

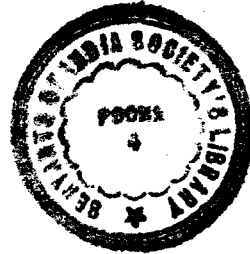
United Provinces of Agra and Oudh

REPORT

OF THE

Industrial Finance  
Committee

1935



1837

ALLAHABAD:

SUPERINTENDENT, PRINTING AND STATIONERY, UNITED PROVINCES

1935

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# Report of the Industrial Finance Committee

## CHAPTER I

### HISTORY OF THE INQUIRY

1. One of the most important factors in the industrial development of any country or province is finance in the form of credit. Credit is required in almost every stage of business. "Industrial Finance", therefore, has been the subject of inquiry by expert committees and commissions in most countries which have changed from an agrarian to an industrial economy.

*Industrial Finance.*

2. In these provinces the question of industrial finance was first considered by the Naini Tal Conference of 1907, which adopted the following two resolutions in this connexion :

*Naini Tal Conference, 1907.*

(i) "The Government may properly make money grants for definite purposes to new enterprises if the result of the action to be taken with the assistance thus afforded is likely to be of general industrial advantage. In such cases, wherever possible, the result of the action should be published."

(ii) "The Government may properly make loans or advances to co-operative societies of artisans as it does to co-operative societies of cultivators on the joint personal security of the members ; but it is not advisable that Government should make loans or advances to individuals."

3. The question was next considered by a committee consisting of the late Mr. Hailey, Mr. (now Sir Atul) Chatterji and Mr. Burt, appointed by the local Government in 1914 to investigate the possibility of developing local industries in order to replace German and Austrian manufactures by Indian-made articles. This Committee was of opinion that Government should assist in the development of credit facilities for industry and that something in the nature of an industrial bank should be started.

*Hailey Committee, 1914.*

*Industrial  
Com-  
mission,  
1916—18.*

4. After this the question came under consideration at the hands of the Indian Industrial Commission of 1916—18. That Commission found that—

“ generally speaking, there was a complaint that the existing banking system was too inelastic and insufficient to meet the needs of the country, and that in respect of industries development was greatly retarded, because the banks refused to advance money for lengthy periods on the security of buildings and plant. Indians suffered in a special degree from this deficiency; for, among other reasons, they found it difficult to satisfy a bank, whose directorate and superior staff was entirely European, as to their financial position.”

It considered that—

“ an industrial trust or financial corporation for the promotion of industries which some witnesses had supported was in its nature too directly concerned in the success of particular undertakings to be a suitable instrument for the general advancement of industries, though a useful agency for furthering particular industrial interests.”

5. The Industrial Commission was apparently in favour of industrial banks, though in the absence of sufficient material it could not formulate any definite scheme for such banks, whether of provincial or imperial scope. It, therefore, recommended the appointment of an expert committee to put up concrete proposals. The Commission, however, made the following general suggestions :

“ We are of opinion, therefore, that an industrial bank should possess a paid-up share or debenture capital high in proportion to its total business; it should observe the usual precautions in not allowing too large a share of its funds to be used for the benefit of any single interest or group of financially inter-dependent interests; its loans on plant, buildings and land should be carefully considered and should be limited in each case; the larger portion of its industrial business should be confined to the provision of working capital; it should provide initial capital with caution, at any rate, during its opening years, and should not itself at first attempt to float companies, though

it may advise and assist in other ways persons who propose to do so. The main factor of safety in an industrial bank is the judicious limitation of each class of business to its proper proportions."

6. Before the expert committee recommended by the Indian Industrial Commission could be appointed by the Government of India, industries became a provincial transferred subject; and the United Provinces Government appointed a Committee in 1921, under the chairmanship of Sir Thomas Smith, to examine the question of establishing an industrial bank in these provinces. The Committee reported that it had not before it sufficient details to warrant the establishment of an industrial bank and pointed out that, owing to the scarcity of money then prevailing, the minimum rate at which the proposed industrial bank could advance loans would be 12 per cent. After full consideration of the various methods of meeting the needs of small industrialists, the Committee held that, in the initial stage, Government would have to shoulder the question of finance. For this purpose it recommended the formation of a Board of Loan Commissioners at whose disposal a lump sum should be placed annually and who should make loans out of this sum at their own discretion. The Deputy Registrar of Co-operative Societies, who was a member of the Committee, proposed that co-operative banks for non-agricultural purposes should be eligible for loans from the funds at the disposal of the Loan Commissioners, but the majority of the Committee recommended that co-operative banks should stand on their own feet and that the Industrial Loan Commissioners should only concern themselves with pioneer and small industries. The Committee unanimously held that the experience gained by the Industrial Loan Commissioners would be useful in showing eventually whether an industrial bank was required or not.

*Sir  
Thomas  
Smith  
Committee.*

7. The United Provinces Government generally accepted the views of this Committee in their resolution no. 1142/XVIII, dated the 20th July, 1922, and the Board of Loan Commissioners has been in existence since then. Government, however, made three important changes. Firstly, they accepted the recommendation of the Deputy Registrar of Co-operative Societies and decided that non-agricultural co-operative societies were also eligible for loans from the Board of Loan

Commissioners. Secondly, as under Devolution Rule no. 37(A) the Loan Commissioners could not be given power to make loans on their own authority, their duties were made advisory only, but with the full assurance that in most cases recommendations would be accepted without much further scrutiny or hesitation. Thirdly, they gave the Board wider powers than had been recommended by the Committee. Whereas the Committee had recommended that the Board should concern itself with pioneer and small industries only, Government allowed the Board to receive and discuss applications for loans from all classes of individuals and corporations engaged in industrial development. Government further agreed with the Committee that no adequate case had been made out for the establishment of an industrial bank and that the question should be left for the future.

*Burn  
Com-  
mittee,  
1924-25.*

8. The Burn Committee of 1924, which was appointed to suggest methods of developing provincial industries and to examine the existing system of technical and industrial education and stores purchase, also considered the question of starting an industrial bank. This Committee, however, agreed with the recommendations of the Sir Thomas Smith Committee and approved of the system of making loans through the Board of Loan Commissioners. It, however, suggested detailed inquiries and speedy disposal of applications for loans.

*The  
Provincial  
Banking  
Inquiry  
Committee,  
1930.*

9. The question of an industrial bank or banks next came before the Central and Provincial Banking Inquiry Committees. The United Provinces Banking Inquiry Committee did not make any specific recommendation on the question whether an industrial bank or banks should be started at once, but was of opinion that one bank should do for the needs of the smaller as well as the organized industries. The question whether there should be one industrial bank for the whole of India with provincial branches or separate provincial banks was left to the Central Banking Inquiry Committee to decide (para. 403).

*The  
Central  
Banking  
Inquiry  
Committee,  
1930.*

10. The Central Banking Inquiry Committee considered the question of the financial requirements of industries in great detail and devoted a long chapter (Chapter XVI) to the subject. There was considerable difference of opinion among the members : eventually

the Committee by a majority adopted the following recommendations :

“ We, therefore, recommend that as an exception to what is stated in paragraph 390 above, if a provincial Government in the discharge of its responsibility for the development of industries within its territories finds it necessary to ensure the supply of financial facilities to industrial concerns, a provincial industrial corporation with branches, if necessary, and working with capital initially or permanently supplied by the provincial Government, should be established . . . We should prefer that the corporation obtained its share capital as far as possible from the public, but in view of the obvious limitations in the present circumstances of India it is necessary that Government should take such portion of the share capital of the corporation as cannot be raised by public subscription. We do not approve of the suggestion that Government should guarantee the share capital of the corporation or the dividend on such capital as, in our opinion, provision of share capital by the Government would give greater confidence to the public than either of the other two measures . . . The share capital should be supplemented by debenture capital not exceeding at the outset twice the amount of the share capital. There should be no difficulty in raising this proportion of debenture capital if the investments of the corporation are sound. If in order to attract investment in such debentures it is found necessary that Government should offer a guarantee of interest on them, Government may give a limited guarantee . . . ; in the case of debenture issues of the provincial industrial corporation, . . . they may, if necessary, purchase a portion of the debentures issued until a regular market has been created for them . . . It is our intention that the proposed corporation should specialize in the provision of long-term capital to industries which should continue to obtain working capital from existing institutions.”

11. In 1932 the local Government appointed the Industries Reorganization Committee with the Hon'ble Mr. (now Sir) J. P. Srivastava, Minister for Education and Industries, as chairman and consisting exclusively of officials, most of whom had experience of the working

*Industries  
Reorga-  
nization  
Committee,  
1932.*

of the Industries Department, to survey the whole field of its activities in detail and to see if there was any avoidable waste and to suggest improvements where necessary. This Committee, when dealing with the question of financial aid to industries, came to the conclusion that it could not put forward any definite scheme and recommended the appointment of a suitable committee of commercial and banking experts to draw up detailed plans. It, however, believed that loans were needed both by big and small industries and made various tentative proposals to be examined by the expert committee.

*Appoint-  
ment  
of present  
Committee,  
1934.*

12. The report of the Industries Reorganization Committee is still under the consideration of Government. In the meantime, our Committee was appointed to examine the question of financial aid to industries and to consider, *inter alia*, the suggestions of the Industries Reorganization Committee on the subject. The following were appointed to the Committee :

(1) Sir Sorabji N. Pochkhanawala,  
KT., Managing Director, Central  
Bank of India, Ltd., Bombay ..

*Chairman.*

(2) Mr. A. L. Carnegie, Managing  
Director, British India Corporation,  
Ltd., Cawnpore ..

(3) The Hon'ble Rai Bahadur Lala  
Ram Saran Das, C.I.E., Member,  
Council of State, Lahore ..

(4) Mr. C. St. L. Teyen, C.I.E.,  
O.B.E., I.S.O., late Managing Director  
of the New Victoria Mills Co., Ltd.,  
Cawnpore ..

*Members.*

(5) Rai Bahadur Babu Vikramajit  
Singh, M.B.E., M.L.C., Cawnpore ..

(6) Mr. Mohan Lal Sah, Banker,  
Ranikhet ..

(7) Mr. J. A. H. Duke of the United  
Provinces Industries Department ..

(8) Rai Bahadur Pandit Radhey  
Lal Chaturvedi, B.A., Deputy Regis-  
trar, Co-operative Societies, United  
Provinces, Lucknow ..

Mr. H. R. Shivdasani, I.C.S. .. *Secretary.*

*Meetings,  
Question-  
naire and  
Evidence.*

13. Our Committee had twenty-two sittings at Lucknow, Cawnpore and Naini Tal. Before framing our questionnaire we had informal talks with certain Government officials in order to obtain an idea of the



( 7 )

existing state of affairs. The response to the questionnaire (reproduced in Appendix I) was fairly gratifying. The memoranda received from joint stock companies, chambers of commerce, individual industrialists, bankers and economists were carefully considered; and the Committee also examined several witnesses orally.

## CHAPTER II

### EXISTING CREDIT FACILITIES FOR INDUSTRIES

#### *Introductory*

*Classification of industries and definitions.*

14. It is usual to classify industries in these provinces as "Major", "Minor" and "Cottage" industries. Unfortunately, however, the term "cottage industry" is understood differently by different persons. For our purpose a cottage industry is one which is carried on by the artisan in or at his own home, either on his own account or under the direction of a *karkhanadar*. If the work is done in a small factory run by a small industrialist, we prefer to call the industry a "minor industry", even if power-driven machinery is not used. As between major and minor industries, however, no sharp line of demarcation can be drawn. Generally speaking, a "major industry" is one which is carried on in a central factory using mechanical power on a large scale; while a "minor industry" is one which is carried on in a small factory usually utilizing mechanical power, though on a small scale. Appendix II (Statements I, II and III) gives lists of industries (prepared by the Industries Department) according to the above classification. As the list of "minor industries" contains all medium and small power-driven factories as well as non-power factories, it naturally includes some industries which are mentioned in the lists of "major industries" and "cottage industries", e.g. glass, weaving, etc.

*Financing agencies.*

15. Financing agencies for industries in these provinces may be classified as follows:

A—Government.

B—Joint stock banks.

C—Indigenous credit agencies.

D—Co-operative societies of artisans.

We now proceed to deal with each of these separately.

#### A—FINANCIAL ASSISTANCE FROM GOVERNMENT

##### (i) *General Survey*

*Aid to major industries.*

16. The evidence placed before us and the conclusions of the Industries Reorganization Committee clearly show that the only help which Government has been able to give to major industries in these provinces has

been in the form of occasional expert advice, provision of staff with some degree of technical training, and in some cases loans (e.g. loans aggregating Rs.7,20,000 have been given to the sugar industry, Rs.4,20,000 to flour mills and Rs.1,76,000 to the glass industry). In the case of the textile, lock and leather industries the Stores Purchase Department has also from time to time purchased their products.

17. Minor industries have been assisted to a certain extent by the training of mechanics, fitters and similar employees in the case of engineering industries, by a certain amount of experiment and research undertaken from time to time by the Industries Department, by grants in the case of new industries, and by loans in the case of deserving and struggling industries.

*Aid to  
minor  
industries*

18. Apart from the general direction and supervision of co-operative societies of artisans by the Co-operative Department, the help given to cottage industries has been mainly in the form of establishing a number of schools meant to improve design and technique. Loans amounting to Rs.70,000 have also been given since 1925 to certain co-operative societies of artisans, such as weavers, durree-makers, shoemakers, etc., through central co-operative banks; and artistic handicrafts have received further help by means of a certain amount of marketing facilities provided by the United Provinces Government Arts and Crafts Emporium.

*Aid to  
cottage  
industries*

19. From the above short survey it is clear that so far *direct financial assistance* has been given in only two forms, namely loans to all types of industries and grants-in-aid to minor industries. Technical advice, establishment of schools and helping in research, no doubt useful forms of assistance, cannot be called direct financial assistance. The provision of marketing facilities for artistic handicrafts through the United Provinces Arts and Crafts Emporium, though a form of direct financial assistance, can only be said to have touched the fringe of the problem of remunerative marketing. The same remarks apply to the periodical purchases by the Stores Purchase Department of textile and leather products, and locks.

20. We now proceed to deal with the results achieved with the assistance of loans and grants-in-aid.

(ii) *Loans*

*Classification of loans.* 21. Loans may be divided into large loans to both major and minor industries, small loans to minor industries, loans to co-operative societies for cottage industries and loans to ex-students of Government schools for the purchase of tools and machinery.

*Amount of loans.* 22. Appendix III, which gives in detail the budget provision for and the amount actually advanced as industrial loans in the years 1921-22 to 1934-35, shows that Rs.15.15 lakhs have so far been advanced in the shape of large loans (i.e. exceeding Rs.10,000 each). Unfortunately, however, more than half of this amount (Rs.8.83 lakhs exclusive of interest in most cases) has had to be written off as irrecoverable. Rupees 36,000 have so far been advanced by way of small loans, a small part of which (Rs.1,714) has had to be written off. Appendix IV gives complete information about all loans given since 1917-18.

*Results of loan policy.* 23. Large loans, on the whole, have been a complete failure, whereas the smaller loans may be said to have been more or less successful. In the case of several large loans not only has Government suffered considerable loss but, except perhaps in the case of glass, they have not accomplished the object for which they were granted.

*Reasons for failure.* 24. Several circumstances seem to have been responsible for the failure of large loans. For instance, there is no doubt whatever that there has been very little expert advice at the disposal of the Director of Industries to enable him to investigate applications properly. It has also not been possible to exercise proper control over the working of concerns to which substantial sums were advanced.

*Paucity of loan applications.* 25. It is noteworthy that not many applications for loans have been received by the Loan Commissioners, only 78 applications having been received since 1917 of which 38 were successful; and since 1931 the Board of Loan Commissioners may be said to have been practically defunct.

26. The paucity of applications does not, however, in itself demonstrate that industries do not stand in need of financial assistance. Several other reasons are responsible for the small number of applications. In the first place, there is the publicity which always

follows such applications; secondly, there are detailed inquiries by subordinate officials which harm the credit of the applicants; and, thirdly, there is often inordinate delay in getting a final answer. Cases were alleged to be on record in which applicants had actually to refuse the loans after they were sanctioned as they had made other arrangements in the meantime.

27. Loans to cottage industries have been given from a small sum which, since 1924-25, has been placed at the joint disposal of the Director of Industries and the Registrar of Co-operative Societies to be utilized for advances to central co-operative banks for the purpose of loans to cottage industrialists. A sum of Rs.70,000 has so far been advanced in this manner. It cannot be held that these loans have appreciably helped cottage industries as co-operative banks have been able to obtain deposits at rates lower than those charged by Government and have, therefore, not found it necessary to apply to Government for loans.

*Loans to cottage industries.*

28. Though the budget provision for loans to ex-students has been only Rs.1,000 a year, most of this amount has remained unutilized. The total amount actually advanced so far has been only Rs.4,000. The main reason for this seems to be the inflexibility and stringency of some of the rules regulating these loans and the fact that the maximum amount that can be advanced to any person is limited to Rs.600.

*Loans to ex-students.*

### (iii) Grants

29. Prior to 1921, money grants to industries were given directly by Government. These grants were first recommended by the Naini Tal Conference of 1907. Since 1921 a certain sum has been placed at the disposal of the Board of Industries for this purpose. Appendix V, Statement I, gives an abstract of grants, given in the period 1921-22 to 1934-35. These grants have, no doubt, served a useful purpose and have helped a number of small industries, but the reason why no striking development has taken place is that the amount at the disposal of the Board is very small.

*Experience with grants.*

### B—FINANCIAL ASSISTANCE FROM JOINT STOCK BANKS

30. In the United Provinces, in addition to the various branches and pay offices of the Imperial Bank, the Allahabad Bank, the Central Bank of India, the

*Number of banks.*

Punjab National Bank and the numerous offices of private bankers, there are 42 joint stock banks which are registered in the United Provinces with subscribed and paid-up capital aggregating Rs.63,89,423 and Rs.54,57,119 respectively. The existence of this large number of banks shows the importance of the provinces so far as agriculture, trade and industry are concerned.

*Cottage industries.*

31. Joint stock banks have practically nothing to do with the financing of cottage industries. These depend on indigenous finance and co-operative societies.

*Assistance to major and minor industries.*

32. As regards assistance from banks to major and minor industries, opinions varied considerably. The conservative school of witnesses, such as the delegation of the Upper India Chamber of Commerce, stated in evidence before us that in the United Provinces no industry floated on sound lines and showing a reasonable promise of success has been unable to obtain the necessary financial assistance. On the other hand, the majority of witnesses, including the delegations of the United Provinces Chamber of Commerce and the Merchants' Chamber of the United Provinces, are not satisfied with the present state of affairs and expressed strongly the opinion that the existing banking system is too inelastic to meet the requirements of provincial industrial development. We are substantially in agreement with the latter view for the following reasons :

(i) In the case of banks with head offices outside the United Provinces, conservatism and lack of personal touch with the borrowers make them hesitate in giving long-term loans freely.

(ii) As a rule, banks insist on a full backing of tangible and easily recoverable security for their loans. They hardly ever take account of the personal credit and integrity of borrowers, not being in close touch with them.

(iii) The existing banks do not co-operate with the Industries Department and are not equipped with the technical knowledge necessary for judging the business prospects of a concern or its commercial value. This difficulty is strongly felt, especially in the case of small industries run by private individuals. In the case of large industries, sufficient data are usually available in balance

sheets and annual reports from which the bank can form an opinion about the financial position of such concerns.

(iv) Banks in India do not encourage long-term advances and generally lend money for not more than 12 months. Such advances, however, are renewed from time to time if the industrial concern is running satisfactorily and the security is good ; but the position is considered to be precarious from the point of view of the industry, inasmuch as the industry can never be certain of obtaining the renewal of the advances and, in spite of being in a solvent state, it may not be in a position to repay the advance on due date.

(v) Smaller industries have, generally speaking, to depend on small banks and money-lenders for financial assistance which is available at rates of interest frequently much higher than they can afford to pay. Such financial help is given largely on personal credit.

(vi) Persons engaged in minor industries and cottage industries do not maintain proper books of account, and banks find it difficult to exercise control over their finances and are unable to determine the amount of credit that may be made available in individual cases. They, therefore, naturally prefer to avoid such business rather than incur unusual risks.

33. Opinion has been expressed that, with the advent of some of the Indian joint stock banks, the loan policy of the larger banks has undergone some modification in recent years. Despite this, it cannot be said that all the necessary financial assistance to all classes of industry has been or will be forthcoming from existing banks.

#### C—FINANCIAL ASSISTANCE FROM INDIGENOUS CREDIT AGENCIES

34. Indigenous credit agencies are of several types. Unfortunately, their terminology and nomenclature is very vague and the spheres in which these agencies work overlap in many cases. There is hardly any co-ordination between them and no conscious effort has ever been made to achieve it. Nevertheless, indigenous credit agencies play a large and indispensable

*Indigenous  
credit  
agencies.*

part in financing trade and industry in these provinces. At the same time, there is evidence that the *kundi* business previously carried on by such agencies has been severally curtailed for various reasons.

35. Very few of the major industries obtain finance from the indigneous credit agencies but many of the minor industrialists have to resort to indigenous financiers, such as *kothivalas* and *sarafs*. Though they do not obtain the necessary credit as cheaply as may be desirable, the minor industrialists would rather deal with these agencies than with joint stock banks. The rules of banks regarding security, etc. are strict and branch managers have practically no discretion. Small traders and business men, we were told, feel also that such banks are unapproachable.

36. Except where there are co-operative societies, the cottage industrialists have to depend entirely on the indigenous financier who frequently is also the "middle-man." He is either a trader who supplies raw materials to the artisans and pays them wages or takes a commission himself when taking over the produce; or he is a *karkhanadar* who combines the functions of the master artisan and financier and employs his fellow-artisans either in his establishment or in their own homes. These middlemen financiers are found in all cities and towns which boast of an ancient prevailing craft, such as woodwork, pottery, shoe-making, brassware, etc. This method of financing cottage industries does not improve the economic status of the artisan who is at the mercy of his financier.

37. Whatever may be their drawbacks, we consider that indigenous financing agencies must be accepted as an indispensable part of Indian society. Unlike modern banks which follow western methods of business, these indigenous credit agencies make their services available at the very door of their clients and their methods and technique have become familiar from time immemorial. No scheme of reorganization can, therefore, omit to take the indigenous credit agencies into account or hope to do away with them. We hope, however, that by arranging easier and cheaper credit the present agencies will become less exacting and more serviceable, and thereby give the necessary impetus to industries to develop. There is evidence to show that



co-operative societies have already been instrumental in reducing the rates of interest charged by money-lenders.

D—FINANCIAL ASSISTANCE TO COTTAGE INDUSTRIES FROM  
CO-OPERATIVE SOCIETIES OF ARTISANS

38. During the course of our inquiry the co-operative movement in the United Provinces was criticized by several witnesses generally and also on account of its lack of assistance to cottage industries. Appendix VI contains the following statements in respect to the year 1931-32 regarding co-operative societies in the provinces of British India and in Indian States taken from the Indian Finance Year Book, 1934 :

*Criticism  
of the co-  
operative  
movement.*

I.—Working Capital.

II.—Number of members.

III.—Number of societies.

The figures given in this appendix, the Committee admit, are not the only basis to judge the progress and the success of the co-operative movement in any province. There are various other considerations to be kept in view, and the internal working of the movement should be carefully examined before an opinion is expressed on its success or failure. Co-operation in the United Provinces has, however, admittedly been disappointing, though not entirely discouraging. We were told, for example, that in these provinces about 1,400 societies work with their own capital and distribute dividends, and collections compare favourably with the figures of most other provinces and States. About 500 societies for village welfare have been formed during the last six years. The Committee feel that it is very difficult to change the angle of vision of the conservative rural masses and hope that the sustained efforts of Government, after the Oakden Committee Report, will produce better results in the near future.

39. We have touched on the movement in general because, in our considered opinion, the finance of rural cottage industries is in essence not distinguishable from rural finance generally. Moreover, the stronger the movement, the better will be the condition of the masses, and from that will follow the necessary impetus to trade and industry.

*Importance of co-  
operation  
to cottage  
industries.*

*Artisan societies.*

40. It is indeed unfortunate that the potentialities of the co-operative movement have not been exploited to a greater extent for the benefit of cottage industry. The number of purely artisan societies in these provinces is only 150, of which 130 are unlimited credit societies, mostly of weavers and leather workers, 15 production and sale societies and 5 purchase and sale societies. The industries which are concerned are cotton, durree and blanket weaving, tanning, brassware, *gur* and *rab* and sugar manufacture, glass and bangle manufacture, and glue manufacture. Cottage industrialists thus are still largely in the hands of the dealers in raw materials, traders and *karkhanadars*.

*Drawbacks of cottage workers.*

41. Though each cottage industry has its own peculiar technique and problems, there are certain difficulties which are common to all and which can best be solved through co-operative methods. Those difficulties are :

(i) difficulty in securing raw material advantageously,

(ii) lack of system in distribution of raw material among cottage workers,

(iii) lack of guidance in production in the matter of quality, standard and design,

(iv) lack of arrangements for giving the necessary finish to manufactured articles,

(v) lack of capital,

(vi) lack of adequate collecting and marketing arrangements.

(vii) lack of stocks to meet urgent orders,

(viii) absence of any idea of costing, and

(ix) conservatism, unreliability and illiteracy of the cottage workers.

*Need of propaganda and demonstration.*

42. It is true that several commissions and committees have from time to time recommended co-operative methods for rescuing and developing cottage industries, but we suggest that in order to infuse the co-operative spirit in the masses, propaganda and successful demonstration are essential factors. Government can assist in the matter of successful demonstration but public-spirited and educated men must come forward and help in preparing statistics and in educating the ignorant cottage workers in co-operative methods.

43. During the last 30 years some spasmodic efforts to organize cottage industries on co-operative lines have been made by the Government through the Co-operative Department. Apart from organizing societies and supervising their working, these efforts have taken the form of giving loans and grants and arranging sales of some of the products of cottage industries but there has been no organized or continuous effort or policy for development.

*Efforts to  
organize  
cottage  
industries.*

44. The first attempt was in Benares in 1905, when the silk weavers were organized into an association for the sale of finished products. Unfortunately, however, mismanagement, fraud, party factions and favouritism soon brought it to an end. The only organization of that time which has survived in Benares is the Said Raja Weavers' Societies. These societies were formed with both producers as well as traders as members. It was hoped that the one class would help the other but the traders soon did their best to exploit the manufacturers and deterioration followed. The efforts of the Department during the past six or seven years, however, have brought about some reorganization and improvement.

*Weavers of  
Benares.*

45. The next attempt made was at Sandila. The weavers' societies there were affiliated to a Central Weavers' Bank. This Bank, in addition to supplying credit, also managed a store for the supply of yarn and ran a factory for manufacture and sale. Owing to trade depression and embezzlements the Central Bank had to be liquidated and a separate registered society for the supply of raw material and sale of finished products on commission sale or return basis was organized. The factory was also registered separately as a weaving and sale society and is now being run on factory lines. In 1932-33 the factory secured orders for the supply of 30,000 yards of jaconet cloth to the Bihar Government Press and 15,000 yards to the United Provinces Government Printing Press, Allahabad.

*Weavers of  
Sandila.*

46. In Tanda there are 32 weavers' credit societies. There, however, on account of ignorance and suspicion, efforts to organize a store for supply of raw material or for sale of finished products have failed.

*Weavers of  
Tanda.*

47. At Agra there are a few credit societies and a store mainly for the benefit of durree and pugree weavers. The store supplies raw material and helps in the sale of finished products. In 1932-33 the store worked at a loss. It puts on the market durrees of superior shade and

*Durree  
and pugree  
weavers of  
Agra and  
leather  
workers.*

colour but its comparatively high prices are responsible for the loss. We understand from one of our colleagues that 15 durree societies worked at a profit in 1933-34. There are also a few leather societies at Agra but nothing particular has been done for them by the store towards the supply of raw material or for the sale of finished products.

*Weavers of  
Bara  
Banki.*

48. At Bara Banki a federation of weavers' societies was formed six or seven years ago. It supplies raw material and arranges sale but it has not made much headway so far.

*Blanket  
weavers of  
Najibabad,  
glass  
workers of  
Nagina  
and  
tanners of  
Jaitra.*

49. Blanket weavers of Najibabad, glass workers of Nagina and tanners of Jaitra were organized for co-operative production and sale. They have all suffered losses on account of lack of technical supervision and marketing, and at Nagina floods also added to the difficulties. The Bangle-makers' Society of Firozabad, we were informed, has been working recently at a profit.

*Open-pan  
sugar  
factories in  
Gorakh-  
pur,  
Kheri, etc.  
Biswan  
vacuum  
pan  
factory.*

50. Small open pan sugar factories organized in Gorakhpur, Lucknow and other districts have been closed for good. Experiments in *rab*-making in the Lucknow and Kheri districts have, however, proved fairly successful.

51. A large vacuum pan sugar factory, with a crushing capacity of 300 tons per day, has been recently put up at Biswan. This is the first co-operative venture of its kind in the country and has been working at a profit.

*Brass  
workers.*

52. There is only one society of brass workers at Oel (district Kheri) organized to supply raw material. It made a very good beginning but it has deteriorated and is moribund on account of the organized opposition of the brassware dealers and disloyalty of the members.

*Miscellan-  
eous.*

53. There are few other miscellaneous societies in different parts of the province. None of them, however, has shown any marked progress.

*Summary  
of experi-  
ments.*

54. Of the experiments made to help cottage industries in production and sale on co-operative lines, those at Agra, Sandila, Lucknow, Biswan and Benares have attained varying degrees of success. In the majority of cases, however, efforts have not proved successful—a

result not peculiar, it would seem, to these provinces; for we find the following in a publication entitled "The State and Industries" (page 65):

" But while there have been a number of successes, the work generally has been extremely difficult and it can hardly be claimed that co-operative methods have made a big impression in any province in this direction as yet. Co-operation demands the possession of qualities with which the cottage industrialist, and especially the handloom weaver, appears to be poorly endowed."

*Reason why  
handloom weaver  
is not  
recombined*

Again, the discussion on cottage industries and handloom weaving in the Fifth and Sixth Industries Conferences held at Simla in 1933 and 1934 shows that there is scarcely any province where societies of cottage industrialists have succeeded. At the last Conference the Chairman, in summing up, observed that while conditions varied in different provinces, co-operation had been distinctly disappointing.

55. Cottage industries being so numerous, it is clear that under any scheme calculated to offer them financial facilities only a few of the industries should be selected at first, and it would be better to give preference to those industries which already have some form of co-operative organization and those which are not likely to succumb to the competition of the machine-made article. The new organization should strengthen them by giving them constant technical help and guidance and by exercising close supervision. Every cottage industry, if it is to be helped properly, must have both primary and central organizations and the interests of the industry should be looked after from the raw material to the sale stage.

*Suggested  
lines of  
improvement.*

56. The rate of interest at which credit is available to cottage industries is also an important factor. One of the difficulties of the existing artisans' societies appears to be the high rates of interest at which credit is provided to them, with the result that cottage industrialists, who are members of these societies, have to pay about 15 per cent. on their borrowings. This rate may or may not be lower than the individual artisan is charged by other credit agencies, but few industries at the present time can earn a 15 per cent. margin of profit even taking into account the fact that the cottage worker's labour charges are very low since he

works in his own home and during his spare time. Central banks and individual societies must keep a substantial margin for bad debts, but this margin can be maintained only if Government lent money to central banks at a low rate of interest or extended the practice of advancing money direct to societies which are worked satisfactorily with their own resources. If credit could be provided to the individual artisan at, say, 6 or 7 per cent. per annum, an improvement in his condition should follow.

### *Conclusion*

*Need for a  
new  
organiza-  
tion.*

57. The conclusion which emerges from the preceding statement of the present position is that existing facilities are inadequate, and that some organization is required which can give a helping hand to new and deserving enterprises and come to the rescue of established ones which need extensions or are temporarily in difficulties. The efforts of Government to meet this need through loans and grants have so far proved more or less a failure as is evident from the facts related in the earlier part of this chapter. What is necessary is an organization which will not be handicapped by those difficulties which have prevented Government from achieving the desired result.

58. It is desirable that Government should not engage in business but should confine its activities to assisting those who are engaged in trade and industry and who are suffering for want of finance, organization and publicity. Government help further should be rendered not directly but through an organized institution or institutions in a position to take all the responsibility of business on themselves. We have given careful consideration to the form such organizations should take ; and in the following chapters submit our proposals for two which, we believe, will help to meet the present industrial requirements of these provinces.

## CHAPTER III

### PROPOSED BANKING STRUCTURE TO AID MAJOR AND MINOR INDUSTRIES

#### *The United Provinces Industrial Credit Bank, Ltd.*

59. During the course of our enquiry it was made evident that credit facilities in these provinces available at present to foster and develop industry are not adequate, and that there is room for expansion of credit facilities of this nature. Of late, there has been considerable industrial development, but this development in the case of both major and minor industries has been retarded by insufficiency of finance. Instances were brought to our notice where the establishment or development of an industry, especially minor, has been hampered by insufficient finance. *Introductory.*

60. The United Provinces Government have been endeavouring hitherto to extend aid through their Industries Department. This help, however, for several causes has not, on the whole, proved effective. While Government aid in this direction is certainly essential, the present budgetary position scarcely warrants our suggesting that Government should undertake a liability of any very considerable proportion. It is expedient, therefore, that we should devise an agency that should be able to finance, consistent with safety, those industries of the provinces which can establish a claim to aid and protection in a form which would obviate undue strain on provincial finances.

61. We have carefully considered the advisability of establishing more than one institution for financing provincial industries, and we are of opinion that two distinct agencies are necessary—one for financing major and minor industries and the other for assisting mainly cottage industries. The former should provide long and short-term finance: the latter is designed to assist cottage industries in finding a market and in financing the purchase of raw material and the sale of finished goods. We are recommending accordingly in this chapter a banking organization to aid major and minor industries and, in the next chapter, a separate organization for assisting cottage industries in finance and

marketing. The latter might also cover some of the minor industries in need of short-term credit. Further, we propose that these two institutions should be inter-dependent, so that industry may benefit to the greatest extent possible.

62. We now proceed to suggest the broad lines on which the institution meant to provide long and short-term credit to major and minor industries should be established.

*Name and  
objects.*

63. A joint-stock bank should be established under the title of "The United Provinces Industrial Credit Bank, Ltd.", with the head office preferably at Cawnpore. Its duties may appropriately be defined as under :

(1) to give long and short-term credit facilities to major and minor industries with a view to encourage and assist those engaged in industry ;

(2) to lend money against sufficient security in the shape of fixed and floating assets ;

(3) to give credit facilities to those engaged in major and minor industries, or for the establishment of new industries, under the guarantee of Government in the absence of adequate security, where Government is of opinion that such assistance is necessary in the interest of the industrial development of the provinces ;

(4) to underwrite, subscribe to and invest in shares of joint-stock companies registered in the United Provinces and connected with industries having prospects of attaining commercial proportions ;

(5) to lend money on immovable property, bills of lading, documents of title, promissory notes of two or more parties, debentures, Government promissory notes, etc. ;

(6) to encourage the purchase of machinery, materials, etc. on the hire-purchase system and to supply funds and give guarantees for that purpose.

*Capital.*

64. The initial authorized and issued capital of this Bank should be fixed at Rs.25 lakhs, divided into 100,000 shares of Rs.25 each to be called up as follows :

Rupees 5 on application,

Rupees 10 on allotment,

and the balance in two calls of Rs.5 per share each at intervals of not less than three months.



65. The local Government should guarantee a dividend on the *initial paid-up* capital of the Bank at the rate of 4 per cent. per annum (this rate has been suggested, having regard to present monetary conditions) free of income-tax. If, however, the Bank pays a dividend of 6 per cent. per annum, free of income-tax, after making due provision for bad or doubtful debts, depreciation on securities and other assets and such other contingencies as are usually provided by bankers, for five consecutive years out of its own earnings, the Government guarantee in respect of dividends shall terminate. In no case should the Government guarantee continue for more than 20 years.

*Government aid.*

66. Now let us examine the liability which may fall on Government under the above scheme. Assuming the partly paid-up capital of the Bank to be Rs.15 lakhs, Government would be liable to the shareholders for a sum of Rs.60,000 a year for a dividend at 4 per cent. per annum, plus income-tax thereon, plus the expenses of the Bank which we put at about Rs.2,000 a month. Let us assume that, in the first year, Rs.5 lakhs of this capital is advanced to industries at 6 per cent. per annum and the balance of Rs.10 lakhs is invested at 3 per cent. per annum in gilt-edged securities till such time as it is required for loans to industries. The income of the Bank would amount to not more than Rs.60,000 in the first year, assuming that there are no other sources of income to the Bank. Deducting Rs.24,000 for expenses, the Bank would earn Rs.36,000 only, that is Rs.24,000 less than the amount required to pay the guaranteed 4 per cent. dividend. Till such time as the earning capacity improves by employing the balance of the capital at 6 per cent. or other remunerative rate in industrial concerns, Government would be responsible to make good this deficiency of Rs.24,000 a year to the Bank. Should the Bank succeed in employing its capital of Rs.15 lakhs at 6 per cent., it would earn Rs.90,000 a year which would enable it to carry forward a small surplus after paying 4 per cent. per annum and after meeting working expenses. We hope, however, that with the growth of the Bank, its deposits will increase and with better inquiry for loans from industries the profit of the Bank will also increase. The balance of the capital could be called up when required ; and when the whole capital is invested in sound loans to industries, the Bank should

*Liability of Government.*

be able to earn about Rs.1,50,000 a year, which would leave a surplus of some Rs.25,000 in the year after paying a dividend at 4 per cent. and meeting all expenses. We recognize time will elapse before such development takes place, and it is not impossible that 5 or 10 years will pass before the Bank is able to earn 6 per cent. per annum, but, in any case, the liability of Government under the above scheme will be limited and will be reduced *pari passu* with the growth of long or short-term advances.

*How to  
meet the  
liability.*

67. In order that the liability may be satisfactorily met without a strain on their finances, we suggest that Government should provide a sum of Rs.50,000 to Rs.60,000 annually in the budget against this liability and that this sum should be earmarked—

(i) to meet the deficit, if any, to make up the dividend of 4 per cent. per annum free of tax to the shareholders of the Bank, and

(ii) to cover any charge against Government guarantee in respect of advances at their request by the Bank.

The whole sum should be credited every year with the proposed Bank to a special account to be called "The Industrial Banking Account", and any unspent balance should not lapse but should be carried forward from year to year. By setting aside this small sum every year, Government, under the above scheme, will be instrumental in providing financial assistance to the extent of at least Rs.25 lakhs to indigenous industries through the Bank. Under efficient management and with the co-operation of the general public and those engaged in industries, large and small, the Bank should play not only a prominent part in providing adequate financial aid to existing industries, but should also be instrumental in promoting new industries in these provinces.

*Business  
of the  
Bank.*

68. In addition to the business set out above, the Bank should be free—

(i) to open current accounts only for those who have taken advances from the Bank. The public should not be allowed to open current accounts as it is not desirable that the Bank should incur demand liabilities of any nature, as its funds would be generally invested in long-term credits.

It may, however, accept deposits for long periods from the public,

We recommend that Government should also permit municipalities and other public bodies to deposit money with this Bank.

(ii) to discount bills, promissory notes, hundis, etc. and to open over-draft and cash credit accounts with or without security of persons directly or indirectly connected with provincial industries.

69. We recommend that the Board of Directors of the proposed Bank should consist of—

*Directors and their qualifications.*

four Directors elected by the shareholders, and

three Directors nominated by Government.

No Director should be permitted to borrow from the Bank directly or indirectly. The qualifications of Directors should be as under :

(a) They should have been intimately engaged in trade, commerce or industry for over five years.

(b) They should have been resident in the United Provinces for 10 years or more.

(c) They should hold shares of the Bank of the face-value of not less than Rs.5,000.

70. The first Chairman of the Board and the other six Directors should all be initially appointed by Government. Of these, the three Government nominees will hold office for 5 years, unless any of them is replaced by Government during this period. On the expiry of 5 years Government may re-nominate them or replace any of them as may be deemed proper. The remaining four Directors will retire at the first annual meeting, but will be eligible for re-election. Every year thereafter one of these Directors will retire by rotation, but will be eligible for re-election.

*First board of directors.*

71. Ordinary shareholders should have one vote for the first five shares and one further vote for every 10 shares thereafter.

*Voting power.*

72. The Bank accounts should be audited every month by two firms of qualified accountants, Government having the right to appoint one of them and the ordinary shareholders the other.

*Auditors.*

*Management.*

73. The management should consist of—

(a) a Manager with banking knowledge and experience of not less than 10 years on a salary of about Rs.750—Rs.1,000 per mensem ;

(b) one head clerk with knowledge of book-keeping and banking accounts on a salary of about Rs.100—Rs.150 per mensem ;

(c) two clerks on Rs.40—Rs.50 per mensem each ; and

(d) two cashiers on Rs.100 per mensem each.

With an increase in the Bank's business, an accountant could be added on Rs.200—Rs.250 per mensem.

*Intelligence department.*

74. In addition to the above, the Bank should maintain an Intelligence Department on which will fall the burden of inquiries regarding the means and credit of borrowers and the task of obtaining correct reports on the market value of the securities offered. Honest and intelligent information on all matters connected with loans and advances will have to be supplied to the Manager and through him to the Board of Directors. This department should be assisted by the Industries Department in matters closely connected with inquiries pertaining to individual cases. The head of this department should be a local man well acquainted with the commercial community and the conditions of these provinces—preferably, a retired man with some experience of the industries on Rs.200—Rs.300 per mensem. One assistant will be required on a salary of Rs.100—Rs.125 per mensem. Later on, the staff could, if necessary, be increased.

*Working expenses.*

75. The total expenses of the Bank, including rent, should not exceed Rs.2,000 per month in the first two or three years of its existence, unless the business of the Bank expands beyond present expectations.

*Direct State-aid to industries not desirable.*

76. Direct aid to industry by Government is likely to entail the undermentioned disadvantages :

(i) Government, in spite of its resources and the assistance of the Industries Department, is not in as favourable a position as a bank, conducted on well-established business principles, to look after the safety of money advanced to industries.

(ii) Government cannot be expected to remain in personal touch with borrowers and is not in a position to exercise that strict control which a bank is able to do with its business experience and the staff at its disposal.

(iii) Loans, when given directly by Government to industries, are seldom repaid on due date. Greater care is taken by borrowers to repay them to a bank.

77. It is for the above reasons that we recommend in direct Government help to industry through the proposed Industrial Credit Bank, so that money may be lent in a business-like manner to the right parties, thereby helping industries with a legitimate claim to financial aid.

## CHAPTER IV

### Scheme for financing cottage industries and marketing products

THE UNITED PROVINCES PRODUCTS FINANCING AND  
MARKETING CO., LIMITED

#### *Introductory*

*Need for  
marketing  
facilities.*

78. The evidence we received has made it clear that certain industries in the United Provinces, especially cottage and minor industries, have been suffering to a great extent owing to the lack of any proper marketing organization. We are aware that no scheme meant to provide cheap credit to industries can achieve the desired result unless such credit facilities are properly backed up by adequate marketing facilities.

*What  
marketing  
means.*

79. For this purpose, it is important that a more direct link be established between producers and consumers to enable the former to study the requirements of the latter. Manufacturers must know what purchasers need, how new tastes can be formed and fresh demand created. They must not only know how to preserve and develop existing markets but how to get into touch with new markets. New sale methods, new ideas of publicity, new methods of canvassing and propaganda are some of the means essential for the successful organization and creation of fresh markets.

*Difficulties  
experienced  
by cottage  
and minor  
industries.*

80. All this requires a net-work calling for the standardization of production, arrangements for speedy supply and sale of finished articles, and capacity for adaptation and assimilation. Major established industries can, to some extent, afford to provide for themselves some such organization, but it is obvious that cottage industries and many minor industries cannot. The resources of cottage industrialists are very limited; most of them are illiterate and poor and are averse to leaving the traditional and conventional ways of business of their forefathers. They are capable of changing the old stereotyped designs to suit modern tastes only if they are properly directed and are encouraged in the disposal of such products. The greater majority of them do not know where to sell their goods and how

to get the best terms. They are, as a rule, in the hands of local dealers, often as ignorant of market conditions as themselves, who have the capital to finance them and who professedly act as their sale agents.

81. The local dealer usually manages to get all the products of the artisan hypothecated to him in consideration of a small advance of capital. He knows very little about marketing methods, demand or advertising. He is incapable of improving the quality of the work of the artisan. He does not know what quantity should be produced to ensure a steady sale. His sole object is to obtain the cheapest possible article and this has resulted in a progressive deterioration in quality.

*Handicaps  
of dealing  
through  
local  
dealers.*

82. We consider that, especially in the case of minor industries and many cottage industries, the problem of sales at a reasonably remunerative price is of as much importance, as, if not of greater importance than, the problem of providing credit and improvement in the technique of manufacture.

*Conclu-  
sion.*

83. The only agency so far at work under Government supervision and control for promoting, developing and marketing of artistic and other products is the United Provinces Government Arts and Crafts Emporium. It will be useful to set out here a brief history of its inception and progress.

#### *The United Provinces Government Arts and Crafts Emporium*

84. In 1915, a depot was started at Cawnpore. The object was to concentrate there the products of cottage industries and to effect sales to foreign and other buyers so that purchasers might obtain genuine articles to the benefit of the producers.

*Depot at  
Cawnpore,  
1915.*

85. In 1919, this depot was transferred to Lucknow under the name of the Arts and Crafts Emporium and placed under the charge of the Principal of the School of Arts and Crafts. Thenceforward its activities were limited only to artistic wares and its main object was to develop the overseas trade in these wares. It enjoyed a virtual export monopoly of artistic goods from these provinces. The results were promising in the beginning, as there was a steady demand for selected designs to the satisfaction of both buyers and suppliers:

*Depot  
transferred  
to  
Lucknow  
in 1919.*

*Embezzle-  
ments.*

86. Shortly after, the Emporium had to face a disaster owing to certain irregularities and embezzlement of its funds. There was an inquiry and some members of the staff had to be removed in 1923.

*Reorgani-  
zation on  
business  
lines.*

87. This led to the adoption of a new policy. It was decided that the Emporium should be reorganized purely on business lines, the aim being that it should be a self-sufficing concern which must pay its own way. It was removed from the Arts and Crafts School and lodged in the business centre of Lucknow with a business manager in place of the Principal of the Arts and Crafts School at its head.

*Recom-  
mendations  
of the  
Burn  
Committee.*

88. The Burn Committee of 1925 suggested the splitting up of the business of the Emporium under three heads :

(i) agency work for manufacturers who would deposit samples at the Emporium at rates for wholesale consignments ;

(ii) sale on commission basis of articles on behalf of manufacturers ; and

(iii) purchase of specially selected products and their retail sale.

*Emporium  
a retail  
curio shop.*

89. In practice, however, manufacturers did not utilize the services of the Emporium either for agency or sale work. The Emporium, therefore, degenerated into a small shop full of artistic goods to be looked upon merely as curios. There were heavy overhead charges without expansion of business, and it soon became apparent that it must fail as a paying concern. It no doubt did propaganda work, but that was scarcely one of its functions.

*Emporium  
for  
business  
and propa-  
ganda.*

90. At this period (1929) Government's point of view also changed, and the policy of " State aid to cottage industries " was given official recognition. The idea was that Government should not enter business merely to make profit but should also stimulate the general trade of these provinces by means of publicity and by giving aid to organized traders to enable them to stand on their own legs. The Emporium thus underwent another transformation. Government decided to subsidize the Emporium to the extent of Rs.20,000 a year to help it in its publicity and propaganda programme.



91. Appendix VII gives details of the turnover made by and the amount expended on the Emporium from 1924-25 to 1933-34. The total business done during the last 10 years can hardly be considered satisfactory when we take into consideration the hundreds of artisans employed in the cottage industries of the United Provinces and the capital invested in the manufacture of indigenous products. The average annual sale in the last 5 years of Rs.21,000 locally, of Rs.20,000 through branches in India and of under Rs.3,000 in foreign countries is certainly not encouraging when we take into account the importance of such an institution working under Government supervision and subsidized to the extent of Rs.20,000 a year. The subsidy, we note, comes to over 40 per cent. of the average turnover.

*Analysis  
of the  
business  
done by the  
Emporium*

*Scheme proposed*

92. In the light of the above facts and the views expressed by several witnesses, the Committee feel that the minor industries and many of the cottage industries in the United Provinces require some better form of organization than that provided by the Arts and Crafts Emporium to link the producer with the manufacturer, to improve the quality of work produced by the artisans, to help them financially and to obtain for them more remunerative prices. To fulfil these objects, we consider that an institution working on joint stock lines is required which might bear the title of "The United Provinces Products Financing and Marketing Co., Ltd."

*The  
United  
Provinces  
Financing  
and  
Marketing  
Co., Ltd.*

93. In view of the important and useful functions which, we sincerely hope, the proposed company will discharge in the production and marketing of local products, we feel that it must not be handicapped at the very start for want of sufficient capital. This is essential if it is to inspire confidence among manufacturers, dealers and consumers; and for these reasons in a later paragraph we have put the initial capital at Rs.5 lakhs.

*Need for  
sufficient  
capital.*

94. Present conditions in these provinces do not encourage us to indulge in the hope that the investing public will of themselves undertake the task of starting such an organization. Nor is it possible for Government to subscribe the capital. At the same time, without some support by Government and financial backing by

*Promotion  
of  
company.*

the proposed bank, we recognize that the new marketing company cannot come into existence and continue to function satisfactorily. We have reviewed the matter in all its bearings, and accordingly recommend that, subject to the promise of an annual subsidy by Government, the Directors of the Bank after a full study of the prospects of the Marketing Company should consider the advisability of themselves promoting its establishment as early as possible.

*Advantages to the Bank from the Marketing Company.*

95. In promoting the Marketing Company we feel that the Bank should derive certain advantages, some of which we mention below :

(i) The marketing organization (subsidized by Government even if only for a few years) should be able to show good results and earn a fair dividend on the capital employed within two or three years of its working. This would directly benefit the Bank.

(ii) The Marketing Company should offer a good field for the investment of the Bank's funds.

(iii) The Marketing Company should be able to give the Bank a fair amount of local bill, and bill discounting business.

(iv) The Marketing Company will assist the Bank in lending small sums to producers, co-operative societies and dealers all over the provinces, especially in those parts where it would be difficult for the Bank to get in touch with such business.

(v) With Government and Bank representatives on the directorate, the business of the company will command greater public confidence.

(vi) With an increase in the sale of United Provinces products, the activities of the company will necessarily increase in the interest of and for the benefit of the Bank and industry in general.

(vii) The Bank will be able to utilize the services of the Marketing Company for the valuation of goods against which money is advanced by it and in the sale of hypothecated goods.

We now proceed to give details of our scheme for the organization of the United Provinces Products Financing and Marketing Company, Limited.

96. At present, Government gives a subsidy of Rs.20,000 a year to the Arts and Crafts Emporium. We recommend that this subsidy, raised slightly to Rs.25,000, should be continued and paid to the new company, at least for five years, with an option to Government to continue it for a further five years if Government is satisfied that useful work has been done by the company in promoting cottage and minor industries and marketing their products. This help should encourage the new company to undertake propaganda and publicity work and to increase the demand for and sale of United Provinces products, as the success of their business will entirely depend on these factors.

*Present Government subsidy to continue.*

97. The capital of the United Provinces Products Financing and Marketing Company, Limited, should be fixed at Rs.5 lakhs divided into shares of Rs.50 each. The total capital should be underwritten by the proposed Industrial Credit Bank and offered to the public. No dividend will be guaranteed by the Bank or by Government. It will probably not be necessary to call up the full amount of the capital at once. For the first few years possibly less than 50 per cent. will suffice.

*Capital to be underwritten by the Bank.*

98. The Marketing Company, when convenient to its Directors and Government, should take over the stocks, liabilities and assets of the Arts and Crafts Emporium after satisfying itself about their correctness and value and after allowing for depreciation, etc. It should pay the proceeds to Government in fully paid up shares of the Company.

*Absorption of the Emporium.*

99. The Board of Directors of the Company should consist of two representatives of the United Provinces Industrial Credit Bank, Limited, two representatives of Government (preferably retired businessmen or retired officials with knowledge of trade and industries), and three representatives of shareholders—one retiring every year but being eligible for re-election.

*Board of Directors.*

100. The Company may be empowered to engage in the following business :

*Business of the Company.*

(1) to buy United Provinces products from manufacturers for sale ;

(2) to get consignments of products for sale on account of manufacturers ;

(3) to open shops at different centres within and outside the provinces for the sale of products ;

(4) to appoint sale agents in and outside the United Provinces ;

(5) to supply raw material to manufacturers ;

(6) to make advances against raw material, as well as manufactured articles ;

(7) to make clean or secured advances to cottage industries, directly or through co-operative societies ;

(8) to borrow from Banks on clean credits or against stocks ;

(9) to open advisory bureaux, to instruct, demonstrate and suggest improvements in shape, design and quality of manufactured articles ;

(10) to carry on propaganda by advertising widely, publishing catalogues, bulletins, exhibiting samples in show cases at railway stations, in passenger ships, tourist offices, hotels, museums, exhibitions and other places ;

(11) to encourage the sale of products within and outside the United Provinces by employing commercial travellers and arranging a net-work of agencies and branches ;

(12) to take over the products of co-operative societies, cottage weavers and other cottage workers made according to accepted standard samples ; and

(13) to draw, accept, and endorse bills, hundies, etc.

*Advisory  
offices and  
agencies.*

101. In view of the large area of the provinces and the fact that manufacturers and those engaged in cottage industries are spread over different parts, it will be necessary to open offices of the Company at several convenient centres or appoint co-operative artisan societies as agents to—

(1) give instruction and advice in the manufacture of articles ;

(2) acquaint artisans from time to time with the standard or quality required by the market ;

(3) lend them money or supply them on credit with raw material required for manufacture ; and

(4) enable artisans and manufacturers to sell their products to the Company.

By employing travelling agents with business experience and a successful training in this line, the Company should have a reasonable chance of achieving the above objects.

102. The marketing of provincial products through the United Provinces Products Financing and Marketing Company, Limited, should, we suggest, be done through two channels :—

*Stores.*

- (i) by opening its own stores ; and
- (ii) by arranging with existing stores which sell Indian goods.

We recommend the first source only for places where no satisfactory arrangement is possible through existing stores including co-operative stores. Our second proposal could be developed in various ways. Much of the success of the Marketing Company will depend on the business capacity and experience of the persons employed by it.

103. There are many stores of good reputation existing in various parts of the United Provinces as well as outside which deal only in Indian manufactured goods. Arrangements could be made with them to allot a specified space for exhibiting and selling United Provinces products only, so that customers and the public may have a fair idea of the goods manufactured in the provinces. Stores prepared to give this kind of facility may be allowed by the Marketing Company certain concessions in the shape of rent, credit or special commission. Publicity work should be left in the hands of the Company itself, and as often as possible, preferably once a month, the public of every principal city where United Provinces manufactured articles are sold should be informed regarding the place where they can be obtained. Instead of opening its own stores, we think the above recommendations, if adopted will greatly help the Company at least during the early period of its existence.

*Stores for Indian manufactured goods.*

104. It would, in our opinion, be necessary for the Marketing Company to run a show-room on a big scale for exhibiting articles manufactured in the United Provinces, and every facility should be offered to manufacturers to exhibit their goods subject to all inquiries being made through the Company, and all orders received through them being executed at the maximum

*Show rooms and exhibitions.*

commission allowed by manufacturers. The Company should also arrange to hold periodical exhibitions in the United Provinces as well as in other parts of India for the display of goods manufactured in the provinces. Care should be taken to group them separately as far as possible in exhibitions. The cost of running such exhibitions should be recovered from the exhibitors and must not be borne by the Company, which should merely take the lead. Government should also help and encourage such exhibitions by offering relief in cost and saving exhibitors and stall-keepers thereby from heavy expenses.

*Help by  
artisan  
co-operative  
societies.*

105. Co-operative artisans' societies can do a great deal of useful work in helping the cottage industries if the societies function on right lines. Under the scheme of the Marketing Company such societies will be able to play a very prominent and useful part in the development of cottage industries in the United Provinces. The Company will appoint them as their agents at small industrial centres and lend them, or through them, money to artisans. The societies will receive from their clients manufactured goods, which could be handed over to the Marketing Company for sale at the best prices available, or the Marketing Company could buy these goods on its own account at mutually accepted prices. The artisans can be supplied with implements, raw materials, designs and instruction by the Company, directly or through co-operative societies, and thus a link will be formed between the manufacturers of industrial products and their purchasers through the Company.

*Discount-  
ing of  
bills.*

106. We have fixed the capital of the United Provinces Industrial Credit Bank, Limited, at a low figure to start with, bearing in mind the facilities that will be available to the Credit Bank from the Reserve Bank of India in the rediscounting of their bills. This should lead gradually to the expansion of bill business in the United Provinces. The Marketing Company could give short-term and long-term credit to the purchasers of United Provinces products and they, in turn, could receive credit facilities from the Credit Bank by discounting their bills and the bank could place itself in funds by rediscounting the same bills with the Reserve Bank. Thus a link between the Reserve Bank and the purchasers of products will be formed in the following manner :

The Reserve Bank

The United Provinces Industrial Credit Bank, Ltd.

The United Provinces Products Financing and Marketing Company, Ltd.

Purchasers of United Provinces Products

107. In our opinion the following will be the advantages of establishing a joint stock company on the above lines :—

*Advantages of the scheme.*

(1) By giving the Company a subsidy of Rs.25,000 every year Government will greatly help in promoting, improving and developing cottage industries and through the proposed Marketing Company better results should be achieved than those achieved at present with the subsidy to the Arts and Crafts Emporium.

(2) Credit facilities will be given to artisans engaged in cottage industries as well as to purchasers of United Provinces manufactured articles by the Marketing Company, increasing thereby the production as well as the sale of articles.

(3) In spite of its small capital, the Marketing Company should be in a position to do a substantial business turnover through the help of the United Provinces Industrial Credit Bank, Limited, and credit facilities, if properly administered, could be augmented when required, as already explained, through the Reserve Bank without expansion of capital and without having to fall back on Government resources.

(4) It will be in the interests of the Marketing Company to give wide publicity to United Provinces products and to introduce these goods in local as well as other Indian and foreign markets.

(5) With good financial credit at its command, to be supplemented when required by the United Provinces Industrial Credit Bank, Limited, the Marketing Company will be able to offer better facilities than hitherto obtainable to producers as well as to consumers of United Provinces goods.

(6) It will encourage artisans to produce a better class of work, as the Company will be in a better position than ordinary middlemen to appreciate their work and they should be able to get a better price through its well-equipped organization.

(7) Co-operative artisans' societies will find in the Marketing Company an organization ready to help them with cash and credit at a rate of interest

lower than that at present paid by them to Government. The Company will also be helpful to the societies in the disposal of their manufactured goods.

(8) The Marketing Company will be able to enlist the aid of the Industries Department and other departments under its control without much cost.

(9) The Marketing Company should also be able to provide work for intelligent students educated in industrial classes and supply them with tools and materials to start work.

(10) A company of the standing of the Marketing Company will be regarded by local and foreign merchants as reliable as far as the quality and standard of its wares are concerned.

(11) The Company with its expected efficiency and the resources at its disposal will be able to increase the trade demand for United Provinces goods by studying the requirements of the public and by determining ways and means to supply the requirements of the market.

(12) The Marketing Company will come into close touch with the United Provinces Government Stores Purchase Department, and, studying their requirements, will be able to guide manufacturers.



## CHAPTER V

### GENERAL MATTERS

108. Before we conclude our report we deem it expedient to bring to the attention of Government the evidence of some witnesses on the probable effects, on the future financing of trade and industry in these provinces, of the several legal enactments passed by the legislature in 1934 in connexion with agricultural indebtedness. In their opinion, as a result of the passing of these Acts, banks and other credit agencies in the United Provinces have withheld or considerably reduced credit facilities to trade and industry. They think that banks and other credit agencies (unless some kind of protection is given to them) will have to restrict money-lending and only operate where their money will be safe and adequately protected under the law. It is not within our province to discuss the merits of the debt legislation, but we are of opinion that steps should be taken to restore confidence among banks and other credit agencies.

*Effects of  
debt legis-  
lation.*

109. After careful consideration we suggest that industrial development in the United Provinces should be encouraged mainly on the lines of public joint stock companies as against individual trading and ordinary partnership. This would avoid any complications likely to arise from the new enactments and will create a feeling of confidence and trust between the debtor if a joint stock company and the creditor. Business on joint stock lines has many advantages, and once the public begin to appreciate them, they will, it is hoped, come forward to contribute their share in the economic development of the provinces. Companies registered under the Indian Companies Act can be worked and administered better than ordinary partnership concerns, and money-lenders and other credit agencies will be in a better position to estimate the credit that could be safely made available to such companies. The audited balance sheets of joint stock companies give a good general idea of their business position, and credit facilities would be more easily available to them if their position as revealed in their balance sheets is found satisfactory.

*Joint stock  
companies  
in place of  
private  
partner-  
ships.*

*Stock  
Exchange  
for the  
United  
Provinces.*

110. From the figures supplied to us we find that there are 368 companies registered in the United Provinces within the last ten years. According to the statement issued by the Registrar of Joint Stock Companies there are 380 companies on the list with subscribed and paid up capital of Rs.10,80,59,406 and Rs.8,69,80,351 respectively. With the number of companies registered in the United Provinces in which over 8 crores of rupees have been invested, it is somewhat surprising to find no stock exchange in any part of the provinces. Although the shares of some of these companies are quoted on the Calcutta Stock Exchange, there are no facilities in the provinces for dealing in the shares of companies registered in them. We consider that the establishment of a Stock Exchange would be useful in fostering the habit of investment in joint stock companies; and we recommend accordingly the opening of such an exchange at Cawnpore. It is not necessary to restrict the business of the Stock Exchange to shares of companies registered in the United Provinces only; all classes of business normally dealt with by a stock exchange should be permitted.

*Industries  
Depart-  
ment.*

111. It is not within the scope of our inquiry to offer any remarks on the working of the Industries Department except to consider the question of its financial requirements for introducing and improving major, minor and cottage industries. Under our two schemes the co-operation and guidance of the Department will be essential and the success of our schemes will largely depend on the support they receive from this department.

112. Cases of industries requiring the backing of Government in obtaining financial assistance in one form or another will be brought before the Directors under the two schemes recommended by us; and it will be competent for them to recommend to Government for further investigation proposals requiring special consideration and assistance at the hands of the Director of Industries, especially with reference to subsidies, bounties, expert advice, transport facilities, facilities for preliminary experiments, etc. Similarly the Director of Industries will be able to recommend to the Bank and the Marketing Company cases which, in his opinion, deserve financial and marketing assistance, with or without Government guarantee. There will thus be co-ordination between the Industries Department and the

proposed organizations to the general benefit of those desiring financial assistance from the Bank or Government.

113. For obvious reasons we do not mention here the terms and conditions on which such advances to industries should be made by the Industries Department or the proposed institutions. Each case will depend on its own merits and the Boards of Directors of the two companies must be competent to determine the security in each individual case as well as to fix the terms regarding repayment, etc.

114. Several witnesses complained of the handicap to industry due to octroi and terminal duties levied by local bodies. We hold that no hard and fast rule can be laid down in this matter ; but we agree with the Industries Reorganization Committee that the advisability of giving relief by remitting octroi or other taxes in special cases should be considered and decided by Government in each individual case.

*Octroi and other duties.*

115. We commend our two schemes to the attention of the United Provinces Government, as, in our opinion, they will be instrumental in providing financial facilities to several existing industries of the provinces and also to industries about to be introduced. We do not, of course, claim that they will provide an immediate or complete solution of the difficulties of industrial finance, but we believe that they will, if properly administered, improve appreciably the credit facilities now obtainable in the provinces.

*Conclusion.*

## CHAPTER VI

### SUMMARY AND ACKNOWLEDGMENTS

#### *A—Summary*

*Introductory.*

116. We now proceed to summarize our report. The main report consists of five chapters. Chapter I contains a brief history of events leading to the appointment of our Committee of inquiry; Chapter II deals with the existing credit facilities to industries in the United Provinces; Chapters III and IV contain our main recommendations; and in Chapter V we have dealt with certain matters of general industrial interest connected with our inquiry.

*Historical (paras. 1-13).*

117. Our report opens with a reference to the importance of credit in the development of industries. We then briefly mention the suggestions and recommendations of the various committees appointed from time to time to investigate this matter, beginning with the Naini Tal Conference of 1907 and ending with the Industries Reorganization Committee of 1932.

*Classification of industries and of credit agencies. (paras. 14-15).*

118. We have classified industries into major, minor and cottage; and have described existing financing agencies.

*Government aid (paras. 16-29).*

119. Hitherto Government has endeavoured to give financial help to indigenous industries by means of loans and grants to various industries, by assisting in the marketing of artware and by periodical purchases of textile and leather products through the Stores Purchase Department. We find that experience with loans has been unhappy. Not only have loans proved a source of loss to Government but in most cases the industry concerned has not been assisted to any satisfactory extent. Grants have served some useful purpose, but they have a somewhat demoralizing effect on business enterprise. The Arts and Crafts Emporium established for the marketing of artistic wares has not shown any outstanding progress and at best has touched only the fringe of remunerative marketing.

120. In spite of some change in policy in recent years, banks cannot be said to have given adequate financial assistance to industries. The main difficulty is their aversion to the granting of long-term credit.

*Aid from joint stock banks (paras. 30-33).*

121. Indigenous credit agencies finance many minor industries and most of the cottage industries. In spite of several drawbacks they are accepted as an indispensable part of Indian society because their methods and technique have become familiar from time immemorial. The financing of cottage industries through the middleman financier is attended by many abuses.

*Aid from indigenous credit agencies. (paras. 34-37).*

122. During the past 30 years some spasmodic efforts have been made to organize cottage industries on co-operative lines but there has been a lack of continuity and planning. Loans given by Government to Central Banks have not been of much value because of the high rate of interest charged. Cottage industries being so numerous, only a few must be selected, preferably those which have some form of co-operative organization, and strengthened by constant technical help, guidance and supervision. Their interests should be looked after from the raw material stage to the sale stage.

*Aid from co-operative societies of artisans. (paras. 38-56).*

123. A new organization is necessary to help new and deserving enterprises and to rescue the established ones at present in difficulties. Government's efforts have so far proved unsuccessful. The new agency should not be handicapped by the difficulties hampering Government. Its methods should be more elastic than those of the existing banks and it should be less exacting than the indigenous credit agencies.

*Need for a new organization (paras. 57-58).*

124. We have recommended that in order to provide long and short-term credit to major and minor industries a joint stock bank called "The United Provinces Industrial Credit Bank, Limited" should be established with a capital of Rs.25 lakhs and with a Government guarantee, for a maximum period of 20 years, of 4 per cent. dividend on the shares free of tax. We have described in detail the objects and functions of this bank. We have also mentioned the conditions on which Government should give this guarantee.

*The United Provinces Industrial Credit Bank, Limited. (paras. 59-65).*

125. We have discussed the liability of Government under our scheme and have shown that it will not be burdensome. Indeed, we harbour the hope that after the preliminary period Government's liability will cease ; but if there is a danger at any time

*Liability of Government (paras. 66-67).*

of this liability being perpetuated we have recommended that Government should have the option of winding up the Bank. We have recommended that Government should set aside a sum of Rs.50,000 a year to meet any deficit in the earnings of the Bank and to provide against those loans which are given by the Bank at Government's request and on their guarantee. This sum should be deposited with the proposed Bank and should be credited to a special account called "The Industrial Banking Account" and should be carried forward from year to year. By setting aside this small sum Government will be able to provide financial assistance to the extent of Rs.25 lakhs at least.

*Business and details of the Bank (paras. 68-77).*

126. We have also made definite suggestions about the business of the Bank, qualifications of the Directors, voting power, audit, staff and other relevant matters. We have pointed out that the running expenditure of the Bank in the first few years should not exceed Rs.24,000 a year. In order to guard against bad debts we have recommended the creation of an Intelligence Department to be attached to the Bank. This Department will be assisted by the Industries Department and will be in charge of all inquiries connected with proposed loans.

*General marketing matters. (paras. 78-83).*

127. In the introductory part of Chapter IV we have shown how industries, specially cottage and minor, stand in need of a marketing organization. We have pointed out the evil results of cottage industries having to depend on the middleman financier.

*History of the United Provinces Arts and Crafts Emporium (paras. 84-91).*

128. Before giving our proposals we have given a brief history of the United Provinces Arts and Crafts Emporium, the only agency so far at work under Government control and supervision for marketing purposes. We have shown how from its origin in 1915 it has reached its present position. We have drawn attention to the fact that the work done by it, though useful, cannot be regarded as satisfactory.

*The United Provinces Financing and Marketing Company, Limited (paras. 92-99).*

129. We have stressed the need for starting a new marketing organization to be called "The United Provinces Financing and Marketing Company, Limited." It should be on joint stock lines with a capital of Rs.5 lakhs to be underwritten by the proposed United Provinces Industrial Credit Bank, Limited, without any Government guarantee of dividend. The new institution should take over the present Arts and Crafts Emporium. Government should accept shares in the marketing

company against the agreed value of the assets handed over and should continue the subsidy at present paid to the Emporium (slightly enhanced) for five years in the first instance.

130. We have described in detail the business and management of the Marketing Company. We have shown the necessity of opening offices at various centres and of dealing through existing stores wherever possible and of opening new stores in other places.

*Its business and management.*  
(para. 100-104);  
*Help from and to co-operative societies*  
(para. 105).

131. Co-operative societies of artisans can help the proposed marketing organization to their mutual advantage. The new organization could supply implements and raw material to artisans through their societies or direct.

132. The capital of this company has been fixed at a low figure on account of the facilities which will be available for discounting and rediscounting of bills. We have shown how purchasers of United Provinces products will be linked directly with the Reserve Bank through the United Provinces Products Financing and Marketing Company, Limited, and the United Provinces Industrial Credit Bank, Limited.

*Discounting of bills*  
(para. 106).

133. In the end we have given in detail the various advantages likely to accrue from the establishment of a marketing organization on the lines given in the body of the report.

*Advantages of our scheme*  
(para. 107).

134. We have drawn attention of Government to the evidence of some witnesses on the probable effects of the recent debt legislation on industrial credit in the provinces. They feel that some kind of protection is necessary for banks and other bona fide credit agencies.

*Debt legislation*  
(para. 108).

135. In order to avoid complications under the new debt enactments we have recommended the encouragement of joint stock companies in place of private partnerships. We have also shown other incidental advantages of joint stock enterprise.

*Joint stock business preference*  
(para. 109).

136. Considering the number of joint stock companies in the United Provinces and their subscribed and paid-up capital, we have suggested the advisability of establishing a stock exchange at Cawnpore; and have mentioned the advantages which should accrue to the industries of the provinces from such an institution.

*Stock exchange*  
(para. 110).

*The  
Industries  
Depart-  
ment  
(paras.  
111-113).*

137. We have also referred to the several disadvantages under which the present Industries Department works. We feel that the utility and importance of this department can be considerably increased by co-operation between the department and the two institutions proposed by us.

*Octroi and  
other  
duties  
(para.  
114).*

138. We have drawn attention of Government to the difficulties which certain indigenous industries experience on account of octroi and similar taxes levied by local bodies. We have recommended that such cases may be considered individually on their merits by Government and relief given if found necessary.

*B—Acknowledgments*

139. For much useful information and for their assistance we are grateful to Mr. P. M. Kharegat, Secretary, Industries Department; Mr. J. L. Sathe, Secretary, Finance Department; the Director of Industries; the Registrar of Co-operative Societies and Joint Stock Companies; Mr. B. K. Ghoshal of the Industries Department; Mr. J. N. P. Srivastava of the Co-operative Department; and other Government officers. Our thanks are due to the many gentlemen who came forward as witnesses to give evidence and to the several men and institutions who sent us useful written memoranda. Finally, we record our thanks to our efficient and energetic Secretary, Mr. H. R. Shivdasani, I.C.S. We appreciate very much the able help that we received from him during the course of our inquiry and in the preparation of this report.

*C—Conclusion*

140. We are glad to say that our report is unanimous; and we submit it in the earnest hope that it will find favour with Government and the two institutions recommended by us will be established for the industrial development of these provinces.

S. N. POCHKHANAWALA.  
MOHAN LAL SAH.  
C. ST. L. TEYEN.  
VIKRAMAJIT SINGH.  
J. A. H. DUKE.  
R. L. CHATURVEDI.  
RAM SARAN DAS.  
A. L. CARNEGIE.

H. R. SHIVDASANI,  
*Secretary.*

NAINI TAL :  
18th June, 1935.



We, the members of the Committee, feel that the province owes a great debt to our Chairman for the time and the trouble he has taken to help in a matter for which the best expert advice and experience were essential. We are fully conscious of all that he has done, and we take the liberty of recording our high appreciation for the very able and tactful manner in which Sir Sorabji conducted the proceedings of the meetings. His wide knowledge and experience have been very helpful to the Committee and more particularly in producing the report.

MOHAN LAL SAH.  
C. ST. L. TEYEN.  
VIKRAMAJIT SINGH.  
J. A. H. DUKE.  
R. L. CHATURVEDI.  
RAM SARAN DAS.  
A. L. CARNEGIE.

## APPENDIX I

### QUESTIONNAIRE BY THE UNITED PROVINCES INDUSTRIAL FINANCE COMMITTEE

This questionnaire is issued by the Committee for the purpose of obtaining information, views, and suggestions from the public. It is not to be regarded as exhaustive. The Committee will welcome information, and suggestions on other matters relevant to the enquiry which are not covered by the present questionnaire. It is not necessary that all the questions be answered.

Persons or associations willing and in a position to help the Committee with separate statements or memoranda on any particular subject contained in the questionnaire and with which they are personally connected and have first-hand knowledge, are invited to do so.

All papers should reach the Secretary of the United Provinces Industrial Finance Committee, Council Chamber, Lucknow, before 31st January, 1935.

Oral evidence will be called for on the basis of and as required by the replies and statements received. Persons willing to appear as witnesses are requested to inform the Secretary before 20th January, 1935.

The Committee desire to collect information from all parts of the United Provinces. Persons not already supplied can obtain copies of this questionnaire on application to the Secretary of the Committee.

SORABJI N. POCHKHANAWALA,

*Chairman,*

*United Provinces Industrial Finance Committee.*

## QUESTIONNAIRE

### I.—MAJOR AND MINOR INDUSTRIES

1. What are the principal industries in the United Provinces which, in your opinion, suffer at present for want of credit facilities with special reference to—

(a) fixed capital expenditure—(purchase of land, “block,” etc.), and

(b) current requirements of working capital (raw material, working expenditure, etc.)?

What would be the best method of securing fixed and working capital for them?

2. State how and in what form the industrial concerns in the United Provinces receive financial assistance from Government, the Imperial Bank, Exchange Banks, Indian Banks, indigenous bankers and Co-operative Banks?

3. Do you know of instances where industrial concerns have been handicapped for want of credit facilities?

4. What is the average rate of interest charged to industries where finance is made available or credit facilities provided by Government, banks or money-lenders?

5. What kind of securities are generally offered to Government, banks and money-lenders when money is borrowed for industries? Are such securities, in your opinion, considered safe and adequate?

6. State what difficulties are experienced by persons engaged in industries to procure adequate banking and credit facilities and what principal objections are raised by banks while considering applications for such advances? Give instances within your knowledge.

7. To what extent, within your knowledge, have Government, banks and money-lenders suffered losses by extending credit facilities to industries in the United Provinces owing to trade depression, low prices of commodities and other causes?

8. If banks in the United Provinces have not financed industries quite freely, to what causes do you attribute their reluctance? Is it due to fraud or mal-practices committed by borrowers or to heavy losses incurred as a result of severe fall in prices of industrial products or to other causes?

9. Do banks in the United Provinces give credit facilities on personal security to those engaged in industries and lend freely on stocks of goods pledged or hypothecated with them?

10. Do you know of any instance where a loan required for extension purposes was refused to an established industry in the United Provinces?

11. Is short-term credit or long-term credit more easily available to industries from banks and money-lenders in the United Provinces ?

12. (a) Do any facilities exist in the United Provinces for the purchase of machinery on the "hire-purchase system?" If so, what are the terms usually demanded from the purchasers ?

(b) Are the existing facilities adequate and the terms reasonable ?

(c) Have you any suggestion for improving the existing facilities ?

13. Have banks in the United Provinces encouraged any big industrial or commercial project, private or public, with financial help ?

14. Could you suggest some scheme by which credit facilities could be made more easily available through Government or banks to those engaged in industries in the United Provinces ?

15. How far and in what manner, in your opinion, should Government give financial assistance to encourage and develop industries in the United Provinces ?

16. If you are interested in any of the following industries, give your opinion as to the credit facilities required by them and now available to them :

- |               |                                     |
|---------------|-------------------------------------|
| (a) Sugar.    | (k) Cigar and cigarettes.           |
| (b) Textile.  | (l) Canning and fruit preservation. |
| (c) Glass.    | (m) Oil.                            |
| (d) Leather.  | (n) Flour mills.                    |
| (e) Soap.     | (o) Hardware and Electroplating.    |
| (f) Bricks.   | (p) Gold and silver thread.         |
| (g) Tiles.    | (q) Woodwork.                       |
| (h) Paper.    | (r) Engineering.                    |
| (i) Matches.  | (s) Chemicals.                      |
| (j) Biscuits. |                                     |

What special financial assistance would you recommend for developing the above and such industries ?

17. Do you know of industries in the United Provinces which have succeeded or failed after receiving financial help from Government either in the form of loans or free grants ?

18. What steps do you consider necessary to induce capitalists and men of enterprise in the United Provinces to take to industries ?

19. What help, if any, have local bodies (e.g. municipalities and district boards, etc.) rendered to major and minor industries ? Have you any suggestions ?

20. Is it advisable that Government should guarantee dividends on capital invested by share-holders in joint stock industrial enterprises to encourage the promotion and development of certain pioneer industries in the United Provinces ?

21. Do you think some kind of bounty or subsidy given by Government to select industries would help them to increase sales and compete successfully with articles manufactured outside the United Provinces ?

## II—COTTAGE INDUSTRIES

1. Are rice milling, dairy farming, jaggery making, toy making, pottery, jewellery, brassware, silver and goldware, lace making, fruit growing, hand spinning, lock making, carpet and durree making or other cottage and small industries in existence in your district ? If so, how far are they financed by co-operative societies, banks and money lenders ?

2. In what way have the Co-operative Societies helped cottage industries ? Are they lending money only against promissory notes of borrowers and securities or are they advancing money against industrial products ?

3. Is there any link between banks and co-operative societies in the United Provinces ?

4. Has any attempt to start a new industry in your district failed because of difficulties in obtaining capital ? Please give instances ?

5. What encouragement and help have the local bodies (municipalities and district boards, etc.) given to cottage industries ? Have you any suggestions ?

## III—CREDIT INSTITUTIONS

1. What part should Government play in the promotion and the future working and management of a credit institution formed to give financial help to industries in the United Provinces ?

2. What privileges would you ask from Government for such an institution ?

3. What part should the public take in the formation of the above credit institution ? Would you allow the public to subscribe to its capital and if so, to what extent ?

4. Should such an institution take deposits and do business on commercial lines ? If so, to what extent would it affect the business of existing credit institutions ?

5. What form of control would you suggest to safeguard Government's financial interest in it ?

6. Do you think that the public would come forward to invest their money in such a credit institution if started on sound lines and under experienced management without any Government guarantee ?

7. Should such an institution be empowered to underwrite or subscribe shares or debentures in industrial enterprises promoted as joint stock companies ?

8. Under what circumstances and conditions should such industrial concerns be helped by such an institution ?

9. Can you suggest any method by which the public in the United Provinces may be induced to invest more of their savings in industrial concerns and thereby support the industrial development of the provinces ?

10. Do you think the absence of a stock exchange in the United Provinces may be handicap in the promotion of joint stock companies in these provinces ?

11. Are you in favour of or against the United Provinces Government's participating directly in financing industrial business side by side with existing credit institutions ?

12. Have you any other suggestions for extending and improving the banking and investing habit among the public in order to develop industries in the United Provinces ?

#### IV—INDUSTRIAL BANKS

1. In your opinion, would an industrial bank in the province remedy the present difficulties of industries in the matter of financial aid ?

2. Would such a bank get sufficient business and succeed on commercial lines ?

3. Is it advisable to start an industrial bank with a substantial capital at a suitable centre in the province with branches, if necessary, to finance industries of the whole province, or would you advise the opening of several institutions for lending money to industries at different places ?

4. Should such an institution or institutions be started on joint stock lines ? Would the public come forward to subscribe to the capital ?

5. What part should co-operative banks play in financing small industries ?

6. Should such an institution or institutions or co-operative banks supply fixed capital or only working capital ?

7. What part should Government take in the formation and the working of such industrial banks ?

#### V—MARKETING AND PUBLICITY

1. What facilities have industrial products manufactured in the United Provinces at present for local sales and sales outside the provinces ?

2. What industrial products in your opinion have a good market locally or outside the United Provinces and what should be done to increase their demand ?

3. What part in your opinion should Government play to increase the sales and the demands for articles manufactured in these provinces and already on the market ?

4. What part does Government play in the marketing of manufactured articles and giving them due publicity within and outside the provinces ?

5. What financial help is given at present for marketing of manufactured articles by Government and other credit agencies ?

6. What further help in your opinion is needed from Government and credit agencies to improve the existing markets and to find new markets for articles manufactured in the United Provinces ?

7. What efforts has Government made so far to find new markets for United Provinces products ?

8. What part should the new credit institution, when started, play in the marketing of industrial products ?

9. Have you any suggestions to make for improving the marketing of industrial products in your district by co-operative or other methods ?

10. Have periodical exhibitions and industrial fairs helped in the marketing of United Provinces products ?

11. Would inter-provincial exhibitions be helpful ?

12. Has the United Provinces Government Arts and Crafts Emporium been useful in the marketing of United Provinces products ?

13. Would a commercial and industrial museum be useful ?

14. Do you think there is a good field for encouraging inland trade bills in the United Provinces for the purchase and sale of industrial products ?

#### VI—GENERAL

1. Can you suggest any plan to encourage large and small industries now in existence in the provinces and suffering for want of finance ?

2. Have you any scheme for financing the introduction of new industries in the provinces or in your particular district ?

3. What difficulties in your opinion have industries been feeling in getting technical and financial aid from the present Industries Department ?

## APPENDIX II

### STATEMENT I

#### *Major industries in the United Provinces*

NOTE—This list contains those industries which are carried on in central factories using mechanical power on a large scale.

1. Cotton spinning and weaving.
2. Sugar manufacture in vacuum pan factories.
3. Wool spinning and weaving.
4. Oil.
5. Generation of electricity.
6. Leather including tanning.
7. Printing Press.
8. Flour.
9. Distilleries and Breweries.
10. Paper.
11. Match.
12. Cotton ginning and pressing.
13. Glass.
14. Rosin and Turpentine.
15. Bobbin making.
16. Jute.
17. Tobacco-Cigarette
18. Iron rolling works.
19. Hosiery.
20. Manufacture of aluminium ware.
21. Iron foundries.
22. Kutch making.
23. Heavy chemicals.
24. Brush making.
25. Tea.
26. Saw mill.
27. Silk.
28. Rice.
29. Soap.
30. Opium.



## STATEMENT II

*Minor industries in the United Provinces*

NOTE—This list contains those industries which are carried on in small factories in which mechanical power may or may not be used but in which workers are employed on wages to work on machines and appliances under the guidance and control of an employer or his agent. This list thus includes all medium and small power driven factories as well as non-power factories for handloom weaving, carpet, glass, etc. Naturally, therefore names of industries mentioned in statements I and III are also included in this statement.

1. Iron and Engineering Works including Electrical Works (small).
2. Tanning.
3. Soap.
4. Ink.
5. Cigarettes and biris.
6. Pencil.
7. Cardboard box making.
8. Tobacco chewing and smoking.
9. Woodworking and carving and saw mills.
10. Printing Press.
11. Lock making.
12. Iron foundry (small workshop).
13. Glass bangle.
14. Brass casting.
15. Shoe making.
16. Perfumery (Itars).
17. Biological specimens and slides.
18. Sun hemp baling.
19. Lace making.
20. Electric fans.
21. Fire works.
22. Shellac making.
23. Pharmaceutical works.
24. Lime.
25. Kutch making.
26. Tile and bricks.
27. Disinfectants.
28. Confectionery.
29. Embroidery with gold wire.
30. Cricket balls.
31. Open pan sugar.
32. Handloom weaving factories.
33. Carpet and durree weaving.
34. Saltpetre.
35. Chemicals including acids.
36. Scientific instruments.
37. Fountain pens.
38. Scents, hair oils and cosmetics.
39. Electroplating.
40. Wire drawing.

41. Enamelling.
42. Steel trunk making.
43. Hosiery.
44. Button making.
45. Cutlery.
46. Scissors making.
47. Marble work.
48. Boot lace.
49. Lead leaf making.
50. Saddlery.
51. Pottery.
52. Dyeing.
53. Mathematical and geometrical instruments.
54. Tent making.
55. Taxidermy.
56. Jam making.
57. Biscuit making.
58. Rice hulling.
59. Vinegar making.
60. Dal splitting.
61. Metal pressing.
62. Gold and silver ornaments.
63. Wool spinning.
64. Gold thread making.
65. Gota weaving.
66. Tin can making.
67. Metal utensil making.
68. Art brassware.

STATEMENT III

*Cottage industries in the United Provinces*

NOTE—This list contains those industries in which work is done in the homes of the artisans without the use of mechanical power.

1. Weaving of cotton wool and silk.
2. Shellac making.
3. Carpet weaving.
4. Durrie weaving.
5. Embroidery, silk cotton and gold wire.
6. Gold thread making.
7. Metal utensils.
8. Oil pressing.
9. Saltpetre refining.
10. Art brassware.
11. Whip making.
12. Cotton and silk printing.
13. Glue making.
14. Wood work and wood carving.
15. Scissors making.
16. Leather working.
17. Tatpatti weaving.
18. Marble work and stone dressing.
19. Silk rearing.
20. Glass bangle.
21. Cricket balls.
22. Saddlery.
23. Dyeing.
24. Lock making.
25. Steel trunks and iron safe making.
26. Cutlery.
27. Pottery.
28. Hosiery.
29. Tobacco-chewing and smoking.
30. Wire drawing.
31. Making of gold wire for embroidery.
32. Wooden and horn comb making.
33. Toy making.
34. Biri making.
35. Tent making.
36. Brass inlay on wood work—tarkashi.
37. Perfumery.
38. Namda or felt making.
39. Ebony work.
40. Gota weaving.
41. Ghee making.
42. Jewellery.
43. Gold and silver ornaments.
44. Lac bangles.
45. Vinegar making.

46. Kite flying yarn.
47. Lead leaf making.
48. Gold and silver leaf.
49. Pickle and jams.
50. Surma or antimony.
51. Tabla and other Indian musical instruments.
52. Brush making.
53. Ivory.
54. Basket making.
55. Rope making.
56. Clay figures.
57. Papier machie.
58. Glass bead curtains.
59. Rath and bullock cart making.
60. Confectionery.
61. Tin smithy.
62. Taxidermy.
63. Kutch making.
64. Bidar work.
65. Artificial flowers.
66. Fire work.
67. Moss stone work (Banda).
68. Munj mat and twine.
69. Cane and bamboo work.
70. Cast brass fitting.
71. Book binding.
72. Cardboard box making.
73. Picture framing.
74. Lampshade making.

### APPENDIX III

*Budget provision for and the amounts actually advanced as industrial loans from 1921-22 to 1934-35*

| Year                  | General loans for industrial purposes |                                 |                                 |                                 | Loans to Co-operative Banks |                          | Loans to ex-students for purchase of tools |                          | Total            |                          |
|-----------------------|---------------------------------------|---------------------------------|---------------------------------|---------------------------------|-----------------------------|--------------------------|--|--------------------------|------------------|--------------------------|
|                       | Budget provision                      | Large loans to major industries | Large loans to minor industries | Small loans to minor industries | Budget provision            | Amount actually advanced | Budget provision                           | Amount actually advanced | Budget provision | Amount actually advanced |
|                       | Rs.                                   | Rs.                             | Rs.                             | Rs.                             | Rs.                         | Rs.                      | Rs.  | Rs.                      | Rs.              | Rs.                      |
| Up to 1920-21.        | Not available.                        | 66,000                          | 20,000                          | Nil.                            | Nil.                        | Nil.                     | Nil.                                       | Nil.                     | Nil.             | 86,000                   |
| 1921-21 ..            | ..                                    | ..                              | ..                              | Nil.                            | Nil.                        | Nil.                     | Nil.                                       | 300                      | Nil.             | 300                      |
| 1922-23 ..            | 5,00,000                              | 11,00,000                       | 12,000                          | Nil.                            | Nil.                        | Nil.                     | 5,000                                      | Nil.                     | 5,05,000         | 11,12,000                |
| 1923-24 ..            | 2,00,000                              | ..                              | ..                              | ..                              | ..                          | ..                       | 1,000                                      | Nil.                     | 2,01,000         | Nil.                     |
| 1924-25 ..            | 2,00,000                              | 1,42,000                        | ..                              | 2,000                           | 20,000                      | 14,000                   | 1,000                                      | Nil.                     | 2,21,000         | 1,58,000                 |
| 1925-26 ..            | 1,00,000                              | 80,000                          | ..                              | 5,000                           | 20,000                      | 19,000                   | 1,000                                      | 700                      | 1,21,000         | 1,04,700                 |
| 1926-27 ..            | 1,00,000                              | ..                              | ..                              | ..                              | 20,000                      | 7,000                    | 1,000                                      | 1,000                    | 1,21,000         | 8,000                    |
| 1927-28 ..            | 45,000                                | 40,000                          | ..                              | 5,000                           | 20,000                      | 20,100                   | 1,000                                      | Nil.                     | 66,000           | 65,000                   |
| 1928-29 ..            | 90,000                                | 40,000                          | ..                              | ..                              | 10,000                      | Nil.                     | 1,000                                      | Nil.                     | 1,01,000         | 40,000                   |
| 1929-30 ..            | 90,000                                | ..                              | ..                              | ..                              | 10,000                      | Nil.                     | 1,000                                      | Nil.                     | 1,01,000         | Nil.                     |
| 1930-31 ..            | 50,000                                | ..                              | 15,000                          | 6,000                           | 5,000                       | Nil.                     | 1,000                                      | 800                      | 56,000           | 21,800                   |
| 1931-32 ..            | 30,000                                | ..                              | ..                              | 18,000                          | 5,000                       | 5,000                    | 1,000                                      | 900                      | 36,000           | 23,900                   |
| 1932-33 ..            | 20,000                                | ..                              | ..                              | ..                              | 5,000                       | Nil.                     | 1,000                                      | Nil.                     | 26,000           | Nil.                     |
| 1933-34 ..            | 15,000                                | ..                              | ..                              | ..                              | 5,000                       | 5,000                    | 1,000                                      | Nil.                     | 21,000           | 5,000                    |
| 1934-35 ..            | 15,000                                | ..                              | ..                              | ..                              | 5,000                       | ..                       | 3,000                                      | 500                      | 23,000           | 500                      |
| Up to February, 1935. | ..                                    | ..                              | ..                              | ..                              | ..                          | ..                       | ..   | ..                       | ..               | ..                       |
| <b>Total ..</b>       | <b>14,55,000</b>                      | <b>14,68,000</b>                | <b>47,000</b>                   | <b>36,000</b>                   | <b>1,25,000</b>             | <b>70,000</b>            | <b>19,000</b>                              | <b>4,000</b>             | <b>15,99,000</b> | <b>16,25,000</b>         |

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