vast stretch of cloud, and we realise that it will take at least five to ten years more of strenuous effort before the clouds can begin to disperse. But we believe we are moving along the right lines and we are content to keep striving on and leave the judgment on our efforts to our successors who will reap what we have sown."

Rai Bahadur Pandit G. S. Upadhya : In continuation of the first question and of the discussion that has just taken place, another question may be relevant. There is a suggestion of surcharge, rewards and so many other things. As we know that the Government is responsible to a great extent and takes so much interest in the welfare of the movement, should it be right for the Government if there is a bank on the point of breaking up, and, if so, to what extent, to come to its rescue and to help it in the interest of the movement and in the interest of Government and of the public?

The Chairman : That is exactly the case of Sandila.

Rai Bahadur Pandit G. S. Upadhya :We have been circulated about this matter.

Rai Bahadur Babu Mohan Lal : And we have made certain recommendations.

Rai Bahadur Pandit G. S. Upadhya : I may mention for further elucidation the case of *taqavi*. When the crops fail and there is a need for *taqavi*, Government have to help. Here is a public movement on which everything of the peasantry rests. What will be your view on this matter?—In certain exceptional cases, I agree that the Government must come to the rescue. Even apart from Sandila, there is at present this state of affairs in Agra. The crops for two or three years have been so bad that I understand that many people have actually left their villages and many more are likely to do so. The bank has already advanced money to the cultivators to the maximum limit that it could possibly do; it should not advance more money, and yet for the safety of the money that they have already advanced they are bound to go on advancing more so as to keep the people from running away. In exceptional cases I think it is the business of the Government to come to the assistance of the bank to make good the loss.

The Chairman : Or rather to guarantee against possible loss?—Yes.

You will lay it down as a principle?—Yes.

I should accept that as a principle, but not in a case like Sandila where money was lost through the fault of the manager.—(*Witness*) To a large extent, it was his fault. But other factors have also operated to a great extent. There have been bad harvests; even more than that there was an unexpected slump in the cotton trade.

In other words, unforeseen calamity?—Yes.

One obvious remedy against that is the building up of a reserve?—That is being done and that has been done in every case, but these reserves are so small that they cannot meet such emergencies when they are so widespread.

Rai Bahadur Babu Mohan Lal : In this connection I also want to put one question. Do you consider it desirable for the Government to come to the aid of the movement if such things happen as have happened in the Sandila case to keep up the good name of the movement and to maintain the public credit in the movement?—If it is going to be made a general principle that Government should help a bank with money even though the bank mismanages its own affairs.....

MR. P. M. KHAREGAT.

That is not my point. My point is that if the failure of any bank is not solely on account of mismanagement by its workers, but that there are other contributory causes which were beyond the control of the manager of the bank, and if this contingency arises that it cannot go on and the movement will suffer and will get a bad name on account of the money of the depositors being lost, should not the Government come to the rescue of the bank?—I would agree to that if the money of the depositors is going to be lost.

The Chairman: I should be inclined to accept that principle. There is one other point arising out of that. What particular form would you consider that Government assistance should take? I understand that at the present moment you lend to a member of a society up to a certain percentage of his *haisiyat*.—(*Witness*) It varies from 50 to 70 per cent. of his *haisiyat*.

Possibly the best and the least troublesome means of Government assistance would be to guarantee any loss that might arise on loans made to a man beyond what you are legally entitled to lend him. The position is that in a time of distress you have to lend beyond the proper limit in order to keep the man on his legs, and ultimately recover your money from him. In a case like that you should have power to lend up to 100 per cent. of the *haisiyat* and the Government should undertake to guarantee you against any loss that might occur from this over-lending?—Yes.

Of course, you would generally recover sooner or later, and to the extent you do recover the Government would discharge its liability, but to the extent you do not recover the Government will have to make good the loss. Would you accept that as a working principle?—I think that would be all right.

Let us take a concrete case. Suppose there is a man of the *haisiyat* of Rs. 1,000, and you would normally lend him Rs. 600. You have lent him that amount and you cannot lend him any more money. At the same time it is imperative that you should lend him more to save your original Rs. 600. In that case you would be allowed to lend him to the full thousand. Then out of that Rs. 1,000 Government would guarantee to you the whole Rs. 400 or any part of it which you cannot recover. They would give you three or four years to realise the money, and at the end of that time whatever you do not recover you would write off and Government would make good the loss to that extent?—That would be all right in certain cases, but a little more help will be required. We are dealing with people whose *haisiyat* in most cases is nothing but their honesty and reliability. We put it down as so many times the value of his occupancy holdings and the value of his cattle, and so on. But when actually we come to measure it in cash it comes practically to nothing. We have found this over and over again.

That is a matter of detail and how it is calculated. You will have to measure his *haisiyat* in hard cash.—(*Witness*) What I was trying to explain in that particular instance that you have mentioned is this. We say his normal credit would be Rs. 600. In fixing that amount also, there is always a danger that the man may not be able to pay back this Rs. 600, but relying on his honesty we do so owing to exceptional circumstances. Even that Rs. 600 may not be realisable.

These cases would be relatively uncommon, not numerous?—In the past they have not been uncommon. Unfortunately they have been fairly common.

Cases of that kind should be made special cases.—(*Witness*) If you are willing to make special cases, I agree.

I am quite prepared to back anything that we can do to help the movement.

Rai Bahadur Pandit G. S. Upadhya: The laying down of any such principle might create an embarrassing situation for the Government.

The Chairman: You can lay down any rules, so long as you do not publish them.

Rai Bahadur Pandit G. S. Upadhya: I think it will not be in the interest of Government. It is my duty to bring this to the notice of the witness and the Chairman. If it is known that the Government may make good 40 per cent. the probability is that the advancing of money will be more carelessly done than it is done at present.

The Chairman: There you come back to the root of the difficulty.

MR. P. M. KHAREGAT.

Rai Bahadur Pandit G. S. Upadhya : I am coming round to the point that when cases arise where the losses are to be made good by Government they should be considered on their merits and no such general rule should be there.

The Chairman : Of course, we will consider them on their merits. We are not proposing to lay down a fundamental rule that such and such is entitled to so much and he is going to have it.

Witness : In view of the fact that this advance beyond the fixed credit has not to be made save in exceptional circumstances and with the sanction of the registrar or assistant registrar the difficulty you refer to would disappear.

Rai Bahadur Pandit G. S. Upadhya : That is what I am saying.

Dr. Radhakamal Mukerjee : To come to the general question of indebtedness of this province, you are aware that the co-operative movement so far has touched only the fringe of the population and much of the advance is *sahukari*. We have evidence from various parts of the province that land is passing from the hands of agriculturists into those of non-agriculturists. We have the Bundelkhand Land Alienation Act and it is suggested that it might be extended to other areas where the transfer of land from agriculturists to non-agriculturists, is going on. In Bundelkhand it has been found that this Act may have restricted credit to some extent, but it has also restricted extravagance. We would like to have your opinion regarding the extension of this Act to other areas and to which districts would you like that such an Act should be applied first?—I do not know. The position of Bundelkhand is very different from that of the rest of the province There the ordinary position is that the *zamindar* begs the tenant to take his land. In the rest of the province (I do not know anything of the hill tracts) the position is that the tenants fight for land. That makes a lot of difference.

You are aware that in many districts it is not the agriculturist moneylenders who lend, but there are moneylenders who are not cultivators themselves by profession or by caste into whose hands the land is passing?—Yes : there are not many cases.

The Chairman : The fact that land is passing into the hands of non-agriculturists as proprietors does not necessarily mean that the land is damaged?—If the land passes into the hands of the *zamindar* moneylenders, it is in no way better than that it should pass into the hands of *mahajan* moneylenders; in the former case its condition might be worse.

Dr. Radhakamal Mukerjee : You mean to say that a *mahajan* who has never benn a cultivator by caste or by profession, by sub-letting will not spoil the land?

The Chairman : If he is a landlord he will let it to others.

Dr. Radhakamal Mukerjee : Would he be a much better landlord than the ordinary *zamindar* who does cultivation himself?

The Chairman : An ordinary *mahajan* might be a better landlord than the old Thakur.

Witness : He is.

Rai Bahadur Babu Mohan Lal : From your experience as Collector and Registrar, did you find cases in which land had gone out of the possession of the *zamindars* into that of the *mahajan* and the tenantry of that *mahajan* is better off than the tenantry of the old *zamindar*?—It depends entirely on the individuals. It is quite impossible to lay down any hard and fast rules.

Dr. Radhakamal Mukerjee : In the case of a small *zamindar* or cultivating proprietor the land is transferred to the moneylender due to his indebtedness and the cultivating proprietor is reduced to the position of a tenant. Do you think that such a situation is satisfactory? Are there not many instances where this process goes on, namely, the supersession of the cultivating proprietor by the moneylender who does not cultivate the land himself but sub-lets, the tenant being liable to ejectment, and who does not invest the right amount of capital on the land?—Well, I can see no harm in that. In the majority of cases I think we are inclined to be far too lenient with these reckless people who dispose of their land so easily. If they are economically unsound, we should not try to bolster them up.

You have stated in your note that tenants who are not proprietors have no heritable and transferable rights. Do you think that the absence of these rights does

any damage to the land, and, if not, is it desirable to give heritable and transferable rights to tenants where they do not exist to improve their credit?—(*Witness*) You mean giving of heritable rights to statutory tenants?

To all tenants.—(*Witness*) Occupancy rights are heritable. Statutory tenants are the only tenants who have not got such rights.

Do you consider that we can increase the security in this way, and if we improve the tenants' rights, do you think it will improve the agricultural conditions?—To a certain extent that would be possible, but in doing that the other difficulty which I have pointed out in my note must be considered, that is, that the land is scarce and you are going to create a large class of landless people.

The problem is this. You have the multiplication of the landless class for various reasons. The solution will be found in the establishment of agricultural industries in villages, in rapid industrialization, in improvement in methods of cultivation. Do you think at the same time it is desirable in the interests of efficient farming that we should improve the tenants' rights and make them heritable?—They are heritable.

Only occupany rights are heritable?—(*Witness*) Do you want conversion of statutory rights into occupancy rights? I think it would be a good thing if it is accompanied by other changes, that is, that only the actual cultivator should have these rights, and the subletting of occupancy holdings should not be allowed. Subletting of occupancy holdings to a person who actually cultivates should not be illegal, but the sub-lessee should acquire full rights in the land.

Rai Bahadur Babu Mohan Lal: In this connection I want to know one thing. Suppose a statutory tenant knows that he has got a life interest only in the land and therefore he uses all means possible to make as much out of the land as possible, and in case you make his rights heritable and transferable and he knows that this land will be his whether he mismanages the land or uses it well, do you think in that case efficient farming would not be spoilt?—I do not think it will make any difference.

Dr. Radhakamal Mukerjee: You think it is desirable on the whole that in the province where subletting of occupancy and ex-proprietary holdings to non-agriculturists takes place, we should restrict?

The Chairman: You bring in the question of subletting of land to non-agriculturists. It is the non-agriculturist who sublets the land.

Dr. Radhakamal Mukerjee: Do you think that subletting ought to be restricted whether land is sublet to the agriculturist or the non-agriculturist?—Yes, I should say so. Subletting should only be allowed to those who would cultivate the land themselves. In fact when subletting takes place the sub-lessee should have exactly the same rights as the original tenant.

Are you aware that in the Central Provinces there is a law that if a tenant sublets the land for more than three years he ceases *ipso facto* to be a tenant, and the actual tiller of the soil becomes the tenant thereof? Do you think that legislation on similar lines would be useful?—We have something very similar, and it is that if a tenant sublets for more than three years he may be ejected from his occupancy holdings. But if in addition to that it may be said that if a sub-lessee would acquire the same rights as the tenant who is ejected, it would be a good thing.

Rai Bahadur Babu Mohan Lal: Do you recommend that all the statutory tenants be made occupancy tenants provided they cultivate themselves?

Dr. Radhakamal Mukerjee: For what extent of the land should the statutory tenant acquire occupancy rights? Would you fix any economic area in which he should acquire such rights or the whole holding?

The Chairman: I will put it this way. Assuming that an occupancy tenant is an agriculturist himself, in that case he is not going to sublet; he must cultivate it himself. If he sublets, he sublets either permanently or temporarily because for some reason he cannot cultivate it. I understand you would say to such a man you cannot cultivate it therefore give it up? That is perfectly sound?—Yes.

You have a man who has got more land than he needs and which he should give up. Do you not think that it would be better that instead of enforcing some penalty, it

should be laid down that the occupancy holding shall not exceed a certain area?—If it could be worked out and if it would be applicable to the locality, that would be a very good thing.

Dr. Radhakamal Mukerjee: I may tell you that in some countries in Europe it is worked exactly like that. There is a size known as the economic holding which the small proprietor cannot overstep. It may be that the occupancy holding should not exceed the size of an economic holding. That will serve to some extent the problem of the landless labourer.—(*Witness*) Yes.

Another question which I would like to put to you. You are aware that one of the chief causes of indebtedness is that some holdings are undersized. These cannot be debt free, and there is accumulation of debts from generation to generation. You are aware of the increasing population which brings in fractionisation. It has been suggested by a witness that there is need of some knd of modification of the law of succession in this regard. There has been a reference to a law which prevails in Germany where only one son succeeds to the holding and the other heirs are compensated by the inheritor who is called the preferred heir; and there is an arrangement of payment by instalments covering a long period. Do you think that one of the chief causes of the indebtedness in the first place is the undersized holding itself? If so, how would you remedy this? Do you think that we should move in the direction of modifying the law of inheritance in some measure?

The Chairman: I may put the other side and you may answer together. We will suppose that I am head of a Hindu family with four sons and we have got an economic holding. When I die, of course, the holding becomes more economic than before because it is held by four instead of five. But each of the four has got a son making a total of eight persons. According to the present system these eight have to do the best they can with the holding. My friend suggests that one of the four, we may call him *X*, would get the whole of the holding and he would compensate in some manner the other seven. But where is *X* to get this compensation? I put it to you that he must get it out of the holding and that consequently the holding will still be supporting all the eight. That proposal, I put it to you, is only possible if you can send the other seven somewhere else where they can find some other means of subsistence, such as industry of some kind. Therefore the true solution of all these difficulties about fractionisation is not the consolidation of holdings and is not in altering the Hindu law in a manner which will upset the entire country, but to foster industries and to give separate and different openings to the surplus agricultural population?

Dr. Radhakamal Mukerjee: I will explain the matter more fully. We find from the Settlement Officer's report that the number of holdings of 2½ acres or less in the Budaun district in 1870 was as high as 23 per cent. and in 1929 it is 37 per cent. Now in a district like Budaun an economic holding would be 10 acres.

The Chairman: No. At the most it would be four.

Dr. Radhakamal Mukerjee: Take it as four. Thirty-seven per cent. of the holdings in the Budaun district in that case are uneconomical. If there is a fresh sub-division of holdings on account of the death of the heads of families, will not the situation be far more unsatisfactory than at present and we will have a much larger number of holdings which will be below the credit line altogether? Now it is true that we have to develop in other directions, *e.g.* rapid industrialization, improvement and introduction of agricultural industries and all that. If an opinion is engendered in the country to the effect that only one man should succeed and till the soil where there is a small parcel of land and the other brothers should shift to other places, that might solve the problem. There should be a spirit of adventure and enterprise.

The Chairman: There *will* be a spirit of adventure. The seven people will kill the one and take his land.

Dr. Radhakamal Mukerjee: That is how the agricultural countries in Europe have solved the problem.

The Chairman: They have not the joint family system.

Dr. Radhakamal Mukerjee: There is joint family in Germany and in Russia.

The Chairman: They have plenty of industries and if they have got surplus population, it goes to America.

MR. P. M. KHAREGAT.

(To the witness). It is a very peculiar question and I do not want to worry you about it. You may send a note on it if you like.

Witness : In one or two cases I made enquiries where I found that the size of the holding had decreased. I found that what had happened was that the land had been partitioned amongst landlords. There were a larger number of *pattis* than there were before, that the area of each holding had decreased for, according to the *patwari*, the land held by a tenant in each *patti* is a separate holding. If before he had five acres in a *mahal*, now he would have 2½ acres in each *patti* and therefore the size of the holding had gone down. He has got the same amount of area for cultivation as before.

Rai Bahadur Pandit G. S. Upadhya : That is a question which requires consideration. If you like to write a note on it you can do so.

The Chairman : The whole difficulty is that all these calculations have been as a rule worked out on the basis of *khatas*. They do not give a clear idea of the real holding of a tenant. It is quite possible that a man may be holding one acre in one *patti*, two acres in another *patti*, half an acre in another *patti* and so we cannot get at the actual average. It is very difficult to pursue the enquiry from *patti* to *patti* and from one *patwari* to another *patwari*.

Dr. Radhakamal Mukerjee : In the investigation *khatas* of several *patwaris* were brought together and it was found that a large number of holdings were inadequate. What about licensing moneylenders?

The Chairman : I am afraid we cannot keep Mr. Kharegat much longer. Let us give him some other time. Can you come on Monday, at 10 a.m., Mr. Kharegat?—I can come.

(*The Chairman thanked the witness who withdrew.*)

Further supplementary written evidence.

REFERRING to my oral evidence on the 31st January, and the question about the banking expert, I enclose a copy of a letter from the Registrar, Co-operative Societies, Punjab, which will show what the financial adviser does in that province. The expert, as I visualise him, would perform the following functions :—

(1) He would give advice both to the banks and to the department in technical matters.

(2) He would train the auditors how to audit banks and see that they audit them along right lines, by doing some super-audit himself.

(3) He would examine the audit notes and pass orders thereon.

(4) He would study all the figures available and show clearly what the figures really indicate.

(5) He would exercise some sort of control not only over the audit staff, but over the office staff of the banks as well.

(6) He would examine the banking and financial transactions of banks, giving advice where necessary and controlling interlending.

(7) He would bring co-operative banks into touch with joint-stock banks and the money market where required.

2. Referring to the question how to see that effect is given to audit suggestions I put forward the following practical recommendations :—

(1) The auditor should be empowered to correct the balance-sheet and other figures where necessary. I believe he is already empowered to do so under section 17 of the Co-operative Societies Act, but the point needs to be cleared up.

(2) Difficulty is often experienced not with the honorary workers, but with their paid staff; recently it was found that 27 out of 29 did not know even how to prepare a balance-sheet. All the staff employed by banks should, therefore, be licensed by the registrar, and no one not possessing a licence or certificate should be employed.

(3) Further, on the adverse report of an auditor, the registrar should be empowered to cancel the certificate or licence, after such enquiry as he may consider necessary.

(4) If audit suggestions are consistently ignored an enquiry committee must be appointed, and, if it recommends the supersession of the management, there should be a provision in the Act or rules for giving effect to it. It would mean placing the bank under a departmental "court of wards" for a fixed period till matters improve. Government would have to bear the extra expense on staff in certain cases, and may even have to give loans as a temporary measure, in case the depositors get frightened.

(5) It should be made clear to the management that "in their conduct of the affairs of the bank they must exercise the prudence and diligence of ordinary men of business and shall be responsible for any loss sustained through acts contrary to the law, the notified rules or the byelaws" as recommended by the Burma Committee on Co-operation and the registrar should be empowered to enforce this responsibility, when necessary, by inserting a penal provision to that effect in the Act.

If these suggestions are adopted I do not think any further difficulty is likely to be experienced in the enforcement of audit instructions. Of course, the department would have to see, in the first instance, that the audit instructions themselves are fit for enforcement, for it must be confessed that a large number of the present auditors cannot be relied upon always to make sound, practical suggestions. The first step must, therefore, be the improvement of the auditors themselves.

MR. P. M. KHAREGAT.

Copy of a letter from the Registrar, Co-operative Societies, Punjab, to the Registrar, Co-operative Societies, United Provinces.

The banking expert, whose official title is now Financial Adviser to the Co-operative department, is one Mr.————, who has had many years' service with the————Bank, now under liquidation.

At the moment his work is more or less as follows:—He inspects all central banking institutions. All audit notes of central institutions go to him; he comments on them, sends a copy of his comments through the local field staff to the central institution concerned, and forwards on the audit note with his comments in original up through the gazetted field staff concerned to the registrar. He examines and comments on central institutions' applications for loans from the provincial bank, and then forwards them on to the registrar, who is also the president of the provincial bank. Whenever requested to do so he prepares detailed schemes for the better office work, etc., of central banking institutions. He is often consulted on financial and routine and staff matters by the central banks, etc., and advises them accordingly. Generally speaking, in matters of finance. and in matters that concern the department or central institutions generally, he acts as adviser to the registrar, who passes the final orders on his recommendations. In special matters that affect only a particular institution in a particular matter he frequently deals direct—in fact, as that institution's adviser.

Fortunately, Calvert, Darling. and Strickland all indicated the right lines on which the central banks, etc., should work. But a year or two ago Government thought that as the amount of money involved was becoming extremely large, and registrars, after all, are only, so to speak, amateur bankers, it would be advisable to have available continuously the services of a trained and experienced banker. It is probable also that banks will be more ready to listen to such a man in matters of finance and organisation than they would be to listen to a registrar, who had been known to them for years in various other more usual capacities, and might, therefore, be considered to be somewhat of an upstart adviser. The appointment has really been of use in bringing banks nearer to the high standard demanded by ordinary joint-stock banks, and in keeping them there. His advice on such details of finance and organisation as the registrar could not be expected to know very well, but are the ordinary daily business of the professional banker, has been of very great use. Incidentally, as audit notes and other financial papers pass through him to me, he has been able to decrease somewhat the amount of work that falls to the lot of the registrar; and this, as you can imagine, is the case with our 20,000 societies and a correspondingly large staff is very welcome to the registrar

FURTHER ORAL EVIDENCE.

Lucknow, February 3, 1930.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C.	..	.. *Chairman.*
MR. MOHAN LAL SAH, M.A., LL.B.	...	...
RAI BAHADUR BABU MOHAN LAL, M.A., LL.B., M.L.C.	...	...
DR. RADHAKAMAL MUKERJEE, M.A., Ph.D.	...	... *Members.*
RAI BAHADUR PANDIT G. S. UPADHYA, B.A.	...	...
MR. LAKSHMI DAS, B.A.	..	..
DR. L. C. JAIN, M.A., LL.B., Ph.D.	...	... *Secretary.*

Sir Purshotamdas Thakurdas, KT., C.I.E., M.B.E., M.L.A., Acting Chairman, and Mr. V. K. Aravamudha Ayangar, M.A., C.I.E., Secretary, Indian Central Banking Enquiry Committee, were also present.

(*Witness* : MR. P. M. KHAREGAT, I.C.S., *Registrar, Co-operative Societies, United Provinces.*)

The Chairman : I think the other day we got more or less to the point that both in your opinion and in ours the main line of our advance was through the co-operative movement; that the co-operative movement at the present moment was not in a very satisfactory condition; that it was beginning to improve; that you wanted a considerably better staff, probably not any larger staff, but a better type of personnel, and that you also wanted more money. We also suggested and as far as I think you agreed that probably in certain areas, at all events in certain places, it would be necessary to put rather more officialism into the movement. Well, there we stopped as far as I remember. Now you have had time to think over the matter since. Would you like to add anything to what you said then?—I have sent you notes and I have put forward my suggestions in them.

The first question is how audit could be best improved.—(*Witness*) I have put forward my suggestions in the note.

You speak about the financial adviser. Will you tell us exactly what his duties would be?—The expert, as I visualise him, would perform the following functions :—

(1) he would give advice both to the banks and to the department in technical matters;
(2) he would train the auditors how to audit banks and see that they audit them along right lines, by doing some super-audit himself;
(3) he would examine the audit notes and pass orders thereon;
(4) he would study all the figures available and show clearly what the figures really indicate;
(5) he would exercise some sort of control not only over the audit staff but over the office staff of the banks as well;
(6) he would examine the banking and financial transactions of banks, giving advice where necessary and controlling interlending; and
(7) he would bring co-operative banks into touch with joint-stock banks and the money market where required.

That seems a fairly full-time job. You certainly want a full-time man and a highly paid man who will probably draw a higher pay than yourself. Where do you think you can get such a man?—He will have to be searched for.

Much more probably he will have to be made, because it is a very varied combination of knowledge that you want from him. I do not think that there are many people who will combine the knowledge of banking, the knowledge of finance and the knowledge of audit. We all know audit from outside, but that is not enough. This man must know it from inside. I am inclined to suggest that you want two men, one superior auditor and one superior financial adviser?—It may come to that.

I am not talking as Finance Secretary, but I am talking as Chairman of the Committee. I most strongly suggest to you that you do not want one man only, but you want two?—Two would be much better.

Is it a fact that at present you have not good men as auditors?—That came out in the Sandila case.

Rai Bahadur Babu Mohan Lal: And in other cases too.

The Chairman: I think we have not yet taken up the question of a provincial bank?

Rai Bahadur Pandit G. S. Upadhyay: No. But Mr. Kharegat has prepared a note on this. I am sending for it and it will come in a few minutes. Meanwhile we may proceed with other subjects.

Dr. Radhakamal Mukerjee: You have suggested the formation of industrial banks on co-operative lines?—Yes. I say if an industrial bank is formed it would be better to have it on co-operative lines.

Do you think that a joint-stock bank may not have the same sympathy with business methods which you expect from a co-operative bank?—Yes.

You also regard it as essential that expert assistance and advice should be available for industrial banks as well as co-operative artisan societies? Do you think that one of the reasons why many of the co-operative artisan societies could not do well in this province was the lack of such expert guidance in industrial processes and in commercial matters?—That is one thing, and still more important is the question of the sale of their goods.

I shall come to the question of sale later on. Now what would be the machinery for securing such expert assistance in industrial matters? Do you think that we can leave this work to the Industries department which should associate with your department technical experts for giving necessary advice to the artisan societies?—We have two experts, one for leather and one for textiles.

Do you think that assistance given by the Industries department will be necessary? If so, in what form do you want that assistance? Or do you think that expert guidance might be left to these experts or some other experts who might be appointed by you?—In addition we do want the help of the Industries department as well. We cannot do without it.

You are satisfied now with your two experts?—I do not know what you mean by "satisfied." They are trying to do some work. It is too early to say whether they will be successful or not.

The Chairman: May I ask who these two experts are?—One is Mr.————, who was the Superintendent of the Agra Government Leather Working School, and the other is Mr.————, who was somewhere down south, Madras, where he used to do his own business, and when he fell out with his partners we took him on here.

They are definitely in your department?—Yes.

I may remind you that you have got quite a number of technical schools, for instance leather working, dyeing and printing, weaving and carpentry. So that technical education, of course, is assisting you from the other end?—Yes.

It is training the artisan?—Yes.

They train them, of course, mainly in the handicraft which they are going to pursue. Do you think it would be a good thing to add to their training something in the nature of that sort of training which you could give, namely, training in co-operation as such which would merely mean a series of lectures?—Yes, that can be done, but the sort of people in these schools are not the actual workmen as far as I can make out.

They are mostly the skilled mechanics. But I fancy they have—at any rate they used to have at one time—continuation classes or night classes for those working in *karkhanas*?—Very little of that. It is mostly for middle class people who wish to learn that job.

And then hope either to set up in that business themselves or get a superior job in it?—Exactly.

But don't you think it would be a good thing if they could train the workman himself to a certain extent?—I think that would be much better.

Of course the difficulty is to get the workman to come. It is either a matter of practically paying his wages all the time in the shape of stipend or of giving some sort of training in the night classes?—In place of that I would prefer our system which is to send the teachers to the houses of these people and show better methods.

I was coming to that now. I was going to suggest peripatetic schools, as we call them, so that these teachers could go from place to place.—(*Witness*) And not only from place to place, but from house to house.

In weaving they had peripatetic schools and then gave them up.—(*Witness*) Because the man in charge was the wrong type.

Would it not be a good thing to put that type of institute under you since you have these peripatetic instructors already?—We have just two and we are now in Agra trying working together with the Industries department. They have given us a dyeing expert and he does go round with our inspector and teaches the weavers at their own houses how to dye the stuff.

I think there is certainly development along these lines possible.

Dr. Radhakamal Mukerjee: What steps would you advocate for co-ordinating better the kind of industrial training which is given by the Industries department?—I do not think it is possible to do anything without the personal factor. What matters most is the personal factor. If the local man in charge gets on well with the other people, there is complete co-ordination: if, on the other hand, there is some friction between them, it is reflected in the work.

We are told there is great want of co-ordination in this connection.—(*Witness*) In some cases there is and in some there is not. It all depends upon the individual man.

The Chairman: In fact you are getting back to the question of personality.—(*Witness*) Yes.

That is the rock on which we split every time.

Dr. Radhakamal Mukerjee: You have also suggested co-ordination in sales. Do your experts help in the sales or give commercial information?—That is what we had hoped for when we appointed these experts, but the leather-man certainly is not capable of doing it. He is only a technical expert. The textile-man we have got does try to a certain extent to do this work.

The Chairman: May I suggest to you that you are obviously indicating the need for a third expert. I mean it is rather a lot to expect a technical man to know anything about the best method of sale or the best markets. It is not his job. Once he has got the article finished, he has done with it; his interest ceases. What you do want is a commercial expert or trade expert, and that, I think, you should not have much difficulty in getting?—I do not know about less difficulty; I think it is more difficult.

When it comes to commerce, we can do a great deal by reliable agents. It need not necessarily be the sole occupation of a single man. We have had a good deal of evidence from various people who are interested in one way or other in the sale end of the business and I think we can probably devise something. We have, *e.g.*, the present Director of Industries and my own Deputy Secretary, who did a lot of sales work at Wembley and gave us very useful evidence. We have had people like Mr. Botting; and what Mr. Botting does not know about the industries at Lucknow is not worth knowing. We have had the evidence of the trade itself. There are industries which are definitely and directly in touch with the foreign markets also. So I do not think there will be so much difficulty in getting the sale end of the business on sound lines as the other end of the business, namely, the creation of a good working artisans society.—(*Witness*) If the sales end of the society is organised we can do the rest. Our difficulty is that at present we tell the people to manufacture certain things. Well, after they have manufactured it they naturally want to sell the thing as quickly as possible and unless they are going to have this, they are not going to listen to us.

I quite agree with you. Then we come to the third point which is the link between the two, which is mainly financial. The trouble I find again and again in every industry is the impossibility of financing an order for some expensive article; and the difficulty is to buy material to carry out that order. You get an order for some expensive article; and the difficulty is to buy material to carry out that order.

Mr. P. M. Kharegat.

Rai Bahadur Babu Mohan Lal: Such has been the case in Sandila. There was a big order from the Government of India to supply cloth, but through the want of money they were unable to supply it.

The Chairman: In a sense that is where you come in most. It is all very well to talk of getting rid of middlemen, but I don't see how you are going to do it unless your artisan society is going to undertake that work,—not only to finance the whole of the work on an order, but to finance it against time.—(*Witness*) But even that work can be organised with a little trouble provided there is a certainty that the goods produced will be sold.

Now you see we are again moving in a circle. We again and again hear of business lost because an order was not carried out, and the order was not carried out because money to carry it out was not available. However, we now see our way to a general solution. We are only left with the details. The details can be worked out afterwards.

Dr. Radhakamal Mukerjee: Do you think that the co-operative banks might finance directly the artisans?—No, I would not like the co-operative banks to deal with individuals. They should only deal with societies.

You are aware that in some countries this is admitted?—I daresay it is. We have attempted it at Sandila. We had a central weavers' bank at Sandila and we found that about four-fifths of that has turned out to be bad debts. The financing would be through the co-operative society by the industrial bank.

It is proposed that we might start a bank in Benares. Do you think any other areas are suitable?—We have a bank something along that line at Agra. It is really working as a sort of branch of the district co-operative bank. Government has given Rs. 10,000 and the bank has set apart another Rs. 10,000 or Rs. 12,000 from its own fund, and that forms a sort of separate section which deals only with industrial societies.

Do you agree with the scheme that we may have two industrial banks, one at Agra and another at Benares, and we should have branches or agents of such banks in other smaller industrial centres; or do you think that we should have more than two banks?—I would say that you should have as many banks as are required. At each centre if there is a large number of societies, you may have a separate bank. For instance, in Agra we have now about ten or twelve societies and a small bank with a capital of Rs. 20,000 to Rs. 25,000 serves the purpose. At Benares we have not got a single society, so it is no good thinking of a bank there, at any rate at present.

Where else would you establish another bank?—It is difficult to say because the ground must first be explored to see what work can be done. Moradabad and Bareilly are two possible places; Moradabad for the brass-workers, but we have not tackled the problem at all. We have not even approached them. At Bareilly there are a large number of leather-workers and we have tried to organise them. In fact there are some societies which are working now. If they improve and if more societies are likely to be formed as the result of their improvement, then the question of an industrial bank would have to be considered.

Rai Bahadur Pandit G. S. Upadhya: In short, you will lay down the principle that the industrial co-operative society should precede the industrial banks?—Yes.

And that being so wherever the societies can be started there the bank would be found necessary, that is, we should not start banks first?—No.

Rai Bahadur Babu Mohan Lal: I quite understand that these industrial banks may not deal with individuals. They may deal with co-operative societies, but how will you be able to start a separate industrial bank on a co-operative system?—That would be just like central co-operative banks or district co-operative banks, practically along the same lines expect that we will specialise in dealing with industrial societies.

Do you think such banks will be successful and will be able to get enough profit to meet all the expenses and declare a dividend to the shareholders?—Yes, I think they would. If they are properly run there is sufficient scope to make a profit.

Dr. Radhakamal Mukerjee: You are not at all agreeable to a scheme of having a joint-stock bank dealing with artisans?—That would not interest me. If they choose to do so, well let them try the experiment and see the result.

MR. P. M. KHAREGAT.

For instance, in Benares you have no artisan society.—(*Witness*) We had several—30 to 40—and they all went into liquidation involving the bank in a loss of Rs. 50,000.

The Chairman : I think it is probably correct that no joint-stock bank would look at it as a paying proposition. Our great mistake is that we have, to a certain extent, bolstered up dying industries which were masquerading as pioneer industries.

Rai Bahadur Babu Mohan Lal : Do you think they should be organised solely by private indivduals or should there be any government subsidy also to start these industrial banks?—Certainly Government ought to help in such work in the beginning.

Sir Purshotamdas Thakurdas : In paragraph 3 of your very useful note on this you say that a comparatively large number of the credit societies of this nature went into liquidation in 1912?—They did not go into liquidation in 1912; they were formed in 1912; they failed about 1917-18.

Is that the total number, about 30 to 40?—That is only in Benares.

What is approximately the total number of such artisan societies?—Of artisan societies which have failed there may be roughly about 100.

Is any surviving at all now out of those artisan societies?—Yes. We have about 30 leather-workers and 40 textile. We have above 80 societies of artisans in the province started at various times, not all in 1912.

Would they have an average life of ten years?—Yes, it would be about that.

How do they manage the work?—They simply work as credit societies. They take a certain amount of money from the bank and at certain periods they repay the money. That is all the work they have been doing in the past.

Do any suffer from this handicap of not being able to dispose of these goods?—They do, and that is why a large number of them have very heavy debts. Out of the 70 or 80 which are working at present a very large number of them are not working satisfactorily and are in fact fit for liquidation.

What percentage are working satisfactorily?—About 18 in Tanda and 12 in Agra, about four or five in Bareilly. Those are working fairly satisfactorily, *i.e.*, about half.

You had 180 started in the United Provinces. Of these artisan societies of which 100 have failed 35 are working satisfactorily and the rest are half-way between the two sets. Is there any special feature of the 35 which are satisfactory which you could enlighten us about?—The Tanda societies are working satisfactorily simply owing to the influence of one man. Tanda is in the Fyzabad district.

What is their business?—They are weavers. You know *jamdani*; well that is prepared at Tanda.

It is in the hands of individuals?—It is one individual. He is trusted by the weavers, and owing to his personal influence they repay their loans as soon as they can.

Does he make anything out of it?—No.

So he is a selfless public worker in this matter?—Yes.

Has he any interest in it himself?—No, I don't think so.

He is a man that does not belong to the industry and still takes a sort of benevolent interest in it?

Rai Bahadur Pandit G. S. Upadhya : He is a local *zamindar* and *mahajan*. He is interested in the people generally.

Witness : In Agra their success is only recent, and that is due entirely to the efforts made first by Mr. Nevill, who was the Collector there, and then by the local co-operative societies. It has been organised only during the last two or three years. The Tanda one has been working for about ten years.

Sir Purshotamdas Thakurdas : Is there any special feature regarding the others?—I have given a note about that as to what difficulties we have had to encounter and how we have overcome them. It is an extract from the annual report.

Regarding the Tanda work it is due to one man and it has worked satisfactorily for about ten years. Could you say the same thing of a few more out of the 35; or is

that the only one you can lay down as due to a really good personality making a success of a scheme?—I think that is all. In a village in Benares called Saiyid Raja there is another local man who takes a lot of interest. There were several artisan societies there. They were not flourishing at all; about two years ago this gentleman was induced to take an interest in the matter, and since then they have shown some signs of revival.

In these cases—take the first one—it has a ten years' career. Do the artisans really appreciate the advantages of working on this method?—I doubt it very much. When I had a talk with them they said it was a great advantage, but the only thing is they pay a slightly lower rate than what they would if they borrowed from the money-lender.

What is the extent of this slightly lower rate? How much is it at present?—They are paying 12 per cent.

Supposing this was not there, how much would they have to pay?—It might be about 18 per cent., or it might be even 12 per cent. on certain conditions. If they were to deliver the particular product to the same man, then they wuld have to pay a much lower rate.

But then they would suffer in price?—They would probably suffer in price.

And I understand that these people do not appreciate the advantage of receiving at 6 per cent. over a period of ten years?—It is so small that they do not realise it.

So that its good effect is not communicated from village to village. It is not tangible enough for them to talk about. Therefore the contagion of a good thing like that is not there?—But in Agra it is different, because there we were able to show them a very large profit within one year by arranging for the sale of their goods. We obtained orders for them from certain estates, and passed on those orders to them with the result that they got a very substantial sum for the society.

That means better salesmanship, not better finance. Do you think you would be able to get this better salesmanship in Agra?—That I cannot say.

The Chairman: Who was responsible for this better salesmanship?—First there was a local *zamindar* who was the man who secured orders from the Balrampur estate where he had certain connections and those orders were passed on to the societies and they made a big profit on it. Since then the work has been developed along similar lines. That is, we try to secure orders from estates or government departments or big dealers at a fixed rate.

Well, it comes back to the same thing—personal influence again!

Sir Purshotamdas Thakurdas: Now if this could not be continued in Agra, then you apprehend that the Agra society, too, may lapse into rut with the other?—That is quite true.

Is there any likelihood of your being able to organise on these lines as Registrar, Co-operative Societies, with a view to better salesmanship?—As Registrar I cannot arrange for better salesmanship.

No, but you may organise societies and put at the head of the society people who would take an interest in regard to sales?—Yes, if I can get men who would take up this work of salesman as a whole-time job, so to speak, then we are prepared to form more societies for the purpose.

You mean paid staff?—Yes, paid staff. It must largely depend on them.

Of course, paid staff would be somewhat costly. If you can interest some merchant and say that you will pay some commission, it will be cheaper?—We tried; we are trying to do that in Agra.

Have you succeeded?—Not yet in Agra.

You think people will take to it?—They may, because we are able to supply better articles at a lower price.

The sort of man who would be attracted is a man who had commercial knowledge and who, perhaps, had got weak financially.—(*Witness*) Yes.

Are you looking out for a man like that?—At present we are not, because we have a shortage of funds. It is no good thinking of that.

MR. P. M. KHAREGAT.

Where does the question of funds come in? It is not a question of paying them, engaging a whole-time man for this all over the province would be a costly business; but if you could, say, in a district or whatever unit it was, pick out one or two men and tell them "Now if you sell the stuff which this co-operative society makes, we will give you a commission"—I do not know what it should be, it may be Rs. 2, Rs. 5, Rs. 10—if you could get hold of somebody who knows the business, the financing would be done by the society. You yourself say that if the sales can be ensured, then the financing part will not be so difficult. Now to ensure sales you cannot ask for a whole-time man because you would have to pay him fairly well. You cannot get an expert man for Rs. 60 and you cannot expect the Government to give you an expert man. But if you could persuade the society to give commission to a man of average capacity, thereby replacing your paid staff by an agency whom you pay only if there is business, not otherwise, it would be cheaper?—Yes, that is what we are trying to do, not selecting any particular person like the one you mention, but trying to get into touch with wholesale dealers. We tell them we could supply you with these articles at so much below the retail price and they take the responsibility for selling it. That is what we are trying to do.

The Chairman: That is the same thing in another form.

Sir Purshotamdas Thakurdas: When you say the co-operative society, do you mean the co-operative people themselves?—The gentleman in charge who is looking after the co-operative societies.

A question was asked whether you would recommend Government to provide these finances. From the tenure of your memorandum it would appear that as Registrar your apprehension is that the finance used in these purposes may be a sort of lock-up unless your stuff is ensured. Therefore your opinion is that before providing finance there should be reasonable precaution taken to see that the manufactured article moves on, otherwise there would be a lock-up and there would be bad debts. You, therefore, indicate that for these small industries the main difficulty need not be considered to be finance so much as organisation to convert into money the manufactured article?—That is so.

You attach much more importance to that? Would I be correctly interpreting it your memorandum that if this is adopted, the financial problem would not be so difficult?—Quite.

You could even then persuade a person or a bank to advance money. You would go to him and say "I have sold stuff worth Rs. 50,000; would you allow me Rs. 30,000 with which to buy raw material." The difficulty will not be great, whereas if you started financing and waited for custom you would be landing the bank or Government with a debt or with a lock-up?—Quite so.

Rai Bahadur Pandit G. S. Upadhya: As regards the experience that we have had here or they may have had in the Punjab, don't you find that commission agents will not take the same interest in the sale of the goods, because they do not depend themselves on the sale of that particular article only, as the retail shop or the persons who have manufactured them?—It is only natural that the manufacturer is bound to take more interest than others for the sale of his goods.

Or the particular shop?—If it is kept in a shop.

In that case if the commission agent is confined to a locality (of course, if commission agents are all over the province, they would be able to sell a large amount), for instance, Agra, will the sale be sufficient to encourage the societies to persist in the co-operative manner of production?—Well, the retail sale very rarely takes place in the same place. For instance, Agra things are not sold so much in Agra itself as in Delhi and Amritsar. Tanda things also find their way chiefly to Delhi. But what happens is this that men from those places, Delhi, Amritsar and Bombay, come to Agra and try to make purchases there. So that the commission agent, if appointed, would be able to get into touch with these persons when they come to Agra and try to sell to them.

The experience of Mr. Botting, who is in charge of the Improvement Trust, has been quite different. He says that the things produced in Lucknow will not sell on commission agency.—(*Witness*) That is very likely. We have not tried it.

Sir Purshotamdas Thakurdas: Perhaps I will make myself clear. I think Mr. Upadhya asked this question as arising out of what I asked Mr. Kharegat. What I was thinking of was this. A capable man, an educated man, howsoever good he

might be, would not know the ropes. The ropes would only be known to a man who happened to be in the line from a commercial point of view. You cannot attract a man who is capable, because then he would like to do the work himself. Therefore, I suggest that the thing to do would be to attract a man who has not got sufficient capital, but who knows the line, and suggest to him a commission. Supposing it is Rs. 10,000 worth work, you offer him 5 per cent. whether he sells in the district or all over India. Well, then, he knows that he will make a clear Rs. 500 without running any risk at all and he would only have to use his commercial knowledge and integrity. I do not think Rs. 500 in fact will be looked at askance in these days. It would be very attractive to a man who has not got all the money with him.

The Chairman: You do not like the idea of starting a provincial land mortgage bank first and then breaking it up into district and *tahsil* branches. You prefer to start from the other end with, as I understand, a sort of separate *tahsil* land mortgage bank working on co-operative lines which would develop afterwards as necessity arose into a district land mortgage bank and even into a provincial one?—Yes.

Well, would you develop that idea a little? I am not quite clear how this co-operative land mortgage bank is to work. Who would the members be and where would the co-operation come in?—(*Witness*) That is in the village, or do you mean the provincial one?

No, your primary end, the village or group of villages where you start.—(*Witness*) They would form themselves into a society, say in an area of about five miles. All these *zamindars* or those who want to take advantage of the system would pay a small entrance fee or something like that and form the society. This society would then take the land on mortgage, and on the strength of that they would borrow money from either the district bank or from moneylenders or in any way they can raise the money and they would then give out the money either for land improvement or redemption of old mortgages as the case may be.

Now let me get it clear. You have a society formed with a small entrance fee, and, as far as I can make out, every member of that society, so to speak, mortgages or undertakes to mortgage his land to the bank as security for the money which the society will take from the district co-operative bank or whatever it may be. So that you will start initially with a superstructure of finance imposed on the basis of mortgage and then having got your money you will proceed to lend it out to anybody who wants to redeem a mortgage. In other words, the mortgage would be a permanent basis. Your idea is that everybody concerned in the bank would mortgage his land to the society from the start?—He would do that if he wants to take a loan.

What would be the security for raising your money in the first place?—That would have to be the mortgage itself.

What amount would you raise? You mean you will raise the money *ad hoc* when anybody comes along? Is it not your idea that you will first of all form your society, then raise capital, and then proceed to lend it out?—You keep on raising capital as you require and in the first instance for a small society the finance will not present difficulty, because the district co-operative bank would probably be willing to lend these small sums.

In other words, your land mortgage bank would practically be one particular department of your district co-operative bank?—Yes, in the beginning and later on it would have to be separate.

Would it not be better to call it so from the very start and say that land-mortgage is merely a department of the district co-operative bank?—It does not make any difference.

Rai Bahadur Pandit G. S. Upadhya: Perhaps you will allow money to be raised by debentures?—It would not be required. If it did become necessary, yes, but I think they will be able to get all the finance they need from the district co-operative banks.

Mr. Sah: Do you think a district co-operative bank will be able to lend for long-term loans?—Yes, they can lend for long-term loans from the share capital. There would have to be a certain limit. I think they may give long-term loans to the extent of, say, 50 per cent. of their own capital.

Would it not dislocate their business for a long time?—No, it should not. Their short-term business they would carry on from their deposits, and this long-term business they would carry on from their own capital and their own shares.

MR. P. M. KHAREGAT.

So if the co-operative societies are developed, would they be able to get sufficient amount of deposits to carry on?—At present there is no shortage of short-term deposits in our co-operative banks.

The Chairman : Assuming that before long the share capital is insufficient to finance land mortgage requirements, is not that where Government could step in profitably?—Yes, then it would have to.

It would not be a question of guarantee. It would be a question of out and out subscription? Government does not object to long-term loans.—(*Witness*) They do give *taqavi*.

But then *taqavi* is relatively short. We could probably get the finance for it without any difficulty whatever, because whatever interest we pay on the money that we ourselves borrow for these purposes would be covered by the dividend on the share capital.

Mr. Sah : Your scheme will benefit small *zamindars* rather than big landlords?—I agree and I would start with them in the first place. I am not thinking of the big landlords at all. I will ignore them in the beginning completely.

Dr. Radhakamal Mukerjee : In which areas do you think the land mortgage bank can be started?—That I cannot say. We are trying to start one or two in Ghazipur, because there we have a large number of small holders and co-operation generally is in a slightly better condition than we have in any other district.

The Chairman : Well, I like your scheme very much, Mr. Kharegat.

Rai Bahadur Babu Mohan Lal : Do you propose that in case the district bank is unable to finance all the land mortgage banks that might be started, the Government might become the share-holders in that bank or lend money to the district banks?—Either way.

Dr. Radhakamal Mukerjee : And the Government may lend money free of interest?—No, I would not ask it to lend free of interest, but make it a business proposition.

You are aware that in the English land mortgage system government has proposed to lend money free of interest?—It may have. But I would not ask for it. I think it should be run strictly as a business proposition.

Mr. Sah : What is the maximum period for which the loans should be made by the land mortgage banks?—They would vary with the circumstances. I do not know. Some people say it should be 20 years, some say it should be 50 years, but that will have to be decided in each individual case.

Rai Bahadur Pandit G. S. Upadhya : It may go up to 50 years?—Yes, it may go up.

Mr. Sah : What is the percentage of bad debts in co-operative societies?—It is different in the case of working and liquidated societies. In the case of liquidated societies the outstandings from liquidated societies are 30 lakhs, and I would say that about half to two-thirds of that probably is bad debt.

So that it is about 50 to 60 per cent. in the case of liquidated societies?—Yes, it is 50 to 60 per cent.

And in the case of working societies?—The bad debts would not be more than about 5 per cent.

I believe that the co-operative society is much better off in this respect than the village *mahajan*. The village *mahajan's* bad debts are more than those of the co-operative societies?—Quite possible.

Because the co-operative societies lend on joint security, and moreover they have got certain privileges for realisation of debt?—It is true that they have these privileges. On the other hand it is also true that these privileges do not seem to help them very much.

So even taking this 5 per cent. as bad debts the village *mahajan's* bad debts may never be below 5 per cent.?—Very likely.

Supposing he charges an interest of 24 per cent. In that case he realises only about 19 per cent.?—May be.

Dr. Radhakamal Mukerjee : Is not the rate of interest in many areas greater than 24 per cent.?—Yes.

Sir Purshotamdas Thakurdas : If you don't mind, I would just like to understand one or two points regarding your replies to questions nos. 5, 6 and 7 of your supplementary written evidence. In your reply to no. 5 you say "It is impossible for me to predict the future. At the rate at which the movement has spread in the last 25 years there is not likely to be any competition between co-operative and joint-stock banks for at least another quarter of a century." Why? What special reason is there that you do not anticipate any competition between co-operative societies and joint-stock banks?—Our deposits are raised from a different type of person, from a man who does not deal with a joint-stock bank. Our deposits are largely from those who would ordinarily not invest their money in a joint-stock bank at all. They come in because of the personal influence of the local managing director, or whoever he may be, whom they trust; and because they know he is in charge of the bank they bring their money to the co-operative bank and put it there.

That is as far as receiving deposits is concerned, and regarding competition in lending?—Well, there cannot be any competition in lending, because we only lend to co-operative societies. We never lend to any individuals.

But cannot the joint-stock banks lend to co-operative societies?—I do not know. I do not think they would be prepared to lend to co-operative societies unless they have securities.

Therefore you do not anticipate competition, because the co-operative society is doing a sort of business to which the joint-stock banks would object?—Yes, that is true.

The security is less than what the average joint-stock bank would expect?—In one sense it is less; it is more moral security than physical.

Therefore it is a business which would not be touched by an average commercial bank?—That is what I believe.

In your reply to no. 6 you indicate that the financing done by co-operative societies is only 1 per cent.?—Yes.

Then you further say the societies dare not advance to the member even half the amount that he needs?—Yes.

Therefore whatever the co-operative society may be, it requires to be supplemented?—At present, yes.

Well, there is the other 99 per cent. to be advanced. The necessity therefore of something which would be of a supplementary nature is enormous, and until that is served the agriculturist does suffer?—Yes.

In your reply to no. 7 you say "At the present stage the chief need is for sound financial guidance, and not of sympathy or even of capital"?—Yes.

I see that you indicate in paragraph 16 of your memorandum on agricultural finance what sound financial guidance is. What do you mean? Do you want assistance in respect of a treasury bill or have you anything else in mind when you talk of sound financial guidance?—That is one of the things. The other I have mentioned in paragraph 1 of my further supplementary written evidence.

You say that in preference to sympathy or even capital they require sound financial guidance, *i.e.*, how to lend and how not to lend?—Yes.

My point is this. Do you think that they require to be guided regarding whom to lend and whom to refuse? It may be difficult to refuse to lend to some person in the narrow circle of a village or *tahsil* and they may be influenced by personalities. Have you that in mind?—No, they know whom to lend and whom not to lend, but they have not got sufficient moral courage to refuse.

So you agree that that is one of the defects?—Yes, that is a defect and a very great defect too.

Lower down in your reply to question no. 7 you say that the primary object of co-operative machinery is not to make credit as cheap as possible, but to supply controlled credit in place of uncontrolled credit. Would you just amplify this and explain your point to me?—We started this movement originally with the idea that we would give money cheaply to these people. The result has been that the benefit that we have given has not been appreciated or understood. A man who used to borrow at 24 per cent. before,

now borrows at 15 per cent. It is true that he gets a saving of 9 per cent. in a year, which amounts to 12 annas a month. He, however, does not realise it; he does not appreciate that anything has been done. If instead of that we charge the same rate as the moneylender charges, *i.e.*, 24 per cent., and keep the balance, *i.e.*, the difference between 24 per cent. and 15 per cent. with ourselves in the society as his deposit and give it to him whenever there is any emergency, *e.g.*, when there is a famine or a marriage or something of the kind, that would, I think, be much more appreciated and understood than our present system.

Is that your experience that they would like to pay the same rate of interest?—No, they would not like to pay the same.

Do you think that it will present any difficulty if you charge the same rate as is charged by the moneylender? Do you think you would be successful?—That is what we have to explain to them.

Have you been able to explain it successfully?—I cannot say that exactly at present. We have tried and we are trying to do it. We have succeeded in one locality.

Do you think that a deferred payment to them would do more good than the immediate reduction?—Yes. The other disadvantage of reducing the rate is that they judge their expenses on the amount of interest they will have to pay. They take only 15 per cent. interest into consideration in calculating their expenses.

Do you mean to say that it encourages them to be extravagant and not as economic as they ought to be?—Yes, that is my point.

The Chairman: So it amounts to a compulsory saving?—Yes. Then the other point is this. Money should not be given, as it is given by the moneylender, for any purpose whatever. It should only be given for special needs and productive purposes. Co-operative societies should advance money only for productive purposes and not as freely as is done in the market. That is a great difference between a co-operative society and the *mahajan;* one will give as much as is demanded however unnecessary it may be—in fact he will encourage extra borrowing—while the co-operative society will not do so. It will try to restrict the borrowing to as low a figure as possible.

Rai Bahadur Pandit G. S. Upadhya: The moneylender will not question for what purposes the money is borrowed and whether it has been spent on the purposes for which it was borrowed.

Sir Purshotamdas Thakurdas: I am afraid we cannot overlook the fact that the co-operative society takes a better security than the average moneylender, and if the co-operative society does not lend him money, the moneylender will step in. Then there is another point. If a person has got some sort of security, say silver and gold ornaments, why should he go to the co-operative society and submit himself to so many questions? He can very well run to a *mahajan* next door, and he will give him all the money he requires. I therefore do not think that the problem is so easy to solve.

Dr. Radhakamal Mukerjee: Have not the co-operative societies moral and educative value also?—This is one of our greatest assets.

The Chairman: Before you are likely to be able to make this scheme of compulsory saving effective you will have to educate your co-operators. So education ought to come first, and I believe you are doing as much as you can?—Yes, we are doing that.

In the way of rural reconstruction?—Yes. It is in these places that we have been able to introduce this system. There they pay the same rate of interest as they pay to the moneylender.

Rai Bahadur Pandit G. S. Upadhya: In Fatehpur we have got a slightly different system.

Dr. Radhakamal Mukerjee: Have you also got better living societies?

Rai Bahadur Pandit G. S. Upadhya: Yes, we have got them in Benares, Partabgarh and Lucknow. We are now starting them in Meerut. There Mr. Coghill is very much interested in the matter.

Sir Purshotamdas Thakurdas: Now I would just take up the question of the Egyptian scheme of loans on the security of cotton. You think that the scheme is likely to lead farmers to speculate. I just want to tell you how the scheme came to be devised in Egypt. When cotton prices were very low the Government there thought

that instead of allowing their cultivators to sell their cotton at any price—and in one or two cases below their cost price—they should make the cultivators hold their stock till the return of reasonable prices. I fully see your point that if this enables cultivators to take view of the market and wait for higher prices, it is also possible that the prices may be lower subsequently, and in that case they will lose considerably. But if a price was fixed for advance, suppose an advance is made at the rate of 60 per cent., there will not be much speculation in it and that will enable them to hold up the sale till they get a better price. For instance, the present rate is Rs. 200 per *khandi;* it is supposed that the overhead charges come to about Rs. 50; that leaves Rs. 150 or Rs. 140 per *khandi* or Rs. 70 per bale, which, it is said, will be under the cost of cultivation. In these circumstances this scheme was devised. Do you think that it will help the agriculturist?—It will have to be considerably modified. It will be certainly helpful to the agriculturist if he can hold up his produce under certain special circumstances.

Your main objection to that is that it will bring into existence a host of petty officials possessing powers? In fact, you will like a scheme to be worked by the people themselves?—If it could be so worked.

Without any sort of officials coming in on the scene. That is your point?—Yes.

(*The Chairman thanked the witness, who withdrew.*)

Mr. HAMID SAIED KHAN LODHI, Inspector of Co-operative Banks, Gorakhpur.

Replies to the questionnaire.

I.—Agricultural credit and credit facilities.

Part A.—Agricultural borrowing for purposes of production.

Question 1.—The agriculturist borrows from co-operative societies, village *mahajans*, *zamindars* and *harhias*. The last mentioned belong to districts of Bihar adjoining this district. They come as soon as the crops are ready and after a stay of two months go back to their native places.

The borrowings are for—

(i) Repayment of earlier debts	... 5 per cent.
(ii) Marriage and other social functions ...	... 6 ,,
(iii) Payment of land revenue or rent ...	... 20 ,,
(iv) Seed	... 50 ,,
(v) Wages of labourers	... 2 ,,
(vi) Litigation	... 1 ,,
(vii) Purchase of cattle	... 8 ,,
(viii) Sinking of wells	... 3 ,,
(ix) Subsistence	... 5 ,,

I give below the actual figures from three villages showing in what proportion the debt is divided between the various classes of lending agencies. A is the village where there is no co-operative society, B another village where there is an ordinary co-operative society, C is a village where the society is working well and is popular in the village :—

Lenders.	A.	B.	C.
(1) Co-operative society		25 per cent.	40 per cent.
(2) Local *mahajans*.. ..	20 per cent.	65 ,,	50 ,,
(3) *Zamindars*	60 ,,	..	10 ,,
(4) *Harhias*	20 ,,	10 per cent.	..

Generally speaking, 48 per cent. of the debt is incurred in cash and the rest in kind.

Grain is to be paid as soon as the crops are ready and the harvesting is done after the loan was given. It is therefore for short periods.

The *mahajans* and the *zamindars* advance loans of every kind for one year, but if the borrower pays the interest they do not insist on payment of the loan. The co-operative societies fix their instalments from six months to three years.

Question 2.—The co-operative society charges 15 per cent., *mahajans* and *zamindars* 25 per cent., and *harhias* 37½ per cent. as interest for cash advances.

The co-operative society charges interest for the actual period the money is with the borrower. The *mahajans* charge without that accuracy. What they do is this: A borrows from B in June for cattle and pays the amount back in April. It means that the money was actually with him for only ten months. But the interest will be Rs. 25 for every Rs. 100.

The interest for loans in kind for seed is 50 per cent. A borrows in October for *rabi* four maunds for seed and has to pay in April five maunds. Similarly, the seed borrowed in June-July for *kharif* seed is repaid in October. But the *mahajan* gets very little out of this. If worked out the rate of grain at sowing time is high, while at harvest it is very low. Even the Government Agricultural department charges at this rate on advances in kind. Villagers occasionally require grain for subsistence and the payment of labourers in kind during the sowing and harvesting periods of a crop. The rate of interest is the same, that is 50 per cent. If A borrows in December for maintenance, he has to pay after the *rabi* harvest the principal *plus* one-fourth of it thereon. The rate charged for loans in kind is not objectionable in itself.

The rates charged by the *mahajans*, *i.e.*, 25 per cent., is reasonable inasmuch as he has to run sufficient risk for the amount he advances without any good security. The interest charged by *harhias* is exorbitant.

The *mahajan* who advances loans in kind requires the borrower to plough his fields one day every *fasl* with his own bullocks. If the borrower has no cattle, he will be required to work on the fields for two days every *fasl* or as the *mahajan* may direct.

The *harhias* charge one anna per rupee advanced to the cultivator at the time of advance. It means that for every Rs. 15 the borrower receives he has to execute a pronote for Rs. 16 and pay interest thereon. Besides this, when the *harhias* come in for realising their money they stay at the expense of the borrowers, with all their servants and relatives who come with them. The borrower supplies them with food, etc. They stay in June, and it is a fact that they never purchase anything eatable. Mr. Silberrad, some time Collector of Gorakhpur, has noted in his inspection of one of the societies that *harhias* are the most wicked of the *mahajans* he came across.

The ordinary *mahajans* take *begar* from the borrowers during the year, but there is no set custom in this respect.

Question 3.—Generally a pronote is sufficient security. But a poor cultivator has to give a part of his fields besides the pronote to the lender in lieu of interest. There is sometimes a fixed rate of the amount to be advanced on a bigha, which ranges from Rs. 25 to Rs. 100 per bigha as the local conditions may demand. If during the period the amount of the loan is with the borrower he misbehaves with the *mahajan*, he is sued and interest is charged for the whole period without considering the income from the fields of the borrower which were with the *mahajan*. A person cannot legally mortgage his occupancy tenancy rights with the *mahajan*. What he does in this respect is that a *patta* is written by him in favour of the *mahajan* on a fixed rate for a certain number of years ranging from 3 to 7 years. The bigger *mahajans* and the *zamindars* have a blank pronote signed by the borrower and keep it. It serves two purposes. Firstly, the borrower cannot do anything unless and until his all-masterful *mahajan* or the *zamindar* directs. He is always available for every legal and illegal activity of his *mahajan* : he will quarrel on behalf of the *mahajan*, will fight for him,—in short, do anything which he bids. The second advantage to the *mahajan* or the *zamindar* is that their strength in the village increases and it has a very good effect in the neighbourhood and the village itself. If unfortunately the borrower turns against the *mahajan* he is totally ruined. The pronote is duly filled for a very large amount and the poor man sued. I am sorry to note that such cases are not rare in the district.

The cultivator with an occupancy tenancy can get more money than those with non-occupancy rights. If the latter could get what he wanted he would not wait to think. The difference is that although both wish to have as much money as possible one can get more than the other.

I was unable to find out the exact indebtedness of the *zamindars* of any village. The proportion of indebtedness between the occupancy and statutory tenants is roughly 60 : 40.

Question 4.—The cultivator who pays the interest due to the *mahajan* year by year and renews the pronote after every three years is not molested. The *mahajan* is not fond of courts. He only files suits in cases when he sees that his money is in danger. The decree, when obtained, is executed through civil courts and the crops, cattle, etc., are attached. This process goes on until the money is realised to the satisfaction of the *mahajan*. It may not be out of place to mention here that in the execution of decrees the decree-holder and the judgment-debtor have to pay sufficient money to the executing officers. This is also one reason that the *mahajan* is afraid of the courts.

The loan in kind is repaid in kind. The question of *nirkh* does not arise.

The only source which the cultivator has of finding the rate current in the market is the village *bania*. His statements in this respect are always doubtful. It is he who purchases the grain from the cultivators and sells it to the *beopari*. In villages which are near the town or market the information is reached through anybody who may chance to pass through. Few persons themselves try to ascertain the market rate and take the trouble to get the information through reliable sources.

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

ignorance of the rural people. They are not at all aware what these Acts mean. It is only in famine that the cultivators think that the Government also advances loans to the villagers. The second reason is that no facilities are offered by the Government in taking loans. The greatest reason is the *patwari*. Even during famines the poor cultivator is badly robbed by the Revenue staff through the *patwari*. Last year in the *kachar* area the Government distributed *taqavi*, and in many cases the cultivator who was advanced Rs. 10 actually received Rs. 8. The balance is the *haq* of the *patwari*. A further difficulty is that the *taqavi* is advanced at distant places, far from the houses of the cultivators. The result is that the poor cultivator has to stay for more than one day at his own expense. I do not mean to say that the Government does not look after their comforts in the distribution of the *taqavi*. While the higher officers are trying to do their best, the lower are putting obstaeles in the way. The thing is that the lower officers are not at all sympathetic. The hardship experienced by a few well-to-do persons when the *taqavi* is realised is also one of the causes. The *taqavi* is advanced on a joint pronote and the money, if not paid in time, is realised from anyone. The Revenue officers at their convenience select one well-to-do person and attach his property for the money he never borrowed. I appreciate the system of joint liability, but it should not be enforced on each and every occasion. It spreads discontent among the villagers. Everybody is afraid of the joint liability. Wicked persons take advantage of the system. Joint responsibility should be enforced, but only in cases where the other sources of realising the money have been exhausted. Another drawback in the system is that *taqavi* is not advanced to meet the full needs of the person to whom it is advanced. Last year when the *taqavi* was advanced in this district the amount given for seed was quite inadequate. The rate of wheat was 5 seers a rupee. For sowing a bigha 30 to 40 seers grain is required. It means that the cost of seed per bigha comes to an average at Rs. 7 per bigha. At the same time persons having five to eight bighas of land were advanced from Rs. 10 to 15.

In normal years the cultivator does not borrow *taqavi*.

One improvement in the present *taqavi* systm I am in a position to suggest, *viz.*, propaganda of the fact that the Government can and will advance loans for purposes stated in the Land Improvement Act. The masses are quite ignorant. Advantage of these facilities has been taken only by a few *zamindars*. The other thing is that every facility should be given by the Government officers when one applies for *taqavi* loans whether in famine or in normal times.

Question 6.—In two co-operative societies this scheme of cultivators combining to produce particular crops was tried, but both failed. At hte present stage I do not think it to be possible, although it is very desirable. It may be possible after some time when the villagers have better social relations with each other. This object is to be achieved through co-operative societies.

Question 7.—There are defects in the present system of agricultural borrowing :

(1) The rate of interest charged for cash advances by the various *mahajans* is rather exorbitant. In order to safeguard against risks 18¾ per cent., *i.e.*, one pice per rupee per month, is quite reasonable. I know *mahajans* who have suffered loss on account of the borrower becoming an insolvent. But on the whole the *mahajan* has never suffered. To meet the object the interest should be regulated by legislation. The villagers have in fact no adequate representation in the political sphere, and no organisation worth the name to fight out their cause. The *mahajan* has got urban political opinion to back it. The *zamindars* who are said to be representing the rural point of view are unable to help the cultivator. In one co-operative society the *zamindar* thought that his tenants would soon be out of his control because the Joint Magistrate had once visited his village in connection with the inspection of the societies. That is the mentality of our *zamindars*. What can be expected from them?

(2) The borrower has to do *begar* for the *mahajan*. It should be stopped. How? By better education of a free character and, if possible, by legislation.

(3) There is a class of moneylenders—*harhias*—who charge one anna per rupee at the time the loan is advanced.

(4) The *mahajan* cheats the borrower in any way possible. It is unfortunate that nobody has the courage to oppose him.

(5) Seed is not advanced to the borrower unless the fields of the *mahajan* are sown —of course with the labour of the borrower.

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(6) In 1928 the *rabi* failed and the *kharif* was bad on account of the scarcity of rain. The cultivator could not repay the grain which he had borrowed to the grain *mahajan*. The result was that a sufficiently large number of fields could not be sown. Most fields were sown with a smaller quantity of grain, others on the *batai* system.

All this is due to the ignorance of the cultivators as a class. They have got little or no education, and that which they have is imparted in such a narrow and degenerating manner. The educated cultivator is worse than the uneducated.

What is to be done to remove all this?

(1) The educational system of the cultivating class should be improved so as to make them better cultivators with a better vision of their surroundings.

(2) All the persons who wish to do *mahajani* in any way should be required to be registered as such. They should keep their accounts in a perfect and approved order which may be inspected by government officials occasionally.

(3) The best remedy is through co-operative societies, but unfortunately the number of the societies is so small that they are unable to serve to an appreciable degree in the district. It is desirable that the number of societies should be increased. For their proper supervision it is the Government who should find out the way.

Part B.—Agricultural borrowing for purposes of marketing.

Question 1.—The crops of the ordinary cultivator are generally sold in the village itself to the *bania* who is also a resident of the same village or the neighbouring one. The ordinary cultivator has not got the means to carry his produce to the market and incur extra expenditure. If the market is quite close, the rate is known and the *beopari* himself takes the produce at a trifle below the market rate.

The bigger cultivators have got bullock-carts and they take the produce to the market. Economically it is to their advantage to carry their produce to the market individually, while in the case of the poorer cultivators, if they do not join together, it is of practically no advantage to them.

The *mahajan* who advances loans in cash settles with the cultivator to purchase his produce at a rate fixed beforehand at the time of advance, without taking in view the market rates prevalent at the time the produce is handed over to the *mahajan*.

The *rabi* crops, sugarcane, and in the northern tract rice, are mainly sold in the market. The *beopari* or his agent advances for sugarcane Rs. 70 to Rs. 80 per bigha, and Rs. 10 per bigha for the rice under the explicit understanding that the produce shall be sold to him. No interest is charged on such an advance. But the cultivator has to sign a bond which makes it obligatory on him to produce the fixed amount of the crop. If he fails a penalty clause is imposed which, however, is not generally imposed.

Question 2.—The marketing is not generally financed except in cases of sugarcane and rice, the details of which I have given above. There are about 500 co-operative societies in the district, but unfortunately none has been able to help the cultivator in this direction. There are difficulties. The difference in grain and the lack of co-operation among cultivators are the main causes. Another drawback is that as soon as the crop is harvested the *zamindar*, the *mahajan* and even the co-operative societies all at once demand their dues from the poor cultivator. The result is that he has to undersell his produce. It is proposed in the next *rabi* that in one co-operative society the members shall arrange for the joint sale of the produce. Whether it will be successful or not cannot be said.

Question 3.—The cultivator has to pay the following charges :—

(i) If the village *bania* has advanced to the cultivator, he charges 1 to 1½ seer over and above the ordinary rate prevailing in the village.

(ii) To the commission agent he has to pay Re. 1 per *gari*—containing 15 to 20 maunds of grain.

(iii) To the broker one pice per rupee on the amount paid to the producer as price of the grain, *i.e.*, Re. 1-9 per cent.

(iv) Nothing is charged by the *beopari*.

The sugarcane crop is practically exempt from all these charges as it is the contractor who makes all the gain by every means possible. Of course this cannot be narrated. The charges for wheat and rice are the same. *Gur* is not produced in a large quantity as far as my knowledge goes, and what is produced is locally consumed.

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If the produce is taken to a town with a municipal board octroi duty is charged at Re. 1-8 per *gari*. In the village markets the *zamindar* also charges something ranging from 8 annas per *gari* to Re. 1, as the case may be.

The producer has to pay in Gorakhpur as incidental charges 7 chhataks of grain for every *gari* for charity. For *munibi*, charges are made in cash or in kind, which differ from place to place.

Question 4.—The cultivator generally is too poor to store any grain. The well-to-do cultivators keep their grain in *khattas* built of ordinarily mud. Chaff is laid first and then grain is thrown on it. Care is taken that the chaff keeps on the sides of the wall so that the grain may be safe against the incursions of white-ants. The system is not perfect. Losses through mice are not rare. The grain also is spoilt if moisture reaches the *khatta*, which is not rare. It will be better if these people arrange for *pakka khattas*. Although the capital invested will considerable, yet the advantages ar numerous and in the long run it will pay.

In village markets if the grain is to be booked shortly it is kept in bags. If it is to be kept for some time and the merchant has not got sufficient bags, it is kept in the same manner described above. More considerate merchants have got *pakka khattas* and keep the grain in bags in *khattas* with chaff thrown in the room.

Question 5.—The grain is sent to the markets for being kept as long as the market rates are favourable only by a few well-to-do cultivators. The *goledars* advance up to 80 per cent. of the current market price of the grain. The interest charged on the amount advanced is from 8 to 10½ per cent.

Question 7.—The cultivators do not combine together for marketing their crops. It is undoubtedly very desirable that the small cultivators should join for selling their crops together. They will have all the advantages which a big cultivator draws from selling his produce direct in the market in place of handing it over to the village *bania* at a very low rate comparatively. But there are difficulties such as distrust among themselves, sorting of grain, etc. But they can be overcome.

Part C.—Extent and nature of agricultural indebtedness.

Question 1.—An estimate of the existing indebtedness of three villages is given below :—

Debts.	Village A.	Village B.	Village C.
	Rs.	Rs.	Rs.
Debts on land mortgage—			
(i) Registered	1,500	*Nil*	*Nil*
(ii) Unregistered	2,500	2,700	800
Debts against assets generally ..	1,800	3,000	5,350
Total ..	5,800	5,700	6,150

Question 2.—The principal creditors of these villages are :—
(1) Co-operative societies.
(2) Professional moneylenders such as *harhias*, village *banias*, etc.
(3) The grain dealer.
(4) The *zamindar*.

In villages A and B the ordinary cultivator mortgages his lands mostly with the well-to-do cultivator. The latter keeps the holding in his charge and does cultivation thereon. Roughly speaking, four-fifths of the money on land mortgage is advanced by the agricultural class. It also includes petty *mahajans* whose main occupation is agriculture and through that they have got money.

In village C the richer agriculturists have advanced loans only to the extent of Rs. 880.

The amount of debt due to each class of creditor is roughly :—

Class of creditor.	Village A.	Village B.	Village C.
	Rs.	Rs.	Rs.
1. Co-operative society	*Nil*	1,500	2,500
2. Moneylenders, including grain dealers.	1,160	3,630	3,025
3. *Zamindars*	3,480	*Nil*	625
4. *Harhias*	1,160	570	*Nil*

Question 3.—The cultivator who is heavily indebted does not naturally put his heart into the cultivation of his fields. He knows that as soon as he has prepared his fields and the crops are ready, his *mahajan* will have all his crops attached. I know persons who have left their fields uncultivated.

Mr. R. V. TRIVEDI, M.A., LL.B., Currency Officer, Cawnpore.

Replies to the questionnaire.

I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part J.—Internal remittance and negotiable instruments.

Question 1.—In all the important towns of the United Provinces there are currency chests and sub-currency chests. In my own office there is a small department, staffed by picked men, called the Resource department, and one of the main functions of this branch of my office is to see that all treasuries or sub-treasuries and branches of the Imperial Bank have not only adequate funds but also various denominations of currency to meet public demands. For instance, at the time of religious festivals—say at Allahabad or Benares—steps are taken to ensure that an adequate number of pice is available there. So far as I know, the public banks and bankers have unlimited facilities for obtaining cash when and where it is wanted. General information on this subject is contained in a book called the Resource Manual obtainable from Calcutta, Government of India, Central Publication Branch, at a price of seven annas only.

Question 3.—Statistics in my office show that government bodies and court of wards estates have taken full advantage of the use of supply bills as a method of remittance. The demand from the public for the issue of supply bills is more or less limited.

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Mr. W. E. BOTTING, Executive Officer, Improvement Trust, Lucknow.

Replies to the questionnaire.

1.—AGRICULTURAL CREDIT AND CREDIT FACILITIES.

Part H.—Small urban industries.

Question 1.—Cottage or art industries in Lucknow are financed in some industries by dealers who sell direct to the public, in others by *mahajans* or Rastogis, who may also be dealers, and in a few by the *karkhanadars*.

The artisans get their raw materials through *karkhanadars* where the workshop system exists; in the *chikan* industry through agents employed by dealers on commission, and through *mahajans* or Rastogis. Implements are generally supplied in *karkhanas*; otherwise they are privately owned.

Wares are disposed of by dealers generally, who, in some cases, take the place of the wholesale firms of the West and in others combine the wholesale and retail in one—supplying the manufactured articles direct to consumers. In some cases *mahajans* and Rastogis act as wholesale merchants and sell to retailers. In others artisans sell direct to the public.

I classify large dealers, as "middlemen." They play the most important part in many of the industries. In some industries, like *chikan* work, the agents of the dealers are important and in others the *karkhanadars;* but practically all are dependent on the dealers for funds and take second place to the latter.

Question 2.—*Karkhanas* are to be found generally in *zardozi*, *kamdani*, cloth printing, brassware, *gota* and *patha*, and to a small extent in *chikan* embroidery, gold and silver ware, ivory and bone carving, and cloth printing blocks.

Karkhanadars have very little to do with consumers. It is the middlemen who carry on both the wholesale and retail trades. The wholesale side is largely confined to the export trade.

Some *karkhanadars* work on a system of advances to workers so as to get a hold over them. Others make payments on the piece-work system, while others pay daily wages. In some cases the wages are per *tola* or *bhuri* of outturn. Apprentices in the accepted sense of the term do not seem to exist. Boys are used for petty jobs in *karkhanas* and are given a few pice a day. They gradually pick up the work and later become artisans.

The tendency seems to be for the artisans to drift to the *karkhanas*.

Question 3.—I am not aware of any instances of sweated labour, but in cases where overtime has to be worked to meet urgent orders, the custom appears to be to give the workers food free and not to pay extra wages. Sweating probably occurs in the *chikan* embroidery manufacture as most of this is carried on in the homes of the workers. The wages are very low—out of all proportion to the prices obtained—and I expect that the agents of the dealers get a rake-off from the workers' side as well as their commission from the dealers.

The workers could only be protected against exploitation by organising workmen's guilds, trade-unions or co-operative artisans' societies which would fix the rates to be paid to the workers and govern the conditions of the workers generally.

Question 4.—The remedying of sweating and exploitation is a question of organisation rather than finance. What is needed is to get co-operation among the workers of the various arts or trades so that they can insist upon a fair return for their labour, specified hours for the working day, and overtime for work beyond those hours. In the case of artisans working outside recognised *karkhanas* the prices to be paid for the manufactured articles by dealers or middlemen would have to be fixed.

Question 5.—I think a co-operative industrial bank is the best method of financing small industries. As a general rule, loans should be made to artisans' societies, but provision might have to be made for individuals or firms who might prefer to work independently of the society.

MR. W. E. BOTTING.

Question 6.—I certainly think that sales associations depôts or emporia can be of effective assistance in advertising and marketing art wares. I am a member of the Advisory Committee of the Arts and Crafts Emporium, Lucknow, and I think the work of that emporium proves the point. Besides emporia depôts are, in my opinion, necessary for the collection of manufactured articles in bulk. The small industries are rarely in a position to meet a demand of any magnitude and repeat orders are seldom fulfilled. Emporia and depôts both will probably come once the workers are properly organised. Artisans societies should certainly arrange for their own depôts, either as a part of their operations or by arrangement with big dealers. As regards emporia, Government has led the way in these provinces and I am convinced that once the workers are organised and depôts opened, private enterprise will not take long to discover that arts and crafts emporia are sound business propositions.

(For oral evidence see pages 469—472.)

ORAL EVIDENCE.

Friday, January 31, 1930.

LUCKNOW.

Present :

MR. E. A. H. BLUNT, C.I.E., O.B.E., I.C.S., M.L.C.	*Chairman.*
DR. RADHAKAMAL MUKERJEE, M.A., Ph.D.	
RAI BAHADUR PANDIT G. S. UPADHYA, B.A.	*Members.*
RAI BAHADUR BABU MOHAN LAL, M.A., LL.B., M.L.C. ...	
MR. MOHAN LAL SAH, M.A., LL.B.	
DR. L. C. JAIN, M.A., LL.B., Ph.D.	*Secretary.*

(*Witness* : MR. W. E. BOTTING, *Executive Officer, Improvement Trust, Lucknow.*)

Dr. Radhakamal Mukerjee : We have made certain investigations into the arts and crafts of Lucknow, and have found that in some industries the number of *karkhanas* is declining, for instance, in *chikan* work. Previously there was a large number of such *karkhanas*, but now it is said that they are very much fewer. Do you agree with this view?—When Mr. Jopling was Deputy Commissioner of Lucknow and I was Executive Officer in the Lucknow Municipality, I was asked by Mr. Jopling to revise all the figures in the gazetteer of Lucknow regarding industries. I did this in my spare time. There were a certain number of *karkhanas* then, and practically the same now. There has been very little change, for many years, in the number of *karkhanas*. They have always been few, because the bulk of *chikan* work is done in private families and it is collected through agents. These agents go round and supply thread and cloth to the workers and get the embroidery done at the lowest possible rate. The agent is the man whom I do not like in this industry, because he gets a commission from the worker as well as from the dealer. The industry remains much as it was, and there is no proper organisation controlling it.

You seem to suggest that you would organise isolated workers in guilds and associations?—You may call it anything you like. The main thing is to get the workers to come forward and organise properly. I prepared a scheme for the Lucknow Emporium, as I found that they could not get on with their wholesale trade abroad. They got big orders for certain kinds of goods as a result of showing at exhibitions and could not execute them in time and suffered considerable loss as the importers refused to take the goods because that particular fashion had gone out of season. So until you can organize your craftsmen and their output you cannot improve. The first step, after the workers are organised, would be to ask the Government to support them with a bank.

You have suggested a scheme of an industrial bank. What would be the relation of an industrial bank with the artisans' co-operative society?—The bank will be needed after the society, and, until you get the craftsmen organised, I do not suggest a bank. because the position at present is perfectly helpless. There are dozens and dozens of workers who work in their private homes, but there are only five or six dealers. These are the persons who advance money for the purchase of raw materials and thereby get a lien on the finished products. They sell both wholesale and retail and dispense with the middleman. Take the case of Munna Lal, Kaghzi. He has, all his life, been a paper merchant. His son has now set up as a brassware dealer, and there are other big dealers in Ahiyaganj. They take the place of the wholesale dealer in the West by collecting the output of the workers. The depôt I referred to in my answers to the questionnaire takes the place of these dealers.

In brass work there is a peculiar difficulty,. Here the work has to be divided among groups of workers and the middleman has to co-ordinate. Suppose you have a co-operative society of brass workers and an industrial bank which will advance money for the purchase of raw materials and implements to these artisans?—The position will be like that of a *mahajan* who advances money, but does not deal in the goods himself. The bank will take the place of the *mahajan* and will advance money definitely against the stock of the materials collected in the depôt, recouping after sales.

MR. W. E BOTTING.

So this will be the *mahajani* part of the bank's business?—Yes. It will act more or less as a depôt; and what you want is a depôt where stock can be collected against large or repeat orders.

Will you have sale depôts in connection with every co-operative society of workers?—Undoubtedly. You will need collecting depôts for each.

Then there will be a central organisation?—My experience is that you canont collect the articles at an emporium. The emporium should be run as an advertising agency and retail sale depôt, but it cannot collect the manufactured articles for the larger export trade. Our emporium used to collect them, and the result you know. We had a lot of bad stuff that we could not sell under any conditions. The present position is that they are practically acting as a retail shop and an advertising agency.

Rai Bahadur Babu Mohan Lal: What about *zardozi* works?—So far as *zardozi* work goes, the demand is dropping, because the manufactured article is very expensive and the public taste is also changing. I doubt if it is worth while bothering about.

Dr. Radhakamal Mukerjee: So is the case of *bidri*?—It is not a Lucknow industry. It came from Hyderabad. The Lucknow craftsmen tried to improve it by their *zarbuland* or silver work, but that was never popular. The amount of work in *bidri* is very, very small, if any.

What would be the relation of the emporium with the industrial banks?—The emporium would have nothing to do with the industrial bank. It is actually a retail shop, also an advertising medium and information bureau.

The Chairman: If anybody wants to know where he can get a particular thing, they tell him?—Yes, as the emporium is also an information bureau.

Rai Bahadur Pandit G. S. Upadhya: Do you think that it would be better for the emporium to act as commission agents and not be responsible for the sale of the stock that it takes charge of? That has been tried in certain places and found perhaps better.—(*Witness*) I do not know. The emporium did not have a good chance until it was shifted to the new shop in Hazratganj. For the first time—in 1929—it has paid. It is doing better now, and if at the same time it can act as an information bureau and as an advertising medium it seems to me that it is better to leave it as it is than to start the work of commission agents, because it would not then have so much incentive to sell. That is one drawback. Just at present it is bound, more or less, to justify its existence, and the emporium is now beginning to pay. It has cut down expenses and the manager has reorganised it.

How is it used as a retail shop?—Because actually you buy the articles. Experience has shown that much stock got out of date and depreciated rapidly, with the result that it could not be sold under any circumsances.

The Chairman: It was, perhaps, bought in large quantities?—It was shown at Wembley, and again at Toronto and Lille. Certain stock later went out of fashion and the emporium had to suffer a loss.

Rai Bahadur Pandit G. S. Upadhya: How do you restrict the purchase at present?—Experience has taught us the inadvisability of purchasing large quantites; we simply do not undertake to repeat it. We stock two or three things of an exclusive pattern. If you want to go in for big quantities you must have a depôt or a wholesale firm.

The Chairman: You cannot do that in connection with this emporium?—I put forward a scheme to have a central depôt. While it had the sympathy of Government they considered that it was not their business to do it. Then Mr. Sah and I went through the scheme, and we thought that the Government might subsidize or assist somebody who was prepared to put down some capital. I had a very good man on the spot and he was prepared to invest a certain amount, but Mr. Sah wanted him to invest Rs. 20,000, and he could not put that down. There the matter ended, or perhaps it is still hanging on. I would, however, like to have a scheme started on that line, but I do not believe in finding all the money from the Government side. We must build it up from the bottom. The more help you get from outside the less good it will do; it should not be treated in a too motherly or fatherly fashion.

It is not desirable ot have an infant always in leading strings.—(*Witness*) Quite so. Otherwise it never grows up.

MR. W. E. BOTTING.

Dr. Radhakamal Mukerjee: Would you advocate co-operative societies of the artisans?—I think this is the only possible method.

Are you aware that some time back there was a union or guild of *zardozis*, and after a time it died a natural death?—I believe so.

Do you think that the artisans of Lucknow are educated and enterprizing enough to be organised into such co-operative societies?—That I cannot say.

Rai Bahadur Pandit G. S. Upadhya: That is a possible thing.

The Witness: There are ups and downs.

Dr. Radhakamal Mukerjee: How would you deal with *chikan* workers who are largely *purdahnashin* ladies?—Let me point out that it is a mistake to say that the bulk of the workers are *purdahnashin*. The best workers are men and not ladies, and it is the poor and inferior stuff which goes down to Calcutta which is done by *purdahnashin* ladies. It is the man's work that you get the good name for.

To these *purdahnashin* workers you will give the facilties of the depôt?—I will give them the facilities of joining even a society. Just at present they are in the hands of agents and they get, say, only two annas apiece, whereas they ought to get four annas. If there are enough men to make a craft society or guild and to definitely decide that such and such should be the minimum prices, why should not the *purdahnashin* workers be bold enough and insist on that amount? Is it believable that they will take two annas when they can get four annas?

Rai Bahadur Pandit G. S. Upadhya: Also it is possible to have these *purdahnashin* workers as members, because the co-operative department have lady inspectors and a number of women members.

Dr. Radhakamal Mukerjee: Are you aware that in some countries some kind of restrictions as to housing have been regarded as essential, namely, that they cannot work in very insanitary homes? Do you think that it will be feasible here, and that some kind of action should be taken for making it impossible for work in *chikan* to be done under very insanitary conditions?—As a matter of fact you can introduce a set of byelaws, but how can you say that these lady workers are actually working in those conditions, unless you provide inspectresses?

You might tackle the *karkhanas*?—They come under the Factories Act.

But these are small *karkhanas* where some seven or eight workers do their work under sanitary conditions?—How can you prevent a person from working in insanitary conditions unless you have a law that he cannot carry on that business in those premises or unless sanitary premises are provided for him?

Do you think that the Municipality or the Improvement Trust might improve the lot of the workers by undertaking such activities?

The Chairman: I do not see what it has got to do with the Banking Enquiry Committee.

The Witness: I am afraid the Improvement Trust will not be able to tackle this, because we build very few houses.

The Chairman: The question is interesting, but it is outside our scope.

Dr. Radhakamal Mukerjee: The condition of workers is the worst in the case of *chikan*?—Yes; other lines are fairly well established.

The wages paid are out of all proportion to the prices?—There is no protection. They are in the hands of agents, and I may tell you that I have personal knowledge, because I knew of a man who for years paid absolutely killing prices, and it is in this craft that sweating is going on. In other cases, the present custom is more or less to keep crafts in certain areas, but the *chikan* work is distributed all over the place.

You have also village workers who compete with the Lucknow workers?—Yes.

Rai Bahadur Pandit G. S. Upadhya: Which of the craftsmen will it be possible to organise into a co-operative society first? You mentioned *chikan*, *bidri* and *zardozi*.—(*Witness*) Personally I would like one for calico-printers; there are two big *karkhanas*.

Dr. Radhakamal Mukerjee: You are absolutely pessimistic about *zardozi* and *kamdani*?—I do think that the past years have proved that it is dropping off. I would like to ask you how many people you see at a garden party dressed in the old type of *zardozi* clothes or caps? I daresay that even among the *taluqdars* we see it used 50 per cent. less than what Mr. Blunt and I saw ten years ago and before that.

Are there any other outlets?

Rai Bahadur Pandit G. S. Upadhya: For instance, in *purdahs*, etc.?—You might try silver-ware.

Perhaps it is the safest.

Dr. Radhakamal Mukerjee: I think brassware is the best.—(*Witness*). It is one which you can organise.

But the difficulty about brass-ware is that the different groups of workers are isolated from one another.—(*Witness*) There should be no difficulty if co-operative societies succeed in having the best men for the different processes of manufacture as heads of a group of workers. I may tell you that a good business is done here in brass-ware in Ahiyaganj. The bulk of the buckles and "D"s which go to Cawnpore for Cawnpore harness is made here.

(The Chairman thanked the witness, who withdrew.)

POSTAL OFFICIALS.

Abstract of replies from Superintendents of Post Offices, Head Postmasters and Postmasters in the United Provinces, to special questions.

Question 1.—*Are post office cash certificates popular in your jurisdiction?*

The reply is in the affirmative from the head postmasters in the following 28 cases, *viz.*, Agra, Azamgarh, Bareilly, Budaun, Ballia, Benares, Bahraich, Bara Banki, Bulandshahr, Cawnpore, Dehra Dun, Etah, Etawah, Fatehgarh, Fyzabad, Jhansi, Jaunpur, Lucknow, Muzaffarnagar, Moradabad, Mirzapur, Meerut, Mussoorie, Rae Bareli, Saharanpur, Sultanpur, Sitapur, and Unao, and from the Superintendents of post offices, Cawnpore and Fyzabad, and in the negative in only two cases, *viz.*, Gorakhpur and Partabgarh.

Postal cash certificates are popular among (1) the educated classes only, according to the postmasters, Banda, Gonda Hardoi, and the superintendents of post offices, Bundelkhand and Gonda; (2) among the government officials alone, according to the postmaster, Pilibhit; and (3) among vakils and government servants but rarely among shopkeepers, *zamindars* and tenants, according to the postmaster, Basti.

The certificates are popular only to some extent in the opinion of the postmasters, Bijnor and Mainpuri, their popularity is stagnant at Muttra while it is growing day by day at Allahabad and Kheri. The postmasters of Aligarh and Ghazipur remark—what doubtless applies to other places as well—that the popularity of the certificates has varied with their issue price, being greater at Rs. 7-8-0 and Rs. 7-12-0 (as at present) than at Rs. 8. The postmaster, Ghazipur, considers that the certificates are not so popular as they were in the years 1923, 1924, and 1925.

The certificates do not appear to be "very popular" or "as popular as they should be" in Almora, Naini Tal, Pauri, Fatehpur and Shahjahanpur. (It is significant that of these the first three are all hill stations).

Question 2.—*What classes at present chiefly use the postal savings bank and buy post office cash certificates in your jurisdiction?*

In the following cases the answer is "middle class people," "literate public, chiefly English knowing" or "men in service :—"

Head postmasters at Agra, Aligarh, Allahabad, Almora, Budaun ("except Musalmans"), Benares ("especially Bengalis"), Banda, Bulandshahr, Cawnpore. Etah, Etawah, Fatehgarh, Fatehpur, Fyzabad, Gonda, Jaunpur, Kheri, Muttra, Moradabad, Meerut, Naini Tal, Pilibhit, Pauri, Partabgarh, Sultanpur, and the superintendents of post offices, Bundelkhand, Cawnpore, Gonda and Fyzabad.

The classes are detailed as government servants, employees of local bodies and railways, private medical practitioners, pleaders and advocates in the case of Ballia, Bahraich, Bijnor, Ghazipur, Rae Bareli and Unao, while the postmasters of Jhansi, Mainpuri and Mussoorie also add teachers and students.

In the opinion of the postmasters of Azamgarh, Bareilly, Gorakhpur, Lucknow, Mirzapur, Muzaffarnagar and Saharanpur all classes take advantage of the postal banking facilities, but the agriculturists are excluded in the case of Gorakhpur and Saharanpur and traders in that of Bareilly and Muzaffarnagar. The postmaster, Dehra Dun, says that it is the wealthy people alone who open savings bank accounts or buy cash certificates.

According to some postmasters the post office savings bank is chiefly used by (1) government servants (Basti and Sitapur), (2) middle and poor classes (Bara Banki), (3) all clases (Hardoi and Shahjahanpur), while the postal cash certificates are brought mostly by (1) wealthy people (Basti and Sitapur), (2) rich and middle classes (Bara Banki), and (3) educated men (Hardoi and Shahjahanpur).

Question 3.—*Can you suggest any measures to attract classes that do not resort to this type of investment?*

The majority of postmasters and superintendents of post offices (Agra, Allahabad, Almora, Ballia, Benares, Bahraich, Bara Banki, Basti, Banda, Bulandshahar, Bareilly, Bijnor, Cawnpore, Dehra Dun, Etah, Fatehgarh, Fatehpur, Fyzabad, Ghazipur, Gonda, Gorakhpur, Hardoi, Jaunpur, Mainpuri, Muttra, Mussoorie, Muzaffarnagar, Partabgarh,

Pilibhit, Rae Bareli, Sultanpur, Shahjahanpur, Unao, and superintendents of Benares, Bundelkhand, Cawnpore, Fatehgarh, Fyzabad, Gonda, Gorakhpur, Lucknow, Meerut and Moradabad) suggest—

(1) with respect to post office cash certificates,

(*a*) that interest should be allowed after three months from the date of purchase instead of after one year as at present. (From the date of issue in the opinion of the postmaster and superintendent of post offices, Fyzabad; from month to month according to the postmaster, Basti, and superintendents of post offices, Gorakhpur and Meerut; six months according to the postmasters, Bareilly, Benares, Bulandshahr and Fatehgarh);

(*b*) that the selling prices should be reduced, and

(*c*) that the maximum holding for one depositor should be raised to Rs. 20,000 according to the postmaster, Bulandshahr, and the superintendents of post offices, Gorakhpur and Meerut; to Rs. 22,500 according to the postmaster, Agra; to Rs. 20,000 or Rs. 30,000 according to the postmaster, Bahraich; to Rs. 40,000 according to the postmaster, Mussoorie);

(2) with respect to post office savings bank,

(*a*) that the present annual limit of Rs. 750 for deposits should be raised (to Rs. 1,500 suggested by the postmaster, Allahabad; to Rs. 50,000 suggested by the postmaster, Mussoorie);

(*b*) that the rate of interest should be increased (to 4 per cent. according to the superintendent of post offices, Lucknow; to 5 per cent. according to the postmaster, Ballia; higher than than allowed by the joint-stock banks in the opinion of the superintendent of post offices, Bundelkhand).

Many postmasters (Aligarh, Azamgarh, Budaun, Etawah, Fatehgarh, Ghazipur, Hardoi, Jhansi, Kheri, Mainpuri, Meerut, Mirzapur, Moradabad, Naini Tal, Pauri, Pilibhit) and superintendents of post offices, Bundelkhand, Dehra Dun, Fatehgarh and Gorakhpur, recommends the adoption of an extensive and intensive propaganda particularly in rural areas with a view to popularising the existing postal banking facilities. While their schemes differ in details, their main recommendations may be summarised as follows :—

(*a*) free distribution through postmen of vernacular leaflets and notices explaining in an attractive style the advantages of the postal investments;

(*b*) free distribution of savings bank and cash certificate rules in vernaculars as well as English;

(*c*) exhibition of big posters in vernaculars in the principal places of the towns and villages such as the *bazars*, railway stations, hotels, clubs, *patwaris'* and *zamindars'* house etc.;

(*d*) circulars to all government departments and local bodies;

(*e*) personal efforts of postmasters—especially village and sub-postmasters—and of inspectors of post offices who should visit the chief village residents like the *patwari* and *lambardar* and enlist their help in securing postal investments;

(*f*) efforts through district and village officials, *e.g.*, tasildars and *patwaris*, provided that no coercion is used.

In this connection the postmaster, Kheri, recommends the appointment of a special officer to organise propaganda work, while the postmaster, Meerut, suggests the desirability of having lantern lectures by touring officials. The postmaster, Budaun, lays special emphasis on propaganda among the Musalmans who on account of their religious scruples regarding the taking of interest are reluctant to invest their savings in post offices, and suggests the use of such books as *Jawaz Sud* by Maulana Tufail Ahmad, M.L.C., of Aligarh.

Among individual proposals with respect to postal cash certificates, the postmasters, Ghazipur and Sultanpur, suggest that the discharge of certificates should be allowed without the enforcement of any legal formalities and made as easy as the encashment of currency notes; the postmaster, Bijnor, recommends the issue of certificates in such denominations as will suit all pockets; while the postmaster, Mussoorie, is for the issue of special "agriculturists' cash certificates" in denominations of Rs. 5, 10, 20, 50, 75, and 100, for Rs. 3-12, 7-8, 15, 37-8, 56-4 and 75, respectively, and the postmaster, Sitapur, advocates the issue of gold cash certificates. The superintendent of Bundelkhand suggests that the joint-stock banks should grant loans on the security of postal cash certificates.

As for the savings bank accounts, bi-weekly withdrawals by depositors, payment of interest as from the date of deposit, irrespective of whether it is or is not within the 4th of each month, and fixed deposit system with same rates as those of the Imperial Bank of India are recommended by the postmasters, Unao, Fyzabad and Sitapur, respectively. According to the postmaster, Saharanpur, co-operative societies should make it obligatory on all applicants for advances to open savings bank accounts and keep depositing monthly deposits in such accounts till the total advance is made up. In the opinion of the postmaster, Lucknow, no measures at all are required.

The postmaster, Fatehgarh, advocates the desirability of all extra departmental agent branch offices performing savings bank work. The postmaster, Mussoorie, suggests opening of separate provident fund accounts by local bodies for their employees subject to a maximum balance of Rs. 30,000, and also the raising of the limit of subscription in government securities from Rs. 5,000 to 10,000 and issuing of government securities in denominations of Rs. 25 or its multiples. In his opinion the headman of each village should be made responsible for the purchase of certificates and securities for the villagers from the nearest post offices. Incidentally, he also suggests that the minimum withdrawal from a savings bank account should be of Re. 1 and not annas 4 as at present.

STATEMENT A.

Statement showing amounts of { (a) Post Office Savings Bank deposits and withdrawals; (b) Post Office Cash Certificates sold and discharged; (c) Money orders issued and paid } *in the United Provinces Circle during the three years* 1926-27 *to* 1928-29.

Names of revenue divisions and head (district headquarters) post offices.	Savings Bank.						Cash Certificates.						Money Orders.					
	Deposits.			Withdrawals.			Issued.			Discharged.			Issued.			Paid.		
	1926-27.	1927-28.	1928-29.	1926-27.	1927-28.	1928-29.	1926-27.	1927-28.	1928-29.	1926-27.	1927-28.	1928-29.	1926-27.	1927-28.	1928-29.	1926-27.	1927-28.	1928-29.
Agra Division.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Agra	14,99,746	16,39,628	18,37,556	14,18,035	114,77,568	17,23,181	5,18,154	4,36,492	3,28,896	1,74,275	2,07,535	4,12,372	31,46,326	31,90,892	31,82,070	62,16,181	66,86,727	69,59,101
Aligarh	8,81,930	8,97,498	9,22,028	7,74,081	7,86,892	9,01,225	2,24,750	2,02,454	1,80,564	7,58,538	1,35,806	1,43,858	20,57,420	24,46,714	22,12,392	38,42,070	38,92,576	39,11,804
Etah	3,81,700	5,14,999	5,48,419	3,37,704	3,39,470	5,39,932	81,078	95,200	77,854	45,849	64,376	73,269	11,77,805	12,10,469	12,19,745	11,91,933	12,53,010	12,56,381
Mainpuri	4,12,938	4,67,692	5,34,161	4,10,775	4,38,926	4,81,506	1,24,735	1,54,720	89,720	51,425	61,994	69,026	10,89,570	10,88,005	10,88,050	10,08,050	10,06,896	9,95,967
Muttra	5,02,929	6,19,076	6,58,518	5,66,990	5,30,136	6,19 569	1,16,475	1,41,118	1,06,304	56,685	57,787	1,31,610	13,16,109	13,68,980	14,09,117	27,45,554	27,07,477	27,09,292
Total ..	36,78,538	41,38,813	44,90,682	34,96,605	36,42,792	48,65,403	10,69,190	10,29,984	7,54,888	10,81,272	5,26,522	8,29,135	87,87,225	91,09,060	91,06,541	1,49,99,388	1,57,49,688	1,58,32,745
Allahabad Division.																		
Allahabad	14,57,078	14,38,294	16,12,237	6,71,081	4,45,610	55,364	53,635	5,82,345	5,93,356	1,44,508	1,69,108	1,46,454	40,64,401	40,32,707	40,47,012	64,12,567	69,79,135	71,04,317
Cawnpore	13,36,502	15,99,013	17,69,241	14,37,916	13,30,615	15,92,308	6,40,964	3,93,862	3,14,424	1,18,916	1,28,280	2,85,681	45,55,548	46,02,480	45,26,008	81,27,747	78,71,470	87,26,719
Etawah	3,54,464	4,09,953	4,71,408	3,33,015	3,47,556	4,11,352	1,33,985	1,12,227	86,364	40,155	53,417	70,961	13,10,503	12,55,803	12,19,808	12,66,732	13,79,987	13,67,181
Fatehgarh	2,43,364	7,36,141	8,40,755	7,73,009	6,07,410	7,24,377	2,03,508	2,13,144	1,80,992	74,262	46,969	1,04,173	17,07,856	17,10,762	17,38,756	30,73,179	30,98,090	30,57,637
Fatehpur	2,26,371	2,30,480	2,88,484	2,12,534	1,98,471	2,44,323	66,395	47,359	49,888	17,249	27,952	32,802	9,84,688	9,55,574	8,54,175	12,80,440	12,48,073	12,79,770
Total ..	42,79,779	44,13,881	49,77,125	32,27,505	29,29,662	30,27,919	10,98,587	13,58,935	12,24,924	3,95,090	4,25,721	6,40,231	1,26,22,994	1,25,57,266	1,23,84,844	2,01,40,455	2,04,71,655	2,15,75,617
Benares Division.																		
Ballia	3,76,128	4,67,215	4,99,565	3,54,734	3,91,799	4,74,651	1,29,781	1,58,650	1,10,992	82,049	41,048	99,761	1,09,118	11,89,929	10,87,518	27,77,022	27,50,902	30,83,083
Benares city	114,59,164	17,48,341	19,07,744	14,19,930	15,76,156	17,28,744	4,95,481	3,83,583	3,60,640	1,17,197	1,50,318	3,44,726	33,29,312	36,39,988	35 91,283	78,55,189	81,15,087	80,30,368
Ghazipur	4,19,648	5,35,437	4,99,774	4,17,696	4,09,127	4,87,664	94,662	2,23,708	1,78,855	73,985	69,978	1,41,676	9,29,662	10,08,472	9,90,708	19,14,467	19,84,565	21,43,574
Jaunpur	4,68,068	5,09,621	6,26,713	4,21,043	4,79,549	5,66,106	1,47,411	1,10,937	1,79,284	56,284	55,848	69,117	12,49,851	14,13,456	13,74,700	46,80,589	46,60,919	53,87,852
Mirzapur	3,62,400	3,72,758	4,08,884	3,16,744	3,09,541	3,34,680	1,52,008	46,802	50,152	68,589	50,858	1,07,008	15,46,314	16,35,172	15,08,058	23,87,131	23,12,666	24,98,368
Total ..	30,85,403	36,32,375	39,42,480	29,29,807	31,66,272	36,12,595	9,29,343	9,23,510	7,79,723	3,79,854	3,67,545	7,52,373	71,67,287	87,31,907	85,52,271	1,97,04,892	1,98,24,496	2,11,38,958
Fyzabad Division.																		
Bara Banki	3,79,909	5,17,847	5,66,408	3,47,556	4,20,075	4,95,478	1,36,731	1,59,674	1,15,336	24,628	35,208	1,27,641	9,64,486	10,44,464	9,85,406	17,96,897	17,81,973	19,34,960
Bahraich	3,34,743	3,65,967	3,87,948	2,74,589	3,18,957	3,82,729	1,14,821	1,39,880	88,475	29,785	26,498	1,04,852	12,98,861	13,68,185	13,57,910	8,24,399	7,48,503	8,23,134
Fyzabad	6,09,113	7,16,143	7,47,716	5,85,512	6,38,913	6,74,730	2,50,449	1,83,905	1,96,736	60,969	83,980	2,12,105	15,37,519	15,88,157	15,98,491	45,40,841	45,03,774	48,10,894
Gonda	5,29,318	6,08,861	5,94,129	4,44,129	5,26,243	5,68,312	1,76,196	1,98,403	2,87,392	70,966	46,052	91,380	16,21,884	17,51,169	16,70,557	27,01,224	26,28,045	29,87,013
Partabgarh	3,48,309	4,21,300	3,81,553	3,30,882	3,58,354	3,64,289	1,32,258	87,405	48,112	33,744	48,237	91,106	7,95,416	8,42,593	8,55,924	30,79,066	32,04,062	35,53,386
Sultanpur	3,39,440	3,81,013	3,95,997	3,73,028	3,76,117	4,04,094	1,09,278	1,02,686	57,616	37,424	24,600	58,119	8,81,977	9,88,212	9,18,336	37,60,126	37,94,699	43,87,898
Total ..	25,56,325	30,13,781	30,79,046	23,55,693	26,34,158	28,40,282	9,21,233	8,51,403	7,88,667	2,56,916	2,60,575	6,84,783	71,99,683	76,22,780	73,81,927	1,67,02,653	1,66,61,056	1,84,70,285
Gorakhpur Division.																		
Azamgarh	6,52,119	7,40,494	7,68,101	5,94,143	6,43,558	7,22,990	2,30,175	2,36,660	2,47,464	56,640	1,19,744	1,62,955	15,24,275	17,55,292	16,75,607	49,99,909	50,90,674	54,29,783
Basti	3,66,522	3,98,173	4,30,084	3,10,135	3,25,728	3,54,538	1,32,240	1,10,053	1,04,892	18,133	25,783	43,031	17,32,537	19,22,461	18,62,691	22,75,237	23,08,228	24,64,771
Gorakhpur	8,52,701	10,02,872	10,13,937	7,45,870	7,85,664	9,94,873	3,11,642	2,79,404	2,13,080	61,945	1,33,355	1,68,364	34,10,009	34,24,664	33,13,801	53,91,352	52,04,211	50,97,287
Total ..	18,71,342	21,41,539	22,02,122	16,47,353	17,55,750	20,82,399	6,71,066	6,26,167	5,64,936	1,36,738	2,78,832	3,75,240	65,87,714	71,62,417	68,51,599	1,26,66,398	1,26,03,113	1,30,91,796
Jhansi Division.																		
Banda	3,95,478	4,21,224	4,57,086	3,30,457	3,76,534	4,25,450	1,26,708	1,11,141	1,06,864	39,602	1,15,901	91,586	21,27,657	20,09,013	20,55,345	18,71,594	18,70,567	18,90,659
Jhansi	7,67,358	8,56,688	9,13,416	7,11,166	7,40,683	8,31,883	2,49,620	2,36,398	1,55,164	90,171	84,165	2,11,352	41,32,789	40,51,828	39,78,128	21,84,630	22,96,444	22,36,478
Total ..	11,62,831	12,77,912	13,70,502	10,41,623	11,17,217	12,57,333	3,76,328	3,47,534	2,62,028	1,29,773	1,98,066	3,02,938	62,50,446	60,58,841	60,33,473	40,56,224	41,67,011	41,27,137
Kumaun Division.																		
Almora	3,67,191	3,84,507	3,94,786	3,84,491	3,45,372	3,85,99	1,06,469	64,211	91,495	34,586	30,183	52,776	17,12,739	17,45,707	17,99,009	16,76,258	18,20,095	19,06,709
Naini Tal	5,14,404	5,71,750	5,86,100	4,51,267	5,42,286	6,24,263	2,91,078	1,80,240	1,04,693	64,015	96,474	1,48,148	18,24,193	18,55,879	18,51,655	14,42,185	14,84,573	14,03,456
Pauri	1,79,702	2,57,322	2,43,240	1,71,435	2,10,059	2,42,319	89,711	55,012	49,234	14,216	14,468	26,345	13,75,587	13,45,451	15,12,850	13,05,504	12,87,902	20,63,306
Total ..	10,61,297	12,13,579	12,24,126	10,07,213	10,97,717	12,01,811	4,87,258	2 50,163	2,45,423	1,12,817	1,41,125	2,27,269	49,12,519	49,47,037	51,93,514	43,23,942	45,92,570	53,73,494
Lucknow Division.																		
Hardoi	4,42,670	5,55,841	6,27,918	3,62,000	4,76,492	5,82,219	1,01,719	1,46,669	1,29,924	44,709	46,754	73,055	11,99,482	12,16,028	11,34,476	9,94,739	10,12,937	9,71,058
Kheri	3,61,606	4,43,315	5,13,091	3,44,024	4,55,596	5,06,439	89,164	1,07,011	91,296	29,644	26,539	28,477	11,08,388	11,55,135	11,78,438	5,15,351	5,06,820	5,85,768
Lucknow	20,52,636	22,77,092	23,19,744	19,13,738	19,68,572	21,32,151	9,29,046	3,40,027	4,62,660	2,74,580	3,29,650	5,46,812	42,35,584	43,59,581	43,59,184	60,70 901	63,48,221	65,01,212
Rae Bareli	4,07,979	4,67,328	47,940	3,61,208	3,75,550	5,26,818	1,22,217	1,08,715	55,496	46,882	36,095	1,34,490	10,88,667	10,25,905	9,40,622	23,72,122	23,59,778	27,24,577
Sitapur	3,62,295	4,62,052	4,37,755	3,29,092	3,92,463	3,78,619	72,803	58,418	37,792	23,441	11,615	24,958	11,83,548	12,18,464	11,57,049	8,40,611	7,84,970	7,86,887
Unao	3,87,293	4,36,842	4,41,670	3,54,649	3,83,679	4,49,325	1,29,786	1,89,184	93,202	27,717	48,074	74,654	10,01,505	9,27,820	8,98,425	17,69,848	16,58,563	17,78,082
Total ..	40,14,089	46,33,754	49,18,842	36,39,667	38,40,782	45,67,248	14,44,735	11,95,569	8,79,490	4,47,273	5,21,727	8,82,446	97,67,059	98,97,723	96,68,184	1,25,56,472	1,26,77,789	1,32,97,584
Meerut Division.																		
Bulandshahr	4,08,115	5,71,857	7,26,674	4,33,853	5,73,201	6,37,731	1,80,599	1,34,097	1,44,632	1,05,095	1,17,076	1,30,742	16,44,099	16,44,883	16,11,109	22,80,866	23,23,244	23,36,063
Dehra Dun	5,64,442	5,06,230	5,82,500	5,41,765	4,63,842	5,05,436	3,20,422	1,88,540	96,592	78,860	1,08,888	1,56,768	20,64,770	21,74,893	22,37,615	12,18,462	12,84,483	13,48,657
Meerut	11,07,713	13,91,491	15,76,874	10,86,597	11,41,806	12,66,284	5,11,841	2,79,162	2,22,808	1,27,459	1,24,969	1,83,586	32,75,510	33,69,372	32,97,878	36,99,480	38,51,320	39,20,887
Mussoorie	2,47,775	2,57,206	2,65,316	2,17,878	2,25,459	2,47,963	1,76,687	1,89,717	71,782	35,896	1,00,547	50,109	9,90,122	9,75,614	1,73,248	10,14,186	10,12,829	10,61,809
Muzaffarnagar ..	3,67,681	4,20,756	4,91,501	3,32,078	3,76,118	4,27,900	1,44,413	94,546	78,467	48,998	42,515	51,868	14,44,543	14,48,034	14,49,280	12,85,894	13,07,671	13,49,224
Saharanpur	6,94,259	8,66,348	9,68,909	6,89,378	7,22,154	8,88,270	2,48,868	1,94,341	1,71,514	1,29,152	1,18,464	1,52,965	30,06,886	30,06,320	28,31,880	27,78,068	25,90,788	27,32,569
Total ..	34,79,985	41,13,918	46,05,874	33,24,544	35,02,580	39,73,586	15,82,830	10,28,303	7,85,745	5,24,960	6,06,909	7,16,038	1,24,30,930	1,26,18,606	1,16,20,990	1,22,75,990	1,26,20,330	1,26,48,709
Rohilkhand Division.																		
Bareilly	6,69,050	11,27,649	11,59,684	5,87,122	9,95,417	11,05,898	2,01,229	2,42,167	2,29,744	64,442	73,157	1,48,402	18,31,988	20,61,684	20,06,060	15,33,210	23,32,665	23,18,555
Bijnor	4,71,577	5,69,599	6,91,771	5,12,418	4,80,192	6,09,489	1,15,912	1,26,792	1,13,868	60,718	63,803	1,03,194	18,74,010	18,45,914	18,78,429	27,52 114	28,08,831	28,16,533
Budaun	4,54,081	4,62,035	5,40,891	3,99,487	4,01,902	5,01,485	1,51,350	1,48,294	1,31,104	48,976	51,683	1,10,962	11,56,842	11,45,325	10,91,273	10,98,017	10,70,711	10,62,609
Moradabad	7,71,970	9,49,109	10,51,882	6,90,059	8,44,869	9,10,736	1,92,642	1,72,050	1,80,892	69,210	57,585	1,16,478	29,35,758	29,20,504	29,11,890	42,75,736	38,99,480	40,13,615
Shahjahanpur ..	3,99,227	4,91,906	4,79,356	3,58,764	4,38,615	3,96,949	1,00,464	1,07,668	74,164	31,686	35,795	1,01,849	12,86,435	12,47,309	11,86,515	12,35,741	12,80,618	12,38,751
Pilibhit	2,88,626	2,97,985	3,23,464	2,11,186	2,57,892	3,02,075	58,095	58,381	58,290	21,608	26,054	72,886	8,52,861	8,91,563	8,75,135	4,96,840	5,25,984	5,24,988
Total ..	30,49,401	39,11,408	49,16,098	28,68,041	34,09,127	38,25,699	8,14,692	8,55,306	7,57,112	2,89,290	3,08,016	6,52,948	94,07,884	1,10,11,544	99,20,802	1,13,76,188	1,23,47,360	1,21,69,051
Grand total ..	2,82,36,933	3,25,41,612	3,44,20,277	2,56,00,820	2,73,93,547	3,12,54,460	93,45,212	84,66,774	70,42,915	37,53,983	36,44,088	60,61,626	8,50,73,711	8,58,12,981	8,67,09,145	12,94,03,108	13,25,64,048	13,85,28,488

Postal officials.

STATEMENT B.

Statement of Post Office Insurance Fund policies registered in the office of the Postmaster-General, United Provinces circle.

Year.	Number of policies taken out by Posts and Telegraphs officials.	Number of policies taken out by officials of other government departments or quasi-government institutions.	Total of columns 2 and 3.	Value of policies taken out by Posts and Telegraphs officials.	Value of policies taken out by officials of other government departments or quasi-government institutions.	Total of columns 5 and 6.	Classes of insurance.
1	2	3	4	5	6	7	8
				Rs.	Rs.	Rs.	
1926-27	305	320	625	4,93,000	10,43,000	15,36,000	All government employees (gazetted and non-gazetted) and also employees of other government departments or quasi-government institutions as detailed in the enclosed list.
1927-28	388	307	695	5,67,800	11,48,000	17,15,800	
1928-29	330	269	599	495,,300	9,26,000	14,21,300	

List of persons eligible to join the Postal Insurance Fund.

1. All permanent Government servants (male or female) whose pay is audited in Civil or Public Works Accounts offices.

2. All permanent members of establishments of the Military Department, under audit of the Military Account offices, whose pay and allowances are regulated by the Civil Service Regulations.

3. All permanent Government servants in foreign service in India.

4. Servants paid from "Local Fund," as defined in Article 33 of the Civil Service Regulations.

5. Military Upper Subordinates and Lower Subordinates (Military and Civil) of the Military Works Services and clerks employed in the Divisional Disbursing offices of the Military Accounts department.

6. Tmeporary upper and lower subordinates, clerks, store-keepers, cashiers and draftsmen of the Military Works Services subject to the condition stated in the letter of the Government of India, Public Works department, no. 461-G., dated April 8, 1899.

7. Temporary Engineers, temporary upper and lower subordinates, temporary canal signallers; clerks and temporary draftsmen and tracers of the Public Works department who are declared by the Chief Engineer to be eligible for admission to the benefits of the fund on the terms stated in the letter of the Government of India, Public Works department, no. 461-G., dated April 8, 1899.

8. Temporary employees of the Development department, or the Directorate of Development, Bombay, on the condition that a certificate is granted by the Director of Development in each case declaring the person eligible on the terms stated in the letter of the Government of India, Public Works department, no. 461-G., dated April 8, 1899.

9. Temporary draftsmen in the Forest department and temporary subordinates including temporary draftsmen in the Survey department in the Madras Presidency who are declared by the head of the department to be eligible for admission to the benefits of the fund on the terms stated in the latter of the Government of India, Department of Revenue and Agriculture, no. 765-F/173-2, dated June 24, 1908.

9*a*. Temporary employees of all classes in the Survey of India, excluding those who are either under training or are engaged temporarily for specific work on the completion of which they are liable to discharge, on the condition that a certificate is granted by the head of the department in each case in the form stated in the letter of the Government of India, Department of Education, Health and Lands, no. 543, dated June 27, 1923.

10. Temporary employees of the Ordnance department on monthly rates of pay provided that their service will be continuous in the department and that a certificate to this effect is furnished with each proposal for effecting an insurance.

11. Section writers who are declared by a gazetted officer of the department or office to which they belong to be eligible for admission to the benefits of the fund on the terms stated in the letter of the Government of India, Department of Commerce and Industry, no. 7720-214, dated August 17, 1908.

12. All permanent servants of universities in India established by Government and under Government supervision.

13. Officials ordinarily admissible to the benefits of the fund, when deputed on Field Service outside India, even after they have left India.

14. Paid probationers in Government employment regarding whom a declaration is made by the head of the office or department to which they belong that they hold substantive offices, draw substantive pay and form a part of the regular establishment and that their service qualifies for leave and pension.

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