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Banking Enquiry Committee

for the

Centrally Administered Areas

1929-30

Volume I

REPORT



CALCUTTA: GOVERNMENT OF INDIA
CENTRAL PUBLICATION BRANCH
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TABLE OF CONTENTS.

CHAPTER I.

INTRODUCTORY.

PARAGRAPH.		PAGE.
1	Preliminary	1
2	Appointment	2
3	Preliminary meetings	3
4	Questionnaire, etc.	3
5	The Centrally Administered Areas	3
	The Andaman and Nicobar Islands	3
	Baluchistan	4
6	Itinerary	4
7	Cost of enquiry	5
8	Work done—General and intensive surveys	5
9	Difficulties, etc.	6
10	Acknowledgments	6

CHAPTER II.

SPECIAL FEATURES OF THE CENTRALLY ADMINISTERED AREAS.

11	General description—	
	(a) North-West Frontier Province	8
	(b) Delhi	8
	(c) Ajmer-Merwara	9
12	Cultivation and Irrigation	9
13	Population	10
14	Proportion of actual workers to total population	12
	Literacy	14
	Land Tenure—	
	(a) North-West Frontier Province	15
	(b) Delhi	17
	(c) Ajmer-Merwara	18
15	Crops	20
16	Cost of cultivation	22
17	Value of land	26
18	Conclusion	29

CHAPTER III.

RURAL INDEBTEDNESS.

19	Previous enquiries	30
20	Mr. Darling's method	31
21	Mr. Calvert's method	41
22	Sampling method	43
23	Explanation of the term "free from debt"	46

PARAGRAPH.	PAGE.	
24	Results of intensive survey	46
25	Extent of indebtedness based on extensive survey	54
26	Comparison of indebtedness in the three Areas	60
27	Observations regarding Darling's method of estimating indebtedness	61
28	Important deductions from the estimates of indebtedness	63

CHAPTER IV.

THE BURDEN AND EFFECT OF RURAL INDEBTEDNESS.

29	Purposes of loans	69
30	Analysis of debts and assets	78
31	Debts of small proprietor or cultivator—Results of intensive survey	85
32	Effect of rural indebtedness	86
33—35	Mortgages with agriculturists and non-agriculturists—North-West Frontier Province	86
36	Mortgage money—North-West Frontier Province	89
37	Mortgage price—North-West Frontier Province—General results	91
38	Mortgages of land—Delhi	92
39	Redemption of mortgaged land—Delhi	94
40	Mortgage and sale price of land—Delhi	95
41	Mortgages with agriculturists and non-agriculturists—Delhi	96
42	Mortgages of land—Ajmer-Merwara	96
43	General conclusions regarding mortgages	99
44	Tendency for land to pass into the hands of bigger agriculturist	99
45	Exaction of free services from borrowers	100
46	Effect of indebtedness on disposal of produce	101

CHAPTER V.

THE RATES OF INTEREST IN RURAL AREAS.

47	The ordinary stipulated rates of interest	104
48	Actually realised rates of interest	105
49	Rates of interest in the case of redemptions of land	105
50	Evidence regarding rates of interest from the account books of money-lenders	107
51	Evidence regarding rates of interest from court cases	108
52	Results of intensive survey in Delhi regarding prevailing rates of interest	108
53	Actually realised rates of interest—Results of intensive survey	109
54	Stipulated rates of interest in the North-West Frontier Province	110
55	Conclusion	112
56	Loans in kind	112
57	Rate of interest charged by the agriculturist creditors	113
58	Rates of interest charged by other creditors	114

(iii)

CHAPTER VI.

SOURCES AND PERIODS OF LOANS IN RURAL AREAS.	
PARAGRAPH.	PAGE.
59	Sources of borrowing 115
60	Results of extensive survey of indebtedness—Delhi 117
61	Hold of <i>zamindar</i> -creditors in the North-West Frontier Province 117
62	<i>Takavi</i> plays only a small part in agricultural credit in Delhi 118
63	<i>Takavi</i> loans in Ajmer-Merwara 119
64	Periods of loans 120
65	Rural debt mostly for long periods 120

CHAPTER VII.

INVESTMENT HABIT IN RURAL AREAS.	
66	Estimate of savings 122
67	Other evidence of savings 128
68	Gold and silver 129
69	Forms of investment 132
70	Hoarding 133
71	Organised institutions of investment 133
72	The post office 133
73	Government securities 134
74	Co-operative societies 134

CHAPTER VIII.

CAUSES OF RURAL INDEBTEDNESS AND ITS GENERAL REMEDIES.	
75	Purposes of borrowing 135
76	Is agriculture a paying industry? 136
77	Borrowing for purchase of land or investment in land is uneconomic 140
78	Purchase of ornaments 141
79	Investment in house property 141
80	Indebtedness a psychological problem 141
81	Remedies and recommendations 142

CHAPTER IX.

VILLAGE MONEY-LENDERS.	
82	Money-lending not a special occupation 144
83	Number of bankers and money-lenders 147
84	Economic position of <i>mahajans</i> 151
85	Functions of the village money-lender 164
	His working capital 164
86	Present condition of <i>mahajan's</i> business 165
87	<i>Mahajan's</i> methods of business 166

PARAGRAPH.	PAGE.
88 Credit for agricultural industry	167
89 Regulation of agricultural credit	168
90 Licensing authority	170
91 Agriculturist creditor	171
92 Itinerant money-lenders	172
93 Money-lending by widows	173

CHAPTER X.

PROGRESS OF THE CO-OPERATIVE CREDIT MOVEMENT IN THE CENTRALLY ADMINISTERED AREAS.

94 Brief description of the co-operative movement	174
95 Salient features of the progress of the co-operative movement	174
96 Overdrafts	179
97 Working capital of co-operative central banks	179
98 Liquid resources of co-operative central banks	184
99 Working capital of primary societies	184
100 Loans by agricultural co-operative societies	190
101 Purposes for which loans are taken	190
102 Periods and objects of loans	194
103 Co-operative mortgage banks	199

CHAPTER XI.

ADEQUACY OF THE CO-OPERATIVE MOVEMENT.

104 Existing defects	201
105 How far it has touched the rural population	203
106 Membership	205
107 Extent of finance provided	205
108 Members of co-operative societies often take loans from outside their society	208
109 Outside debt of the members of co-operative societies	210

CHAPTER XII.

DEFECTS IN THE CO-OPERATIVE INSTITUTIONS.

110 Management of co-operative societies	212
111 Deposits	213
112 Co-operative credit organisations as agencies for developing habits of thrift	215
113 Short period funds used for long period loans to a certain extent by the co-operative credit agencies	219
114 Advances, the maximum credit limit, overdues, etc.	220
115 Representation of the agricultural societies on the management of the co-operative central banks	222
116 Annual additions to the reserve funds of the co-operative central banks	222
117 Control of central banks over primary societies	223
118 Has the movement actually reduced the indebtedness of its members?	226

CHAPTER XIII.

RECOMMENDATIONS REGARDING CO-OPERATIVE MOVEMENT
IN RURAL AREAS.

PARAGRAPH.		PAGE.
119	Consolidation of the movement the <i>desideratum</i>	231
120	Irresponsibility of co-operative central banks	232
121	Recoveries	233
122	Inadequate appreciation of what co-operative credit can achieve	235
123	Periods of loans	235
124	Conditions for admission to a co-operative society	236
125	Co-operative movement should attract savings and capital of <i>mahajans</i> and agriculturist money-lenders	239
126	Agricultural credit societies should attract a large portion of rural savings	239

CHAPTER XIV.

CREDIT FOR RURAL INDUSTRIES.

127	Subsidiary occupations	241
128	Industries allied to agriculture	245

CHAPTER XV.

MARKETING.

129	Bulk of the produce grown in the Centrally Administered Areas consists of food grains	246
130	Markets	253
131	Who brings the produce to the <i>mandis</i> ?	254
132	Effect of indebtedness	255
133	Prices of food grain in the villages and <i>mandis</i>	257
134	Advances against produce	262
135	Storage	263
136	<i>Artia</i> or commission agent	264
137	Pooling	265
138	Facilities for holding up produce for better prices	265

CHAPTER XVI.

FINANCING OF INTERNAL TRADE AND REMITTANCE
FACILITIES.

139	Introductory	267
140	Volume of imports and exports	267
141	Marketing and financing at Hoti-Mardan, North-West Frontier Province	267
142	Dry fruits and carpets	268
143	Imports—Gold and silver, etc.	269
144	Part played by indigenous bankers and banks in financing trade	270
145	Internal trade—Ajmer-Merwara	270
146	Financing of grain trade in Ajmer	271

PARAGRAPH.		PAGE.
147	Modes of payments on account of trade	272
148	Cotton trade—Beawar	272
149	Wool trade—Beawar	273
150	Gold and silver—Ajmer-Merwara	274
151	Internal trade—Delhi	274
152	Trade in grain—Delhi	275
153	Existing system of financing internal trade	277
154	Means of payment	278

CHAPTER XVII.

INDUSTRIAL AND MISCELLANEOUS CREDIT AND INVESTMENT HABIT IN URBAN AREAS.

155	Introductory	282
156	Large industrial establishments	282
157	Large scale industries in Delhi	283
158	Large scale industries in Ajmer-Merwara	283
159	Large scale industries in the North-West Frontier Province	284
160	Difficulties of urban industries	284
161	Indebtedness of urban population—Delhi	284
162	Credit facilities in urban areas	286
163	Credit facilities—Peshawar	287
164	Licensed money-lenders	287
165	Special credit facilities for urgent problems in Delhi	289
166	Institutions for investments in urban areas	289
167	National savings movement in England	293

CHAPTER XVIII.

TRANSBORDER TRADE.

168	Introductory	297
169	Imports and exports	297
170	Dry fruits	299
171	Carpets	299
172	Fur trade	300
173	Commission agent	300
174	Trade with Afghanistan	300
175	Business in exchange of coins	301

CHAPTER XIX.

EXISTING LEGISLATION AND LEGAL-PROCEDURE AND THEIR BEARING ON CREDIT AND CREDIT FACILITIES.

176	Existing position	302
177	Insolvency Law	307
178	Existing defects in Insolvency Law	307
179	Usurious Loans Act	308
180	Award of interest by law courts	310

PARAGRAPH.	PAGE.
181 Advances against security of property	312
182 Loans on the security of joint family property	312
183 Splitting up of mortgage lien	313
184 Proverbial delays of law courts	313

CHAPTER XX.

MORTGAGE BANKS FOR LONG TERM CREDIT IN RURAL AND
URBAN AREAS.

185 Need for long term credit	315
186 A limited field for mortgage institutions	316
187 Scope for mortgage banks in the Centrally Administered Areas	318
188 Co-operative mortgage banks	318
189 Finance	319
190 Loans	319
191 Changes in law required	321
192 Bye-laws of the bank	323
193 Land registers	323
194 Co-ordination of co-operative credit societies and land mort- gage bank	324
195 Lala Bal Kishen's view point	324

CHAPTER XXI.

INDIGENOUS BANKERS.

196 Introductory	327
197 Indigenous bankers in Ajmer-Merwara	328
198 Present credit activities of the indigenous bankers in Ajmer-Merwara	331
199 How they raise their funds	332
200 Their lending business	333
201 Remittance business	334
202 Money market	335
203 Relations of indigenous bankers with their clients	336
204 Indigenous banking in Delhi	337
205 Indigenous bankers and agricultural industry—the Artia	341
206 How they raise their funds	341
207 Forms of loans and advances	343
208 Remittance business	345
209 <i>Hundi</i> business in Delhi	347
210 Indigenous shroffs	348
211 Complaints against the existing law and procedure	348
212 Indigenous bankers in the North-West Frontier Province	349
213 How they raise their funds	352

PARAGRAPH.	PAGE.
214 Their lending business	353
215 Remittance business	354
216 Indigenous shroff in the North-West Frontier Province	355
217 Conclusions and recommendations	356
218 Facilities suggested	361
219 Importance of <i>hundi</i>	361

CHAPTER XXII.

JOINT STOCK BANKS INCLUDING EXCHANGE BANKS AND
THE IMPERIAL BANK OF INDIA.

220 Introductory	370
221 Deposits	370
222 Activities of joint stock banks	371
223 Exchange banks	373
224 The Imperial Bank of India	373
225 How far the Imperial Bank finances local trade and industry	374
226 The Imperial Bank's local investment	374
227 Growth of cheque habit	375
Issue and acceptance of cheque by Government and public bodies	376
Use of vernacular script in bank accounts and cheques	376
228 Amendment of the Negotiable Instruments Act	376
229 Complaints against the Imperial Bank of India	377
230 Advances against gold and silver ornaments by the Imperial Bank of India	378
231 Co-ordination of various credit agencies	379
232 Imperial Bank's list of approved customers	380
233 Facilities for Indian joint stock banks	380
234 Branch policy of banks	381

CHAPTER XXIII.

GOVERNMENT.

235 General	383
236 <i>Takavi</i> loans	383
237 Post offices	385
238 Postal Insurance Fund	387
239 Special post office cash certificates for women	387
240 Suitable form of insurance for agriculturists	388
241 Government's borrowing policy, and local investment of funds	388
242 Cheque habit	388
243 Surplus funds of post offices for providing remittances	389
244 Agencies for creating and maintaining interest in local eco- nomic problems and economic development	390

APPENDICES.

I.—Summary of recommendations	395
II.—(a) Statement showing the distribution of the main questionnaire of the Committee, the number of replies received and the number of witnesses examined	} 416
(b) (i) Statement showing the distribution of special questionnaire for postal officials and the number of replies received	
(b) (ii) Statement showing the distribution of special questionnaire for central co-operative banks and the number of replies received	
(b) (iii) Statement showing the distribution of special questionnaire for judicial officers and lawyers and the number of replies received	
III.—Main questionnaire	417
IV.—Special questionnaire	429
V.—Questionnaire for central co-operative banks	431
VI.—Special questionnaire regarding legal procedure, etc.	434
VII.—Abstract of cases picked up at random from the files of decided cases in the law Courts of Delhi, Ajmer-Merwara and the North-West Frontier Province	439

393

Appendices.

APPENDIX I.

Summary of Recommendations.

The following are the main recommendations of the Committee:—

I.—RURAL CREDIT AND INVESTMENT HABIT.

(i) *Credit facilities and the Agricultural problem.*

(1) Intensive experiments should be made by the Agricultural Department on a commercial basis on an average consolidated holding of different types of land in different parts of these provinces with a view to guide the credit institutions in the matter of credit facilities for capital improvements on consolidated holdings and for starting subsidiary industries. (Para. 81.)

(2) The possibility of securing for the agriculturist in Delhi and Ajmer-Merwara economic holding, by migration to other provinces, should be fully explored by the Government of India, and in case this is found feasible, the necessary credit facilities for the purchase of land on newly opened canals in other provinces should be given partly by Government and partly by a land mortgage bank. (Para. 81.)

(3) In Ajmer-Merwara and Delhi the discretion vested in the executive authority under the Land Alienation Act or Regulations to give permission to agriculturists to sell their land should be more freely exercised, subject to the right of pre-emption in favour of members of agricultural tribes who cultivate the land themselves, provided the applicant can get a price which is not less than 20 times the annual net return from the land and provided that after discharging his debt he agrees to invest for at least ten years the proceeds in investments approved by the Collector. (Para. 81.)

(ii) *Village Money-lenders.*

1. Under the existing conditions, the agriculturist takes no advantage of the fact that he needs, for cultivation purposes, essentially short period loans at a time of the year when there is generally a slack season in trade and industry, when the big shroffs are anxious to find suitable investment for their funds even at 5 per cent. and when even the Imperial Bank can afford to lend freely at very cheap rates of interest. (Para. 88.)

The honest village money-lender who is one of the principal sources of supply of funds to the agricultural industry is suffering at present from insufficiency of capital and financial embarrassment due to difficulties of recovery. He has at present absolutely no point of contact with the joint stock banks of the country and is not looked upon as a very desirable client even by the indigenous shroff owing to the risks involved in lending money to agriculturists. (Para. 88.)

The existing wide differences between stipulated rates of interest and actually realised rates of interest are fair neither to the honest borrower nor to the honest creditor inasmuch as the honest borrower is compelled to pay a much higher rate of interest than he should and the honest creditor finds himself cheated even of the capital invested by him. (Para. 88.)

There exists in some quarters suspicion against the system of account keeping of the whole class of village money-lenders on account of the questionable methods adopted by some of the unscrupulous men among this class. (Para. 88.)

In order to improve these conditions, it is suggested that a class of licensed village money-lenders should be created on some such conditions as the following:— (Para. 89.)

(1) Every licensed money-lender shall either keep accounts in the form prescribed by the licensing authority and have them audited at intervals of not more than 2 years by a qualified auditor or a person on the approved list, sanctioned by the licensing authority, and shall, on demand by the borrower, furnish him with a statement of accounts from the date of the last statement not oftener than once in six months

or

agree to make payments to all his debtors through the post office, or a joint stock bank, or a co-operative central bank or a licensed indigenous shroff notified by the licensing board, and receive all payments from his debtors through the same agency.

(2) All crop loans granted by a licensed money-lender to persons other than members of co-operative societies within the limit notified in each case by the Department of Agriculture from time to time, shall be recoverable as a charge upon the crop at the next harvest, or, in case of remission or suspension of land revenue by Government, at the harvest next after that, provided that he charges interest at a rate lower than the lending rate of the nearest co-operative society; and shall be subject to protection similar to that afforded in section 11 of the English Agriculturists' Credit Act 1928 to a charge in favour of an approved bank, so that if, with intent to defraud, any farmer who has taken a crop loan and fails to comply with the obligations imposed or removes or suffers to be removed from his holding the property subject to the charge he shall be liable to imprisonment for three months.

(3) In transactions, other than crop loans the licensed money-lender will be entitled to be awarded by law courts the stipulated rate of interest from the date of the transaction to the date of the actual realisation of his dues subject to the conditions:

(a) that the court shall declare the decree as satisfied in full when the licensed money-lender has actually realised his principal and interest at 12 per cent. per annum on mortgage debt and 18 per cent. per annum on unsecured debt from the date of the transaction,

- (b) that no evidence of payment by the judgment debtor after the decree shall be admissible in execution proceedings against the licensed money-lender except when payment is made through the court within the period of limitation, or through the post office on a special form for payment of decretal amount drawn up so as to show the minimum necessary particulars or by cheque on a registered bank, or through the *vakil* of the party to whom payment is made.
- (4) All debts of the licensed money-lender shall have priority in the matter of repayment to any subsequent loans from other creditors whether on mortgage security or otherwise.
- (5) The licensed money-lender shall have the right to object to the award by a Registrar of Co-operative Societies on the ground that he had given notice to the co-operative credit society of the amount owed by the borrower to him, and on such an allegation being proved, the court shall not give any priority in the matter of execution to the award of the Registrar over the previous debts of the licensed *mahajan*.
- (6) No co-operative society shall admit a debtor of a licensed *mahajan* to its membership, except on probation, and shall not advance him any sum of money as a loan except after arranging for the repayment of the licensed *mahajan's* dues in instalments within the period of probation, and shall expel him from the society in case he makes any default in payment of the instalments fixed.

Licensing Authority.

- (1) The licensing authority shall be constituted as follows:—
(Para. 90.)
- (i) A revenue officer not below the rank of a Tehsildar, nominated by the Local Government for each Tehsil—Chairman.
 - (ii) The Khan of the village in the North-West Frontier Province, or a *lambardar* of the village who is not indebted to the licensed *mahajan* nominated by the Local Government.
 - (iii) A *zamindar* who is not a member of the co-operative credit society—elected by the *zamindars* of the village from among persons who are not indebted to the licensed money-lender.
 - (iv) An elected representative of the licensed money-lenders of the province.
 - (v) An indigenous shroff elected by the Association of Indigenous Shroffs, if any, or in the absence of any such association, nominated by the Local Government.
- (2) The licensing authority shall grant a license to every money-lender who agrees to abide by these conditions and should have no discretion to refuse it.

(3) The licensing authority shall have no authority to cancel a license so long as the licensed money-lender complies with the conditions laid down in section (1).

(4) In the event of his violating any of these conditions, his license shall be cancelled after a warning in the first instance.

2. The Co-operative Department and the Board of Economic Enquiry which the Committee have recommended should take up further investigation of the system of *rahti* Loans at an early date. (Para. 92.)

3. The following restrictions should be imposed on every foreign money-lender. (Para. 92.)

He shall—

- (a) keep a certain amount fixed by the licensing authority, as a deposit in an approved institution; and
- (b) sign an agreement that he shall conduct his business in accordance with the rules laid down by the licensing authority and shall not charge directly or indirectly rates of interest higher than those sanctioned by the licensing authority in this behalf.
- (c) In case the licensing authority receives any report that the licensed foreign money-lender has been acting contrary to the regulations laid down in this behalf, or recovering his money in a high-handed fashion, it should have all the powers of a law court to investigate the charges and punish the licensee up to 3 months' imprisonment in the first instance and six months in the next.

(iii) *Co-operative Movement in the Rural Areas.*

(1) It is necessary to increase the strength of the co-operative staff to attend to the vital need of inculcating the principles of co-operation among the members of societies, and while the formation of new societies in the rural areas of Ajmer-Merwara and Delhi should not altogether cease, the efforts of all workers in the co-operative movement, officials as well as non-officials, should, for some years to come be particularly directed to the rectification and consolidation of the existing co-operative credit societies and the improvement in the economic position of the individual members.

This does not apply to the North-West Frontier Province where the movement in the rural areas is yet in its infancy and needs expansion; but it is suggested that co-operative workers in that province should, while spreading the co-operative movement, pay due regard to the lessons to be drawn from the experience of Delhi and Ajmer-Merwara. (Para. 119.)

(2) With the improvement in the quality of both members and societies, the surplus funds in the central bank will tend to disappear; but should this for any reason be delayed, the central co-operative banks should not accept more deposits than they can

profitably employ in the movement within their respective provinces, or divert funds to other provinces or to investment in Government securities beyond what is necessary for fluid resources, as there is ample scope for employing urban savings in the financing of urban trade and industry or in increasing credit facilities for the poorer sections of the urban communities in the cities of Delhi and Ajmer-Merwara. (Para. 119.)

(3) To stimulate greater interest and greater sense of responsibility in societies affiliated to central banks, the Committee consider it advisable to disqualify from voting at general meetings the representatives of societies which are in default of the instalments due to the central bank, and in order to strengthen the non-official trained element on the management, the Committee further recommend that central banks should be allowed to co-opt whenever they consider it necessary at least two non-official members to the board of management who have special knowledge of co-operation or banking, such co-opted members having no right to vote.

(Para. 120.)

NOTE.—Lala Bal Kishen objects to the admission of any outsider to the Board of Management.

(4) The Committee endorse the recommendation of the Madras and the Central Provinces Committees on co-operation that a clear distinction should be made between crop loans repayable in whole out of the following harvest unless crops fail and long term loans repayable in instalments over a period of years out of the annual savings of the borrowers, and suggest that with a view to enforce the recognition of this distinction separate application forms, and separate promissory notes should be insisted upon both in the primary societies and central banks, and the central banks be required to keep separate ledgers and make separate entries for each in their balance sheets. (Para. 121.)

(5) The Committee recommend further that loans which are overdue as compared with the promises made in the pronotes or in the applications for loans by the primary societies or statements made in the resolutions passed by primary societies at the time of making an application for loans should be transferred to a separate ledger, and that the affiliated societies should be required to submit to their central bank reports on these overdue two months before each harvest. (Para. 121.)

(6) The Committee consider it only proper that the resolution of each affiliated society, stating that the loan for which it has submitted an application to the central bank would be paid back within a specified number of years should always be communicated to the central bank so as to enable it to make an estimate, which may be subsequently revised at each harvest, of the amount of outstanding loans repayable to it in each year. (Para. 121.)

(7) In order to stimulate efforts to improve the quality of societies particularly in the matter of recoveries and overdue it is worth while for the central banks to discriminate in favour of societies of better quality in the matter of interest charges. This is already

done to some extent in Ajmer-Merwara and Delhi and the Committee recommend that the system should be extended further.

(Para. 121.)

(8) It is essential for the success of the Co-operative Credit movement that care should be taken by the Primary society to make intensive enquiries into the whole economic position of the applicants for admission and exclude persons who cannot repay their debts out of the proceeds of their crops in the case of short term loans, and out of their savings in the case of long term loans, or who cannot be made solvent by lowering the rate of interest or decreasing their unnecessary expenditure or by improving their character by mutual control.

(Para. 122.)

(9) Since the deposits both in the primary societies and their financing institutions are generally for short periods of time, it is desirable to restrict the scope of the ordinary credit societies mainly to short term credit which may include crop loans as well as loans given for not more than 2 or 3 years in special cases.

(Para. 123.)

(10) In case the Committee's recommendation regarding co-operative land mortgage banks is accepted, the Committee recommend that agricultural co-operative credit societies should not admit to membership any one whose previous debts and encumbrances will require more than 6 years to be discharged, unless he enrols himself as a member of a land mortgage bank.

(Para. 123.)

(11) In the present stage of the co-operative movement, it is desirable that an appreciable number of members should be free from previous debts and encumbrances and that the co-operative credit societies should limit their credit facilities mainly to requirements for crop purposes or for tiding over occasional periods of scarcity or famine. Till the land mortgage banks are started, a limited number of persons encumbered with previous debts may, however, be admitted as members of co-operative societies on probation for three years subject to the following conditions:

(Para. 124.)

- (a) that the probationer member shall not borrow from any outside agency or create any encumbrances upon his property without the previous consent of the society;
- (b) that he shall repay towards his previous debt and interest charges, a sum which the society considers reasonable at each harvest; and
- (c) that in case he brings necessary sureties or gives adequate security by way of mortgage of his property in favour of the society, the society shall assist him in reducing his previous debt to outside creditors by advancing him twice the amount he himself contributes at each harvest, provided that he makes no default either in payment of interest due to the society or in repaying any crop loans advanced by the society.

(12) It is essential, for the success of any scheme of debt redemption by co-operative credit societies or land mortgage banks, especially in view of the unfortunate experience of the results of debt redemption by co-operative credit societies in Ajmer-Merwara, that

(Para. 124.)

- (a) legal power should be given to them to apply to the Collector for the issue of a proclamation calling upon all creditors of their clients to disclose their loans within a reasonable time limit, failing which no court of law should give priority to undisclosed debts in any proceeding relating to the execution of a decree, and in case a debtor member challenges the correctness of the claims put in to call upon the creditor through the Collector to prove his claims in a court of law within a time-limit fixed by the Collector;
- (b) the law should be amended so as to give the co-operative credit societies and land mortgage banks the benefit of provisions similar to those embodied in the Encumbered Estates Acts, under which any future loans taken by their clients from outside creditors should not be admissible in law courts so long as any amount advanced by them remains unpaid;
- (c) subsequent loans made by Government under the provisions of the Land Improvement Loans Act and the Agriculturists Loans Act should not take priority over earlier long period loans given by a co-operative credit society or a land mortgage bank and that such amendments of law as are necessary for securing this object should be made at an early date;
- (d) in all cases of default in the payment of instalments on account of a mortgage loan, land mortgage banks and co-operative credit societies should have the power of selling without resort to a court, through an executive officer authorised in this behalf by the Local Government, after giving the defaulter 3 months' notice to pay the instalment;
- (e) the Land Alienation Act and all rules and regulations under it should be modified so as to include co-operative credit societies and recognised land mortgage banks in the definition of 'agriculturist' so far as the sale and transfer of land are concerned, and place them under the same restriction in respect of their power to sell land as are imposed on the agriculturists by the Land Alienation Act, provided that the co-operative credit societies or the land mortgage banks shall not be at liberty to hold possession of the land for more than 3 years without selling it. Mr. Chablani dissents from this proviso on the ground that it will prevent experiments in co-operative farming, which, in his opinion should be encouraged by all possible means in view of the very

small and scattered holdings in a large part of the centrally administered areas.

(13) A determined effort ought to be made to draw into the co-operative movement the savings and capital of the *mahajan* and agriculturist money-lender at rates of interest not exceeding those at which primary co-operative societies borrow from the central bank at present, and to include in the agricultural co-operative credit societies some members with settled habits of thrift and business-like instincts. The bye-laws of the societies should, therefore, be amended so as to permit admission of a special class of members who

- (a) will assume a liability limited to their share capital;
- (b) will borrow less from the society than their deposits therein and buy a prescribed minimum number of shares on which no dividend shall be paid;
- (c) whose deposits shall have the same claims on the assets of the societies as a deposit by a non-member and be considered in every respect as a debt owed by the society;

(NOTE.—Mr. Bal Kishen suggests that the liability of such members should be the same as that of other members of the society.)

- (d) should agree not to lend money directly to any fellow member of their co-operative credit society. (Para. 125.)

(13-A) In years when the village crops are above 8 annas in the rupee, village co-operative societies should be persuaded to make a special effort under proper safeguards imposed by the Co-operative Department to attract deposits from members preferably for periods longer than 1 year, by offering rates even up to their borrowing rate from the central bank.

(13-B) Borrowers from the co-operative societies should be induced by their *panchayets* to entrust to them their gold and silver ornaments (except a gradually decreasing minimum amount fixed by the *panchayet* from time to time) for sale and deposit in the central co-operative bank in the name of a woman of the family, on which the central bank should give compound interest at half per cent. less than the rate charged to the society by the central bank, the whole principal and interest being returnable in cash or gold at the option of the depositor when the borrower has discharged his debt to the co-operative societies. The existing law should be amended so as to make it clear that the amounts so invested shall be treated in all legal proceedings as ornaments on the person of a woman. (Para. 126.)

(NOTE.—Mr. Bal Kishen dissents from this as he considers it neither practicable nor likely to be popular.)

(iv) *Rural Industries.*

(1) The possibilities of developing rural industries should be explored by the Board of Economic Development proposed by the

Committee. Government should grant free of charge, on favourable terms, the services of government officials or experts for starting or advising such industries as is done under the Central Provinces Industries Act; and the necessary credit facilities should be provided by the Co-operative Department, supplemented by financial aid from Government on terms similar to those adopted under the Madras State Aid to Industries Act. (Para. 128.)

(2) In view of the facilities already available for getting advances against stored produce, the majority of the Committee do not think it necessary to start co-operative loans and sale societies and unanimously reject the Egyptian system of loans to small producers on the security of produce. (Para. 138.)

(v) *Long period credit in rural and urban areas.*

The majority recommend the creation of a joint stock land mortgage bank on the lines suggested in Chapter XX for the provision of long period credit in rural and urban areas.

(vi) *Financing of internal trade and remittance facilities.*

(1) The United States Warehouse system is well worth a trial and the volume of business in Delhi and Peshawar justifies an experiment being made in selected places, e.g., Delhi city, Hapur or Ghaziabad and Peshawar and Mardan. (Para. 153.)

(2) A nation-wide mobility of funds is, in our opinion, most vital in this country in view of the fact that its chief industries are associated with the exploitation of natural resources, its financing season in one industry is often the repaying season in some other, and the seasonal demand for financing in various provinces does not exactly coincide. Owing to marked differences in the banking development between the developed and undeveloped provinces as also between the rural and urban areas in each province, the necessary economy in moving funds cannot, however, be secured unless (a) there is a rapid development of the branch system or of the agency system under control of a head office of a parent or affiliating joint stock bank, (b) the indigenous bankers are intimately linked with the Imperial Bank with its wide-spread branches and facilities for remittance through currency chests, (c) the post office banks are utilised to the utmost extent for remittance work and linked with the system of indigenous banking and financing in the mofussil, and (d) the institutions for financing agriculture are more closely connected with the Imperial Bank and joint stock banks in the matter of short term loans to agricultural industry. (Para. 154.)

(vii) *Industrial and miscellaneous credit, and investment habit in urban areas.*

(1) The Local Governments should extend to these areas the benefits of the Madras State Aid to Industries Act with the addition of the provision in the Central Provinces Act for grant, free

of charge, or on favourable terms, of the services of Government officials and experts for starting or offering advice in connection with these industries. (Para. 160.)

(2) So far as the seasonal requirements of the cotton mill industry in Delhi are concerned, the only remedy seems to be to induce the Imperial Bank to make its terms for seasonal advances more reasonable. (Para. 160.)

(3) There is an urgent need for intensive propaganda in favour of the co-operative credit movement among the urban community in Delhi particularly the following classes:—

- (a) Clerks in the Government of India Secretariat getting salaries below Rs. 200; (b) Grass-cutters; (c) Masons; (d) *Thelawallas*; (e) Shoe-makers; (f) *Khatiks*; (g) Small traders.

The Committee therefore recommend that the co-operative staff in the urban areas of Delhi should be increased and an experienced officer of standing should be deputed to do propaganda and organising work in the city of Delhi. (Para. 163.)

(4) The Committee strongly favour the creation of a class of licensed money-lenders for urban areas in addition to licensed shroffs, similar to licensed village money-lenders on some such conditions as the following: (Para. 164.)

(i) A licensed money-lender shall be a member of an association of licensed money-lenders and shall conduct his business in accordance with the rules drawn up by this association from time to time and approved by the licensing board for shroffs.

(ii) Every licensed money-lender shall keep accounts in the form prescribed by the licensing authority and have them audited at intervals of not more than 2 years by a qualified auditor or a person on the approved list sanctioned by the licensing authority, and shall, on demand by the borrower, furnish him with a statement of accounts from the date of the last statement not oftener than once in six months;

or

agree to make payments to all his debtors through the post office or a joint stock bank, or a co-operative central bank or a licensed indigenous shroff notified by the licensing board from time to time and receive all payments from his debtors through the same agency.

(iii) He shall be entitled to a special summary procedure for deciding suits in which he is a plaintiff so long as he is a member of the Association of licensed money-lenders.

(iv) He shall be entitled to be awarded by Law Courts the stipulated rate of interest from the date of the transaction to the date of the actual realisation of his dues, subject to the conditions—

- (a) that the court shall declare the decree as satisfied in full when the licensed money-lender has actually realised his principal and interest at 12 per cent. per annum on a

mortgage debt and 18 per cent. per annum on unsecured debt from the date of the transaction, provided the stipulated rate of interest exceeds the foregoing rates:

- (b) that no evidence of payment by the judgment debtor after the decree shall be admissible in execution proceedings against the licensed money-lender except when payment is made through the court or on a receipt signed by the creditor and filed in court within the period of limitation, or through the post office on a special form for payment of decretal amount drawn up so as to show the minimum necessary particulars, or by cheque on a registered bank, or through the *vakil* of the party to whom payment is made.

(iv). All debts of the licensed money-lender shall have priority in the matter of payment to any subsequent loans from other creditors whether on mortgage security, or otherwise.

(5) Special credit facilities seem to be required also for the solution of some of the most urgent problems in the city of Delhi, viz., the problem of congestion and that of its milk supply. There appears to be considerable scope for co-operative housing societies in Delhi, and the Committee commend to the notice of the Local Governments and the Government of India the view taken by the Madras Government that financial help from Government to housing societies in the shape of loans is not only essential but also proper as representing a legitimate contribution by Government towards the solution of the housing problem and the relief of congestion in towns. The Committee is also of opinion that Co-operative Milk Purchasing Societies in the city linked to Co-operative Department will lead to the solution of the milk problem in the city of Delhi, and that a small initial capital required for co-operative sales societies should be provided by loans from the Local Government on the same terms as *takavi* loans. (Para. 165.)

(6) There is no investment trust in these areas and there does not appear to us to be sufficient scope for one, except probably in Ajmer where the Co-operative Central Bank gets a substantial margin of profit by attracting urban deposits at a low rate and investing a large percentage of them in Government securities. But an investment trust established in big cities like Bombay and Calcutta, under adequate safeguards against fraud, is likely to stimulate investment by those who are at present investing their savings in either land or Government securities for no other reason except their inability to judge the value of the different forms of investment; and by Mohammdans who have objections to accumulation of interest but no objection against receiving profits. In the absence of a big Investment Trust operating over a wide area, the Co-operative Department will be well advised to institute a Co-operative Investment Trust in Ajmer for the benefit of this class of investors rather than allow the Central Bank in Ajmer to profiteer at their expense. (Para. 166.)

(7) As there is a promising field for a National Savings Movement, especially in urban areas, the Co-operative Department and the Board of Economic Development suggested elsewhere should attempt to initiate schemes Nos. 2, 5, 6, 7, 9, and 10 described in para. (Para. 167.)

(viii) *Existing Legislation and Legal Procedure in their bearing on credit and credit facilities.*

(1) With a view to protect small agriculturists or peasant proprietors and in order that the Land Alienation Act or Regulation should operate to their full advantage, and at the same time divert the savings of the bigger land owners into more profitable channels of investments, the Committee recommend that the agriculturists whose holdings fall short of the standard of an economic holding, to be determined with due regard to local conditions, should have power to alienate their holdings only in favour of those agriculturists who own 50 acres of land or less, and that alienations by such persons in favour of those agriculturists who own more than 50 acres of land should require the permission of the Collector, which should, however, be freely given, in case it is found necessary for the owner of the uneconomic holding to sell his land and either the price offered by those owing less than 50 acres is not adequate or no purchaser from this class is forthcoming. (Para. 176.)

(Note.—While the members of the Committee are unanimous as to the object in view, they are divided in opinion as to the details of this recommendation.)

(2) In Ajmer-Merwara and Delhi, the discretion vested in the executive authority under the Land Alienation Act or Regulations to give permission to agriculturists to sell their land should be more freely exercised, subject to the right of pre-emption in favour of members of agricultural tribes who cultivate the land themselves, provided the applicant can get a price which is not less than 20 times the annual net return from the land and provided that after discharging his debt he agrees to invest for at least ten years the proceeds of the sale in securities approved by the Collector.

(Para. 176.)

(Note.—The Committee is not in favour of extending the operation of this suggestion to the North-West Frontier Province as it would not suit the peculiar conditions prevailing in the rural areas of that Province.)

(3) Subject to certain safeguards, co-operative societies and land mortgage banks should be classed as agriculturists for the purposes of the Land Alienation Act and the same restrictions as are imposed upon the agriculturists in respect of the parties to whom they can sell their land, should be imposed also on these co-operative credit societies and land mortgage banks. (Para. 176.)

(Note.—Kanwar Motilal wishes to extend this privilege to licensed money-lenders and licensed indigenous bankers.)

(4) It is also desirable to relax section 29 of the Land and Revenue Regulations, No. 2 of 1877, in force in Ajmer-Merwara

when the Istimrardar's creditor is a co-operative credit society or a land mortgage bank, a licensed indigenous banker, or an Indian joint stock bank. (Para. 176.)

(5) Land belonging to insolvent agriculturists should be declared to vest in the official receiver who may dispose of them to other agriculturists to whom the insolvent himself could have sold the land under the Land Alienation Act or Regulations.

(Para. 177.)

(6) None should be adjudicated as an insolvent if he has been guilty of an act of bad faith in regard to monetary transactions, and the insolvency law should be amended accordingly. In all cases of applications for declaration of insolvency by indigenous bankers, the courts of law should be bound to ask the local Shroff's Association to allow a committee of four or five persons to examine and audit the account books of the licensed indigenous banker and investigate the applicant's fitness to be declared an insolvent before adjudicating him an insolvent. As these recommendations are not adequate for the protection of the general lending public, the Committee suggest the desirability of eliciting further the considered opinions of Bar Associations and the Judiciary on further amendments to Insolvency Law.

(Para 178.)

(7) The real defects in the Usurious Loans Act are incurable unless a body of licensed money-lenders and an Association of indigenous shroffs, who shall get their accounts audited and who should be free from interference by the law courts in the matter of rate of interest, except at the time when repayments are actually made, are set up on the lines suggested.

(Para. 179.)

(8) Section 34 of the Civil Procedure Code should be amended so as to provide that the rate of interest ordered in the decree should be the contract rate (if it is not inequitable) on the principal sum from the date of the suit till the date of the decree and again from the date of the decree till realisation, and if the contract rate is inequitable, then at such rate as the court considers to be equitable.

(Para. 180.)

(9) In view of the post-war monetary conditions, section 35 of the Civil Procedure Code should be amended so as to empower the courts to allow interest on costs at a rate higher than 6 per cent. if they consider it reasonable to do so.

(10) The rate of interest under section 80 of the Negotiable Instruments Act might be raised from 6 to 9 per cent. per annum.

(Para. 180.)

(11) A land register for house property should be maintained both in the urban and rural areas in connection with the proposal to establish land mortgage banks and any one should by application be able to have his name entered in a special column in the record of rights or land register by way of caution to prospective mortgagees and purchasers, no one except a minor being allowed in the absence of such entry to set up any title to landed property recorded in the name of another.

(Para. 181.)

(12) The law should be suitably altered so as to provide that in all mortgage transactions with Hindus, governed by Mitakshara Law, an enquiry made by an officer of a joint stock bank or of a land mortgage bank or by an executive officer authorised in this behalf by the Local Government should be incorporated in the bond and be considered as *prima facie* evidence that reasonable enquiries were made by the creditor regarding the necessity for the loan, thereby shifting the onus from the plaintiff to the defendant. (Para. 182.)

(13) The value of each property should be separately noted in the bond and the lien split up and mentioned separately so that a debtor could satisfy the debt and redeem his property piecemeal. (Para. 183.)

(14) Suitable remedies should be devised for quicker recovery of dues from debtors, as until this is done, no great development in banking can be achieved. (Para. 184.)

(ix) *Indigenous bankers and hundis.*

(1) A class of licensed bankers should be instituted and all indigenous bankers paying income-tax should be accorded certain privileges in return for certain obligations imposed upon them. Under the terms of their license they should be compelled, (1) to get their accounts audited by a qualified auditor who should draw up an annual balance sheet in a prescribed form disclosing among other things the names of the partners and places of their business; (2) to become members of the Shroffs' Association in the nearest town and agree to conduct their business in accordance with the rules drawn up by this association; (3) to agree not to charge beyond the scheduled maximum rates of interest for different kinds of business, fixed from time to time by the licensing authority on the recommendations of the association; and (4) to agree, in case they accept deposits from the public to keep a cash reserve on a scale laid down by the Imperial Bank or the Reserve Bank on the recommendations of the Shroffs' Association against the deposits received from the general public excluding the deposits of members of their firms, and to hold it either in Government securities or in securities approved by the Imperial or Reserve Bank, or in balances kept with the Imperial or the Reserve Bank. (Para. 217.)

In return for these obligations they should have in the first place ample facilities for recovery. In all cases in which they are parties to a suit it should be open to them to claim a special summary procedure for determination of their suits as also a special summary procedure for the execution of decrees, and a special legal enactment or directions of the High Court should lay down that no court of law shall be at liberty to vary the rates of interest stipulated in transactions to which these licensed bankers are parties so long as these rates are within the prescribed schedule or to refuse to award interest at the same rates after the date of the decree till full recovery is made.

Secondly, they should have a definite assurance that the Imperial Bank of India shall not be asked by Government to open a branch at a place where a licensed indigenous shroff is carrying on his business except after giving an opportunity to the Licensing Board to consider the objections of the indigenous shroff within a certain time-limit and submitting its own recommendations to Government.

Thirdly, a licensed banker should be entitled to (a) remit free of charge through the post office, sums not exceeding a limit laid down by the post office in consultation with the indigenous bankers' association or the licensing board, to notified places against a current account maintained with the head post office in a district town and never allowed to fall below a certain minimum monthly balance; (b) to remit funds through the Imperial Bank or the Reserve Bank at the same rates as are charged to all joint stock banks subject to the proviso that this will not preclude the granting of a differential rebate to any joint stock bank or banker whose total remittance in a year exceeds a specified amount; (c) to a substantial rebate of duty on *mudati hundis* varying with the amount of *mudati hundis* used by each individual shroff in a year, provided this is found administratively feasible; (d) to have his *hundis* rediscounted by the Imperial or Reserve Bank on the same terms as joint stock banks within the maximum limits depending on his credit position in the market fixed by Imperial or Reserve Bank in each case on the recommendation of the association of licensed indigenous bankers, provided that this will not in any way fetter the discretion of the discounting authority to refuse or limit the advance to any particular individual; (e) to repawn ornaments with the Imperial Bank or the Reserve Bank at a rate that will leave him a fair margin on advances against gold and silver ornaments under conditions prescribed by the Imperial Bank or the Reserve Bank from time to time.

Fourthly, in cases of application for declaration of insolvency by a licensed indigenous banker, it should be obligatory on the court to ask the local Shroffs' Association to elect a committee of four or five persons to examine and audit the account books of the licensed indigenous banker and investigate the applicant's fitness to be declared an insolvent before adjudicating him an insolvent.

(Para. 217.)

(2) Attempts should be made to link some of the indigenous shroffs more closely to the Imperial Bank and a suggestion is made that in place where there is neither a branch of a joint stock bank nor that of the Imperial Bank at present, the Imperial Bank may, on the initiative of the Licensing Board, appoint from among the licensed shroffs of the province an agent on a salary or on commission basis on the following conditions: (Para. 217.)

- (i) The agent shall guarantee a fixed minimum amount of business.
- (ii) The agent shall give a limited guarantee against losses arising out of the agent's mismanagement.

- (iii) The agent shall bind himself not to do any business with the bank's money or keep his own goods in the godown of the bank.
- (iv) The agent shall bind himself not to engage in speculation or combine trading with banking proper.
- (v) The agent shall remit without undue delay to the nearest treasury all deposits received on behalf of the Imperial Bank except a certain minimum balance agreed upon in the beginning of each year.
- (vi) Subject to limits fixed in each case by the Imperial Bank, the agent may be authorised to open and receive current accounts on its behalf, withdrawable by cheques as a matter of right only on its nearest branch, but as a matter of practice, if timely notice be given, also on the agent to a limited extent notified from time to time. He may also be given a limited authority to advance loans against ornaments or against produce kept in the bank's godown on a short notice to the Provincial Head Office of the Imperial Bank and under conditions prescribed by the Imperial Bank from time to time.
- (vii) The Imperial Bank shall on the recommendation of the Licensing Board impose such restrictions on the agent as regards rates of interest as will prevent unfair competition with independent shroffs and branches of banks.

(3) The composition of the Licensing Board recommended should be as follows:— (Para. 217.)

- (a) three representatives of the local Shroffs Association;
- (b) one representative of the Imperial Bank of India;
- (c) one representative of the Indian joint stock banks;
- (d) one representative of Trade and Commerce nominated by the local Government on the recommendation of the local chambers of commerce, if any; and
- (e) an economist or a public man interested in banking nominated by the local Government.

(4) It would be worth while to throw special inducements to some shroffs to restrict their business to the functions of discounting and accepting houses, and to agree not to engage in any trade except purchase and sale of gold and silver, or strictly commission or agency business on behalf of other traders, and not to draw *mudati hundis* themselves but only discount or endorse *hundis* drawn by others. The Committee recommend that the Imperial Bank or the Reserve Bank should in its rediscounting policy give a preferential treatment to those shroffs who agree to accept these limitations on their business, in the matter of limits up to which bills discounted by them will be rediscounted, and the Government should give a larger rebate on the duty paid on the *mudati hundis* by such shroffs. (Para. 218.)

(5) It is desirable to encourage the use of a standard form of *hundi* printed in English as well as in the language commonly employed at present in each province by selling it a little cheaper than the ordinary stamped *hundi* paper. (Para. 219.)

(6) The duty on usance bills should be reduced by half and if the system of rebate is administratively feasible, a rebate on the reduced duty be granted to all shroffs who use in a year *hundis* exceeding the value of Rs. 10,000 in the aggregate, on a progressive scale, the rate of rebate increasing with the total amount of *mudati hundi* used. (Para. 219.)

(7) In view of the fact that bills of exchange payable more than one year after date or sight were at no time common in these Areas and the bazaar does not look with favour on any *hundi* of a longer duration than one year, the Committee recommend that the bills of exchange payable at more than one year after date, may be excluded from the benefit of the suggested reduction of duty. (Para. 219.)

(x) *Joint Stock Banking.*

(1) The use of cheque forms printed in English with translation in the principle language of the mercantile community in the province should be freely encouraged and signatures in vernacular should be freely accepted in the case of cheques collected through a bank or a licensed shroff. (Para. 227.)

(2) Subject to a limit on the value of the cheque and to restrictions as to the number of times per week cheques can be issued, cheques should be allowed to be issued against savings bank accounts in selected post offices and branches of the Imperial Bank, provided that in case of demand for cash payment a few days' intimation is given to the bank concerned. (Para. 227.)

(3) The Post Office should accept freely cheques for deposit in the savings bank account. (Paras. 227 and 242.)

(4) Payment by cheques drawn on any local branch of a registered bank or on a licensed shroff or a co-operative central bank should be freely allowed by all tax-collecting Departments of Government and local bodies in payment of their dues, and cheques should be more freely accepted than at present by courts of law. The Committee are further of the opinion that it will be a distinct facility to businessmen if the Railways accept from approved customers payments by cheques on banks and bankers. (Para. 227.)

(5) The Committee are divided in opinion as to whether the Negotiable Instruments Act of 1831 should be amended so that no endorsement on a cheque payable to bearer should operate to restrict its negotiability. The majority consisting of the Chairman, Messrs. Gray and Chablani and Nawab Major Mohammad Akbar Khan are in favour of such an amendment, as they think that the law at present imposes a very considerable amount of extra work and responsibility on banks who have at present to examine endorsements on all bearer cheques without any appreciable advantage to

their constituents or to the public. Kanwar Moti Lal and Lala Bal Kishen are opposed to it on the ground that it deprives the public of a legitimate protection. (Para. 228.)

(6) *Hundis* should be excluded from the scope of this amendment in view of the common usage to give on the *hundi* instructions regarding the method of payment. (Para. 228.)

(7) The existing law under which any holder of a cheque or a bill of exchange can alter at any stage the character thereof from bearer to order by running his pen through the word bearer is useful and should not be interfered with. (Para. 228.)

(8) The protection afforded by the crossing of cheques should be extended to *hundis* also. (Para. 228.)

(9) The position will continue to be unsatisfactory for Indian banks and bankers until either a non-competing reserve bank is established or restrictions are imposed on the amounts advanced by the Imperial Bank directly to the public against ornaments, grain, cotton or merchandise on rates which are substantially lower than those which the Indian banks and bankers can afford. (Para. 229.)

(10) The Committee feel that a proper rediscount bill market will be very difficult to develop in India without establishing a Reserve Bank which does not deal directly with the public except on occasions when its open market operations are necessary to establish its control over the money market; but till this proposal materialises, the Committee recommend that the Imperial Bank should be induced to charge an appreciably lower discounting rate to the licensed indigenous bankers and Indian joint stock banks than its discounting rate for the public. (Para. 229.)

(11) The Imperial Bank should, in fixing its rates of interest, show due regard to the prevailing rates of interest paid on deposits by the Indian joint stock banks and licensed shroffs, and on a requisition by the local agents of any two of the Indian joint stock banks or licensed shroffs, the local Licensing Board should have the power to investigate allegations against the Imperial Bank in this behalf and report the result to the Managing Governors of the Imperial Bank. (Para. 229.)

(12) The Imperial Bank should encourage licensed money-lenders, licensed shroffs and joint stock banks to advance loans against gold and silver ornaments by charging them a lower rate of interest on advances against such ornaments repawned to it. The rate of interest on such advances should not be a fixed rate as at present but should vary with the season coming down particularly during the months in which the agriculturists need money for sowing operations, but the rate once fixed should not be changed during the currency of the loans. (Para. 230.)

(13) Every branch of a bank including those of exchange banks should be compelled by law to invest a certain minimum percentage of its deposits and bill collections within a specified banking circle in which the branch is situated, the percentage in each case

being fixed by the licensing board after hearing objections by the party concerned, provided that the amount invested in Government of India securities shall count towards this fixed minimum. (Para. 234.)

(14) Every insurance company operating in India should be compelled by law to invest at least half its net realisations from premia in India, of which 50 per cent. must be invested in a specified local area from which premia are collected, the amount invested in Indian Government securities counting towards the minimum in either case. (Para. 234.)

(15) A specified portion of the amount in the hands of Government on account of post office insurance and contributions to the Provident Fund should be earmarked for long period credit to local agriculture and industry through the Imperial Bank for the present and through land mortgage banks and industrial banks when they are established. (Para. 234.)

(xi) *Government.*

(1) The existing practice regarding grant of *takavi* under the Agriculturists Loans Act in times of scarcity should be continued; and co-operative societies and licensed *mahajans* should be helped to repay crop loans to the Imperial Bank of India in certain circumstances. (Para. 236.)

(2) For the better administration of the Land Improvement Loans Act, periodical examination of each village should be made by an agricultural expert, and a ten years' programme of improvements that are economically justified should be drawn up, which should be carried out by the Agricultural Department or the owner of the land from funds obtained either from Government or a land mortgage bank. (Para. 236.)

(3) The existing system of the post offices savings banks account should be modified as follows:— (Para. 237.)

- (a) The number of withdrawals allowed within a week should be increased to at least two.
- (b) The annual and maximum limit on deposits should be raised to at least double the present limit in all places where there is no branch or agency of an Indian joint stock bank or of a licensed indigenous shroff.
- (c) Interest for at least half the month should be allowed on deposits kept after the 4th of a month or withdrawn after the 25th of month, if the amount deposited or withdrawn has remained with the post office for at least 20 days in the month.

(4) In order to restrict competition with commercial banks, city post offices should not accept any deposit exceeding Rs. 500 for less than a year. (Para. 237.)

(5) At post offices which have at present no savings bank accounts, savings banks may be opened for business only once a week in as many post offices as possible, for only 3 to 4 hours during the day. (Para. 237.)

(6) A limited number of post offices in city areas should be kept open for savings bank business up to 8 o'clock in the evening in order to afford adequate facilities to labourers and shop-keepers engaged in retail trade. (Para. 237.)

✓ (7) The Post Office Insurance Fund, which is now open to Government employees, should be extended to the general public up to a limit of Rs. 1,000 in each cash. (Para. 238.)

(8) For the special protection of women, special certificates which could only be held by a woman should be issued, the interest on which should be payable every year through the nearest post office and the principal repayable only after 10 years, or on the death of her husband if it occurs earlier than 10 years. (Para. 239.)

(9) The credit difficulties of local trade should not be aggravated by withdrawal from the local money-market of large sums of money through cash certificates, Government loans, treasury bills and Postal Savings Banks. The Committee recommend that Government should slow down their borrowing programme in a period of depression and should earmark a certain minimum of the funds raised by means of Cash Certificates and Postal Savings Bank deposits, for local investment for short-terms with banks, shroffs and industrial concerns. Similarly a specified portion of the amount in the Postal Insurance Fund and General Provident Fund may well be utilised for long period credit to local agriculture and industry through the Imperial Bank of India for the present, and through land mortgage and industrial banks when they are started. (Para. 241.)

(10) It is essential for banking development that the cheque habit should spread and remittance facilities extended to places where there is at present no banking institution except a post office. The Committee consider that the Government have in their post offices an excellent agency for helping in this direction, as in many foreign countries where they are utilised extensively for this purpose. In view, however, of the vastness of the country and absence of any previous experience of this business the Committee do not wish to go as far as is the practice in continental countries in Europe, and recommend instead an experiment on a limited scale in the first instance. They suggest that city post offices and selected mofussil post offices should be allowed to open current accounts free of interest up to a prescribed limit for a limited class of clients, *e.g.*, licensed indigenous bankers, licensed village money-lender co-operative societies, who should have the privilege of remitting to notified places, free of charge, sums not exceeding the limit laid down by the postal authorities in consultation with the indigenous bankers' association or the Licensing Board for

village money-lenders against a current account maintained at the head post office in the district towns, and never allowed to fall below a prescribed minimum (monthly) balance. (Para. 242.)

(11) The Committee recommend that the head post office in the district towns should from time to time announce that it will be prepared to remit funds to places all over India in which post offices have usually surplus funds in certain months, at specially reduced rates, provided that at none of these places there is a branch of a joint stock bank or of the Imperial Bank of India, and provided also that the rates charged to banks and licensed indigenous shroffs shall be appreciably lower than the rates charged to the public.

(Para. 243.)

(12) The Committee recommend that the Government of India should have for these Areas its own heads of Departments in the sphere of economic activities, *e.g.*, a Director of Agriculture and a Director of Industries for the Centrally Administered Areas, a separate Registrar (paid or Honorary) of Co-operative Societies in Delhi as well as in the North-West Frontier Province.

(Para. 244 (1).)

(13) A board of economic enquiry should be constituted on the lines of the Punjab Board of Economic Enquiry. (Para. 244 (2).)

(13) A Board for Economic Development should be set up for these Areas which should include among its members—

(Para. 244 (3).)

- (a) the administrative heads of the departments of agriculture veterinary industries and co-operation;
- (b) a representative of factory owners;
- (c) a representative of *zamindars* nominated by the local Government;
- (d) a representative of the Board of Economic Enquiry elected by the Board of Economic Enquiry;
- (e) a representative of Labour nominated by the local Government; and
- (f) a whole-time economist with an assistant trained in statistics (Secretary).

APPENDIX II (a).

Statement showing the distribution of the main questionnaire of the Committee, the number of replies received and the number of witnesses examined.

	QUESTIONNAIRE DISTRIBUTED.			WRITTEN REPLIES RECEIVED.			WITNESSES EXAMINED.	
	English.	Urdu.	Hindi.	English.	Urdu.	Hindi.	Official.	Non-official.
Delhi	119	131	172	17	5	..	4	6
Ajmer-Merwara	116	..	108	26	..	7	4	9
N.-W. F. P.	229	40	..	31	4	..	6	7
TOTAL	464	171	275	74	9	7	14	22

APPENDIX II (b) (i).

Statement showing the distribution of the special questionnaire for postal officials and the number of replies received.

	No. of questionnaire distributed.		Written replies received.
	Hindi.	English.	
Delhi	—	80	37
Ajmer-Merwara	80	40	36
North-West Frontier Province	—	130	115

APPENDIX II (b) (ii).

Statement showing the distribution of the special questionnaire for central co-operative banks and the number of replies received.

	No. of questionnaire distributed.	No. of replies received.
Delhi	1	1
Ajmer-Merwara	3	3
North-West Frontier Province	1	1

APPENDIX II (b) (iii).

Statement showing the distribution of the special questionnaire for judicial officers and lawyers and the number of replies received.

	No. of questionnaire distributed.	No. of replies received.
Delhi	14	4
Ajmer-Merwara	3	1
North-West Frontier Province	7	4

APPENDIX III.
CENTRAL AREAS BANKING ENQUIRY COMMITTEE.

QUESTIONNAIRE.

(The following memorandum is published in order to assist witnesses in the preparation of their evidence. It is not to be regarded as exhaustive, nor is it desired that each witness should necessarily attempt to deal with all the questions raised.)

A.—AGRICULTURAL INDEBTEDNESS.

1. In order to devise measures for the increase of credit facilities to the agricultural classes it is necessary to reach an estimate as accurate as possible of the existing indebtedness of these classes. Can you furnish any such estimate for a *village, tehsil* or district in your province, or for the whole province? If not, can you suggest the manner in which such an estimate can be obtained with reasonable accuracy?

In such an estimate please distinguish between

- (a) the amount of debt with land as security which is in the form of a registered mortgage,
- (b) the amount of debt which is concealed in the form of a judicial sale to circumvent the provisions of Acts such as the Deccan Agriculturists Relief Act,
- (c) the amount of debt which is incurred against any other assets, such as the village house, ornaments, ploughs and other agricultural implements, crops and produce, or debt which is given on the general security of all the assets without a specific pledge.

Please state wherever possible the purposes for which the debt was incurred, such as

- (a) the repayment of earlier debts,
- (b) marriage and other social occasions,
- (c) famine and other kinds of distress,
- (d) payment of land revenue,
- (e) growth of the debt by compound interest, interest not having been paid,
- (f) seed and manure,
- (g) improved agricultural implements,
- (h) sinking of wells and agricultural improvements,
- (i) *payment of wages to labourers,*
- (j) *litigation,*
- (k) *purchase of cattle,*

- (l) purchase of land or bringing into cultivation fallow land,
- (m) construction or acquisition of houses,
- (n) education of children.

Who form the majority of these borrowers, persons owning more than an economic holding* or those owning less than it? What percentage of persons owning land above 100 acres borrow for these various purposes? What measures would you suggest for limiting borrowing for wasteful and unproductive purposes? How would you encourage borrowing for productive purposes by these classes?

Please indicate also to whom this debt is largely due and whether the creditors are Government, banks, co-operative societies, indigenous bankers, professional money-lenders or zamindars.

2. Please state what you know of the rates of interest charged by the various classes of creditors and the methods used for calculating interest and for enforcing repayment of debt.

3. How far in your opinion, is the provision of credit facilities effected by existing legislation and legal procedure? Have you any suggestion to make regarding improvements in this respect?

4. Are financial difficulties responsible for replacement, on a large scale, of small agriculturists by (a) bigger zamindars and (b) money-lenders, in the areas with which you are familiar?

5. Do you think a large number of people who are efficient farmers, are being turned into tenants for a period or tenants-at-will through the process of the enforcement of the old debts and of landed property passing on into the hands of creditors?

6. If this process is going on, does it take away from the actual cultivator the incentive to produce more or cultivate his land in a more efficient or better manner? How far can this process be checked by legislation? Can you suggest any other method for counteracting it?

7. Is it customary for zamindar money-lenders in your village, tehsil or district to extract personal service or any other form of labour in lieu of interest on loans from borrowers?

8. Please describe the methods and effects of advances made in cash and in kind by particular money lending communities or agencies such as transborder moneylenders to agriculturists, the operation of loan banks and the system of Rahti loans given by moneylenders to people of small means.

9. Can you state if the Usurious Loans Act is being availed of in your province to any appreciable extent? What measures would you suggest for a free use being made thereof?

10. Would you suggest the enactment of legislation in connection with the publication and regulation of accounts of moneylenders? Would you suggest any legislation for the purpose of ensuring fair transactions between the moneylender and the agriculturist?

11. Are there any village Arbitration Boards or village Panchayats in your village, tehsil, district or province? If so, is this agency freely

*A holding which will support an average family.

resorted to for purposes of settlement of disputes between the moneylender and the agriculturist and is their decision effective ?

B.—FINANCE FOR AGRICULTURAL PRODUCTION.

12. Describe the present system by which the agriculturist (*zamindar and cultivator*) in your *village, tehsil, district or province* obtains finance for

- (a) expenses during cultivation,
- (b) capital and permanent improvements, and
- (c) other special needs, *e.g.*, failure of monsoon, land revenue, etc.

Consider separately the cases of (a) *small cultivator or peasant proprietor*, (b) *an owner of about 100 acres of land* and (c) *a large landholder*.

What proportion of it is obtained in kind, *e.g.*, seed, plough, cattle, etc. ?

What are the rates of interest charged in your *village, tehsil, district or province* for advances for (a), (b) and (c), the periods for which loans are ordinarily taken, the nature of the security given and accepted (*e.g.*, standing crops, *land, house-property, ornaments, etc.*), and other conditions attaching to the grant of such loans ? Do you consider the rates of interest exorbitant ? Are different rates of interest charged for cash advances and loans in kind ?

Describe the part played in financing agriculture for (a), (b) and (c), by Government, the Imperial Bank of India, the joint stock banks, co-operative banks, the indigenous banks and bankers, *zamindars*, professional moneylenders, merchants and dealers, and other organisations giving credit (*e.g.*, companies trading in fertilisers, etc.).

13. Does the cultivator freely borrow *takavi* under the *Agriculturists Loans Act* ? If not, please state the reasons. Are there any defects in the working of this Act ? If so, what remedies would you suggest ?

14. Is there co-ordination among the various credit agencies including Government, and is there scope for improvement in that direction ?

15. State defects, if any, in the present system of financing agricultural production and the reasons for the existence of such defects. Can you suggest any remedies ?

16. Can you give an estimate of the total amount of capital required at present for the various purposes mentioned in Question No. 12 for your *village, tehsil, district or province* ? On what basis would you form such an estimate ? Is the capital at present available adequate for the purpose ?

C.—FINANCE FOR MARKETING.

17. Can you name the marketing centres for the various crops in your *village, tehsil, district or province* ?

18. Describe the present method of marketing principal crops in your *village, tehsil, district or province*. What is the part played by the different classes of banks and bankers and merchants and dealers during the process of marketing ? Is there any co-ordination among them and is there any

scope for improvement in that direction? What charges does the cultivator pay to (a) moneylender and (b) the commission agent or the broker? Are there any other incidental charges?

19. In what manner does the agriculturist store his produce,

(a) previous to taking it to the market, and

(b) at the market?

Is it possible for him to use the grain so stored as security for obtaining credit?

20. What in your opinion are the possibilities of operating licensed warehouses in India either on the lines of the system which exists in the United States of America* or otherwise? Do you think there is any need for Government assistance in the matter?

21. Describe the credit facilities required for the financing of produce during marketing and the facilities actually existing.

In regard to such facilities is there any special difference between internal and foreign trade?

22. What different kinds of instruments of ownership of goods and produce (e.g., railway receipts) and documents are employed for raising money during the process of marketing?

Are any difficulties experienced in the use of these instruments and have you any suggestion to make with a view to removing these difficulties?

23. What are the possibilities of forming pools and of co-operative effort generally in the transporting and marketing of produce?

24. Have you any suggestions to make for the more extensive use of bills in internal trade in rural areas (e.g., by reduction of duty on bills)?

D.—LONG PERIOD LOANS FOR AGRICULTURE.

25. Is there any appreciable demand for long term credit in your village, tehsil, district or province, and if so, by which of the classes specified in questions Nos. 1 and 12?

26. To what extent are loans obtainable for long periods in your village, tehsil, district or province on the security of land by

(a) landlords, and

(b) tenants of various kinds?

27. Does the agriculturist freely borrow takavi under the Land Improvement Loans Act? If not, please state the reasons. Are there any defects in the system? If so, what remedies would you suggest?

28. In your village, tehsil or district what is the average value of land per acre of different quality? What ratio does the annual yield of land of average quality per acre bear to its market value under normal conditions?

What are the factors affecting such value? In your reply, please distinguish between—

(a) value of land in Government auction for non-payment of revenue;

(b) value of land in the event of sale by court decree ;

(c) value of land in purchase by private negotiation ;

and also state the cause of the difference.

29. Are there any legal impediments to mortgage of agricultural holdings in your province ? If so, are they having any adverse effect on the agriculturists' capacity to borrow capital for long periods ? Do you suggest any modification of the existing law ?

30. Are there any special difficulties in the areas with which you are familiar in the way of raising money on debenture bonds through mortgage banks and can you suggest any remedies ?

31. Are there any land mortgage banks in your province or any other banks for the provision of long term credit ? If so, state what you know of their method of work and of raising capital ?

32. If no such institutions exist in the province, please suggest the lines on which such institutions could be established and worked to the advantage of landlords and tenants particularly with regard to the following :—

(a) Management, directorate, the rights and votes of shareholders, etc.,

(b) The amount of capital and the value of each share.

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

(d) What should be the period of the loans advanced by such a bank and what should be the margin between the amount of loan and the value of mortgage ?

(e) In what manner should land mortgage banks obtain working capital, e.g., from

(i) deposits,

(ii) funds from a central institution,

(iii) debenture bonds,

or all of these ?

(f) Should debentures carry Government guarantee either for principal, or interest, or for both ?

(g) If debentures are not taken up by the public, should the Government take up the balance ?

(h) Should the debentures be included in the list of trustee securities ?

33. On what terms should agricultural mortgage banks raise money under each of the heads mentioned above, with or without Government guarantee, and on what terms should they lend out money so as to cover their expenses ?

34. What method would you recommend for calculating the value of land offered for mortgage ?

35. If the Government undertakes any financial obligations, what measures would you suggest to secure it against unnecessary loss ?

36. Do you suggest any measures for

- (a) improvement in the record of rights and title of ownership so as to simplify reference, and to avoid possibilities of disputes and counterclaims by parties other than those who are the clients of the bank,
- (b) simplification of the process of foreclosure and sale by the mortgage bank in the event of non-payment,
- (c) reduction of costs of reference to the record of rights and of registration of records and of the process at law so as to reduce the burden on the good constituents of the bank in respect of charges incurred on account of defaulters ?

37. Can you suggest any other measures for the adequate provision of long term credit against sound security ?

E.—INDUSTRIES SUBSIDIARY TO AGRICULTURE.

38. Give some idea of the small subsidiary industries allied or supplemental to agriculture existing in your *village, tehsil, district* or province, such as rice milling, dairy farming, *gur* making, garden produce, cotton ginning, sugar refineries, hand spinning, etc. *Are these industries suffering from lack of adequate capital ? What measures would you suggest for financing them on an adequate scale ?*

39. Can you suggest methods by which any such industries could be encouraged and by which the producer might be enabled to get a better return for his labour and capital in these industries ?

40. *To what extent will transport facilities provided by the State or by co-operative effort open a market for these subsidiary industries ?*

Can you suggest any enterprises which may give employment to the farmer during seasons in which he cannot make full use of his time on his farm, and thus enable him to supplement his income and raise his standard of living ?

What would be the best method of securing working capital for such enterprises ?

What financial machinery do you suggest for this purpose ?

F.—RURAL CO-OPERATION.

41. *Are the co-operative credit societies in your areas merely money-lending institutions or do they do any real banking business, e.g., receiving deposits, etc. ?*

42. State what you know of the relations that exist between the co-operative banks and the other banks in the country, namely, the Imperial Bank of India, the joint stock banks and the indigenous banks.

43. *Please point out defects, if any, of the co-operative credit societies in the areas with which you are familiar. Please suggest any remedies for removing them.*

44. Describe any existing difficulties in the matter of financing in the case of co-operative banks both in regard to short and long term capital.

To what extent has the co-operative movement succeeded in meeting the financial needs of the agriculturist ?

45. Can you give an estimate of the amount of extra capital required for financing rural co-operative movement adequately in your *village, tehsil, district or province ?*

46. Is there any competition in your district or province between the co-operative banks and branches of joint stock banks or of the *Imperial Bank of India ?* If so, to what extent and in what direction ?

47. Have you any views regarding the possibility and desirability of granting financial concessions in order to stimulate the growth of the co-operative movement (e.g., by extension of special exemption from income-tax to genuine co-operative societies, inclusion of debentures issued by Provincial Co-operative Banks in the list of trustee securities, etc. ?)

G.—NON-AGRICULTURAL CREDIT AND INDEBTEDNESS.

48. *Can you give any idea as to the rates of interest and the extent of indebtedness of certain classes of urban communities in the areas with which you are familiar ? What banking facilities exist for them and what suggestions have you to make in this connection ?*

49. *Are there any local industries not necessarily allied to agriculture existing in your village, city, tehsil, district or province ? If so, have you any suggestions to make regarding financing them during the process of production or marketing ? Are their financial requirements adequately and satisfactorily met by the existing organisation ? If not, have you any suggestions to make in this connection ?*

50. *To what extent has the co-operative movement succeeded in meeting the financial needs of the small trader, and the industrialist in your village, tehsil, district or province ? How far in your opinion, is the movement capable of meeting the financial needs of these classes ?*

51. *In what directions should the co-operative movement be extended in order to meet the special needs of the urban areas in your province ?*

52. *Describe the part played by the different classes of banks, and bankers and importing and exporting firms in the financing of foreign trade of India during the following stages :—*

(a) *Export trade—*

(i) *from the village to the Mandi,*

(ii) *from the Mandi to the exporting port.*

(b) *Import trade—*

(i) *from the importing ports to the distributing centres in India, such as Amritsar, Delhi, Cawnpore, etc.,*

(ii) *from the distributing centres to the consumer.*

What are the terms on which the financing of trade during the above stages is done ? Are any difficulties experienced in this connection and have you any suggestions to make for removing those difficulties and for improving in any way the financial facilities existing for this purpose ?

53. *It has been suggested that the grower of produce in India does not get the full value for his produce on account of the speculative buying and selling activities of firms and companies who deal in the export trade and by the control of prices by these and other bodies. What are your views on this suggestion? Please supplement your views by any facts and figures within your knowledge. Have you any observations to make with a view to ensure a better return to the growers of produce in India?*

H.—TRANSBORDEE TRADE.

(These questions are meant for witnesses in Baluchistan and N.-W. F. Province.)

54. *What is the existing system of trade with transborder countries in your district?*

What are the existing facilities available to small traders for carrying on this trade?

What are the rates of interest and other charges paid by these traders?

State any defects in the present system.

Have you any suggestions to make for improvement in the present system?

Have you any suggestions to make for the better protection of the financing agencies?

I.—INDIGENOUS BANKER AND MONEYLENDER.

(*Note.—This class includes individuals or private firms receiving deposits, dealing in hundis or lending money other than the Imperial Bank of India, exchange and joint stock banks, co-operative banks and Post Office Savings Banks.*)

55. *Please name the communities which practice indigenous banking and moneylending in the areas with which you are familiar.*

56. *State what you know of the functions of the indigenous banker or moneylender in your village, tehsil, district or province, enumerating all kinds of business he transacts? Does he combine other business with banking? If so, to what extent? What percentage of these indigenous bankers live exclusively or mainly on moneylending and banking?*

57. *How and to what extent does an indigenous banker or moneylender, in your village, tehsil, district or province assist in financing agriculture, trade and industry? Do any of them invest in industrial shares or keep bank deposits with industrial concerns to any appreciable extent?*

58. *State what you know of the organisation of the indigenous banking system in your district or province with regard to—*

- (a) *the amount of capital invested,*
- (b) *the volume of their business,*
- (c) *their expenses,*
- (d) *the relations between the village moneylender or banker, the town banker and the big shroff in cities and between these indigenous bankers and other banks in the country, viz., the*

Imperial Bank of India, the joint stock banks and the co-operative banks, and

(c) *the adequacy of the facilities afforded by the Imperial Bank to indigenous bankers.*

59. State what you know of the various forms of *hundis* and other credit instruments used by the indigenous bankers and moneylenders, the extent of their use as compared to the use of rupees and notes, and the stage of production or marketing in which they are used. Give sample copies of any of the *hundis*, promissory notes, deposit receipts, etc., used in your locality.

60. State what you know of the indigenous banker's methods of granting loans and allowing cash credits and the terms and nature of these loans and cash credits.

61. What are the means by which the indigenous bankers provide themselves with funds to meet the demands on them for funds? Distinguish in this respect between the village moneylender or banker, town banker and the big shroff in cities. Form an estimate, or indicate, the means of forming an estimate, as to the extent of their deposits.

62. What are the rates of interest allowed on various kinds of deposits received by them? Do these rates vary in different seasons? What are the rates of interest charged by one indigenous banker to another (*saukari* rates) with or without security?

63. What are the rates of interest either in money or in kind which the agricultural community has to pay at present to the indigenous banker?

In what manner do you suggest these rates could be brought down by better organisation?

Would the reduction of such rates confer great benefit on the agricultural community and increase its resources thereby leading either to an improvement in the standard of living or enabling them to spend more on agricultural improvements, better agricultural implements, etc.?

64. Is there a prejudice in your locality against the indigenous bankers?

Are the dealings of this class of bankers with their clients conducted on sound lines? If not, indicate the existing defects, making suggestions for remedying them.

65. After making allowance for the legal expenses, management charges, losses through foreclosure, can you give an idea of the net return to the indigenous bankers and moneylenders on their capital.

How many of the indigenous bankers or moneylenders have failed since 1920? Is their business generally declining or increasing?

66. Please state whether the indigenous bankers and moneylenders are able to meet all demands for accommodation or whether they are obliged to refuse any, either on account of the unacceptable nature of the security offered or owing to insufficiency of their working capital?

67. What are the existing facilities available to the public, including indigenous bankers and moneylenders for internal remittance?

To what extent do supply bills facilitate remittances? Have you any suggestions to make for increasing their use?

State any defects in the existing system and make suggestions for improvement ?

68. Describe the part played by negotiable instruments in the internal trade of the province.

Does money flow from one rural centre to another and from rural centres to urban centres during any season of the year ?

Are bills of exchange payable at more than one year after date or sight common, and what importance, if any, is attached to them by the commercial community from the point of view of stamp duty ?

Have you any suggestions for the amendment of the Negotiable Instruments Act by which the public and the bankers handling *hundis* might be better protected or benefited ?

Are *hundis* emanating from your locality discounted in your local centre or are they sent to a provincial centre and discounted there, or are they held by middlemen, merchants or commission agents ?

Have you any suggestions to make for the more extensive use of bills generally (e.g., by reduction of duty on bills) ?

69. Do you think there is a large amount of money in the districts in the hands of indigenous bankers which does not find employment throughout the year ?

Do you think that owing to this cause any large amount of money is flowing to the provincial capital either for long or for short periods ?

Do you think any kind of improvement in the organisation of lending or borrowing can be made by which these funds instead of flowing to the provincial capital would find remunerative employment in the districts and thereby benefit the districts ?

70. *At what rates are hundis purchased and sold in the bazar during the different seasons ? Does the Imperial Bank of India's hundi rate affect these rates ? If so, to what extent ?*

71. Are these bankers sufficiently protected in law ?

Is there any legal or other facility which can be extended to them ?

72. Would you suggest any means of making this class of bankers more serviceable to the community ? *Can they secure larger clientele if they are recognised by Government ? What should be the terms and conditions of such recognition ?*

Do you recommend any other facilities to be given to this class for this purpose ?

73. Could you suggest any means by which the indigenous banking system in India could be improved and consolidated ?

74. What do you think would be the attitude of the indigenous banking community towards the introduction of any measures for regulating their operations and for giving publicity to the same ?

75. *Could you suggest any means of creating or increasing trade bills which the Imperial Bank of India or a Reserve Bank could discount ?*

76. How in your opinion should the indigenous banking system be linked with the central money market and provincial capitals ?

77. Would you suggest the establishment of a branch of a joint stock bank, or a branch of a Central Reserve Bank, or a local bank with local

directorates in each district with which the indigenous banking system may be connected ?

In what manner could such a bank inspire the confidence of the indigenous bankers and be able to utilise the local knowledge and experience of the latter ?

How is the competition of such a bank with the indigenous bankers to be avoided ?

78. *What suggestions have you to make in regard to closer connection (a) between the village banker and the city shroffs and (b) between the Indian indigenous bankers and shroffs on the one hand and joint stock banks, including the Imperial Bank of India, on the other hand ?*

J.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

79. *How many of the agriculturists living in your village have in your opinion got a surplus income over their necessary expenditure ? Estimate the total amount available for saving in your village, tehsil, district or province.*

80. *Can you form an estimate of the actual capital savings of the agriculturist in your village, tehsil, district or province ?*

81. *Can you give any useful information in regard to the habits of the people of India to invest in silver and gold ? Attempt an estimate of the amount of gold and silver bought in your village, tehsil, district or province since 1913.*

Is the tendency towards hoarding increasing or decreasing ? Can you give an estimate of the amount of hoarded wealth (e.g., valuables kept buried, ornaments, etc.), for your village, tehsil, district or province ? On what basis do you arrive at the estimate ?

82. *Can you indicate clearly the habits of various groups of people of communities in your district or province with reference to monies which come into their hands by sale of produce or through any other cause ? Where do they keep this money and for what purposes and in what manner do they use it ? What has been the influence of co-operative societies and banks, insurance companies and provident societies in this respect ?*

83. *Do the farmers lend to fellow agriculturists and on what terms ? How do they invest surplus money in a prosperous year ? Give any information you can regarding the amount, growth and distribution of capital among the indigenous population ?*

84. *State what you know about the growth of cheque habit ?*

What has been the effect of the abolition of stamp duty on cheques ?

What classes of population use cheques ? Have you any suggestions to make for further promoting the cheque habit (e.g., payment to Government servants and bank employees above Rs. 100 by cheques) ?

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

85. *Do you support the view that the banking and investment habit in India is of very slow growth ? If so, to what causes do you attribute it ?*

What are the means or institutions in existence for encouraging savings and investment habits ?

Are the public provided with full facilities for the investment of their savings ?

Can the existing facilities be improved in any way or extended in the smaller interior places ?

86. Are Postal Cash Certificates popular in your district or province and can any steps be taken to increase their popularity ?

Do present interest rates of Cash Certificates require revision and do existing terms of issue in any way need alteration ?

Do Post Office Savings Banks afford all possible facilities to the public ?

What classes of population resort to such forms of investment ?

Can anything be done to attract other classes ?

87. *Will savings associations like those under the National Savings Movement in England help to popularise the Cash Certificates ? Have you any knowledge of Investment Trusts ? Do you advise the formation of such bodies in your province or district ?*

88. *Can you suggest ways in which persons unwilling to earn interest on deposits can be induced to render such interest available for the economic development of the country ?*

89. Have you anything to say regarding the alleged competition of Government with banking institutions and bankers in regard to deposits by their attractive rates on Postal Cash Certificates and Treasury Bills ?

90. State the existing facilities for purchase and sale of Government securities afforded by Government, the Imperial Bank of India and other banks. Are you in favour of granting any special facilities to the small agriculturists and the small investors of the country to take up some form of Government securities ? If so, state what special facilities you recommend ?

91. State the existing facilities for purchase and sale of securities other than Government securities, afforded by the various financial agencies.

92. Have you any suggestions to make regarding the various possible means of educating the people of the country to invest their savings in productive undertakings (e.g., propaganda by Government in regard to Government loans for capital expenditure, etc.) ?

93. As far as you know, what has been the result of the opening of new branches in recent years by the Imperial Bank of India ?

94. What are the existing banking resources in your district or province ? Do you consider them adequate ?

95. *Can you suggest places suitable for the opening of Post Office Savings Banks, co-operative credit banks, mortgage banks, and branches of joint stock banks in the areas with which you are familiar ?*

APPENDIX IV.

Special questionnaire of the Central Areas Banking Enquiry Committee for Postal Officials.

DEPOSITS.

1. Please state the average amount of Savings Bank Deposits in your branch for the year 1913, 1918 and each of the years since 1920, mentioning the months in which the Savings Bank Deposits are at their highest and the lowest in each year.

Please mention the maximum, average and minimum amount of the Deposits during each of the years mentioned above.

2. What classes of people keep the Savings Bank Deposits with you and what roughly is the proportion of the Deposits of each of these classes to the total ?

3. Are the advantages of Savings Bank business sufficiently known to the public in your area ? How do the facilities offered by your branch compare with those offered by branches of the Imperial Bank or of the Indian Joint-Stock Banks, if any exist in your locality ? What further facilities would you suggest to make this class of business more popular ?

4. How do persons other than depositors invest their occasional or permanent savings in your locality ? Do you think that if your branch opens current accounts bearing no interest or a nominal rate of interest withdrawable by cheque, it will attract any substantial deposits from the various classes of people in the area in which your branch is located ?

5. Have you experienced any difficulty in meeting the demand for withdrawals from the cash ordinarily kept in your branch ?

REMITTANCES.

6. Please give the total amount of money remitted by money orders to and from your post office during each of the years mentioned above.

7. Do you usually have a surplus of remittances to your branch over remittances from your branch ? Please mention the months of the year during which you usually have a

surplus. . What is the total amount of money which you have been transmitting directly or indirectly to the headquarters in each of the years mentioned above ?

POST OFFICE CASH CERTIFICATES AND TREASURY BILLS.

8. What was the average amount of investment in cash certificates and treasury bills by the people of your locality during each of the years mentioned above ? What percentage of the people living in the locality in which your office is situated are familiar with these forms of investment ? What methods would you suggest to make these facilities better known to them ? Do the present rates of cash certificates require revision ? How do these rates compare with a safe return on investment in land or the *net* earnings from money-lending in the long period ? Are there any grounds for believing that the rates offered on postal cash certificates and Treasury bills are having a prejudicial effect on the deposits in branches of the Imperial Bank or of Joint-Stock Banks in your locality ?

9. Are there any special development difficulties standing in the way of your office—

- (a) serving as a place of safe deposit for gold, silver, jewellery, documents, etc. ;
- (b) opening current accounts ;
- (c) selling Government Securities ;
- (d) undertaking encashment of notes into gold in small amounts at rates which do not involve loss to Government ;
- (e) lending out surplus funds on the spot under suitable safeguards and limitations to—
 - (1) licensed Mahajans,
 - (2) agriculturists,
 - and (3) non-agriculturists.

What safeguards, security, restrictions and control would you suggest in each case ?

APPENDIX V.

*QUESTIONNAIRE FOR CENTRAL CO-OPERATIVE BANKS.

I.—*Relations of the Central Bank with affiliated Rural Credit Societies.*

1. (a) Does the Central Bank in granting loans to societies distinguish clearly between short term and long term loans? If so, what number of years is taken as the dividing line? What proportions of the loans granted to rural credit societies in the last three years are recoverable by instalments terminating with the period regarded as "short term"? What is the longest period over which repayment is spread?

(b) Whether any such distinction is observed or not, please state the amount of outstanding loans to rural credit societies repayable:—

(i) In 1929. (ii) In 1930. (iii) In 1931. (iv) In the years 1932-33. (v) After 1933.

(c) If any revision of the *kists* for repayment of loans by societies to the Central Bank has been approved during the last three years, please state the result of the revision in the following form:—

	Amount due in the year of revision.	Amount due in the first year after revision.	Amount due in the second year after revision.	Amount due in subsequent years.
	Rs.	Rs.	Rs.	Rs.
Before revision	—	—	—	—
After revision	—	—	—	—

2. Have any loans been granted during the last three years by the Central Bank to rural credit societies expressly for (i) repayment of old debts, including redemption of mortgaged land, or (ii) improvements of land? If so, what are the usual periods of repayment for each class?

3. What proportion of loans due for repayment to the Central Bank by rural credit societies has actually been repaid in each of the last three years?

II.—*Relation of the Central Bank with Societies other than Rural Credit Societies.*

4. What other societies are affiliated to the Central Bank besides rural credit societies? Please state for each the number of members, its purpose, and its present financial position?

5. Have any such societies been liquidated during the last five years?

* The Committee is indebted to the Bihar and Orissa Banking Enquiry Committee for most of the questions included in this questionnaire.

6. Is the Central Bank's own financial position in any way embarrassed by its connection with such societies? What proportion of the outstanding liability of all classes of societies to the Central Bank is due from societies other than rural credit societies?

III.—Finance.

7. Please give details of the Central Bank's working capital as it stood on the 31st December 1928 in the following form:—

- (1) Paid-up share capital.
- (2) Deposits.
- (3) Other borrowings.
- (4) Reserve Fund.
- (5) Other Funds.
- (6) Undistributed profits.
- (7) Miscellaneous.

8. Please give further details of deposits in the following form:—

A. By primary societies—

(i) at call, *i.e.*, current accounts, savings bank account, reserve and other funds of primary societies.

(ii) in fixed periods—

1 year, 2 years, 3 years. More than 3 years.

B. By individuals—

(i) at call, *i.e.*, current and savings bank accounts.

(ii) in fixed periods—

1 year, 2 years, 3 years. More than 3 years.

Are facilities of depositing restricted to persons who are shareholders or who reside in the area of the Bank's activity, etc.?

9. Please give further details of "other borrowings".

10. What are the liquid resources of the Central Bank for (i) normal requirements and (ii) sudden emergencies? What proportion do they bear to the total assets of the Bank? Have any emergencies occurred, and if so, how have they been met?

11. What are the rates of interest paid by the Central Bank on the various kinds of deposits and on "other borrowings"?

12. Has the Central Bank more money on deposit than it can profitably employ? If so, what steps have recently been taken or are in contemplation to remedy the position, either by expanding business or by reducing the rate of interest? Is there any ground for believing that reduction in the rate of interest will cause excessive withdrawal of deposits?

13. At what rate of interest does the Bank lend to (i) rural credit societies, (ii) other classes of societies affiliated to it? Please state if there are any exceptional rates in special cases.

14. At what rates of interest do primary rural credit societies lend to their members?

15. Do the Central Bank and the rural credit societies insist on collateral security for all or any classes of loans to members? What proportion of the total debt due to primary rural credit societies is backed by such security? Has the proportion shown a tendency to increase in recent years?

16. Do the rural credit societies experience any difficulty in enforcing their claims against members? In what circumstances does the mahajan come to have a prior claim to the society on the assets of a member?

17. How is transmission of funds (i) between the Central Bank and the primary societies arranged? How is interest on deposits, dividend, etc., paid by the Central Bank?

18. What dividends has the Central Bank declared on share capital during the last three years?

19. Does the Central Bank engage in any other banking activities than financing its affiliated societies, *e.g.*, discounting bills of exchange? If so, please give a detailed account of such activities.

IV.—General.

20. Please state the year in which the Central Bank was founded and the total number of affiliated societies and of their members on the 31st December 1928.

21. To what classes do the present directors belong, *e.g.*, professional gentlemen of the town in which the Bank is situated or representatives of the rural societies? Have the latter any real influence on the general policy or the detailed working of the Bank?

22. Please note any special features of the Central Bank.

APPENDIX VI.

*SPECIAL QUESTIONNAIRE REGARDING LEGAL PROCEDURE, ETC.

1. What amendments of the Negotiable Instruments Act do you consider desirable in the interests of either the public or the bankers? Explain the effect of your proposal.
2. What are the most usual reasons for failing to pay given by persons who are sued on a pro-note or on a mortgage-deed? What are generally the real reasons?
3. How long does it take on an average to recover through the civil courts in your locality money due on a pro-note? How could this time be reduced?
4. (1) How long does it take on an average in your locality to obtain a preliminary decree in a mortgage-suit? How could this period be reduced?
 (2) When six months have expired since a preliminary mortgage decree has been given, how much longer is required on an average to get a final decree? How can this time be reduced?
 (3) How long is the ordinary interval between the date of the final decree and the date of publication of a proclamation of sale? How can this interval be reduced?
 (4) How long a time elapses on an average between the proclamation of sale and the recovery of the money? How can this time be reduced?
 (5) What reasons are there for and against reducing the period of six months granted by a preliminary mortgage decree? How much reduction do you recommend?
5. What is the usual expense in recovering money due on a pro-note for (a) one hundred rupees, (b) one thousand rupees? Please show how the various parts of this expense are incurred.
6. How could a reduction of the court-fees in suits on pro-notes or mortgages be justified?

Title in land.

7. What changes should be made in the system of Land Records or the Registration of Deeds or elsewhere to simplify or cheapen the investigation of title in land?

Usurious Loans Act.

8. (1) Do many people know that this Act exists?
 (2) Do many debtors in your district ask for the application of the Usurious Loans Act when sued for their debts?

* The Committee is indebted to the Burma Banking Enquiry Committee for most of these questions.

(3) Do civil courts apply the Act without being asked by the debtor to do so?

(4) Are there many cases in which the Act should palpably be applied but is not?

9. (1) Does a debtor who asks for the Act to be applied find greater difficulty in consequence in getting credit afterwards?

(2) Does that happen if the court applies the Act without being asked by the debtor to do so?

(3) Are there any other disadvantages for a debtor who (a) claims the benefit of the Act or (b) is given the benefit without asking for it?

10. Do lenders commonly protect themselves against application of the Act by getting new bonds executed just before bringing their suit, the principal of the new bond being made up of the principal and interest of the old bond and the borrower having no means of showing to the court that the new amount is made up in this way? Is legislation required to remedy this? Would a law requiring the lender to give the borrower a statement of the account every six months (or every year) be appropriate?

11. How will any law limiting interest affect borrowers who have little or no security to offer? If the law recognises that interest must correspond to the lender's risk, what is the limit to the rate that must be paid by a tenant cultivator with no property? If the law fixes an absolute limit, will not the borrowers seek out lenders prepared to break the law and pay the present rates increased further to cover the lender's risk of punishment?

12. How would any of the remedies you suggest or approve meet the case of the borrower requiring money so urgently that he is willing to sign a bond for a principal much in excess of what he actually borrows? The Act includes this excess in 'interest' but will the borrower be able to prove the excess?

13. (1) What advantages and disadvantages either for individuals or for the country in general, would arise if the Act were used more frequently?

(2) How could more frequent use of the Act be brought about?

(3) Do you recommend the adoption of those measures?

(4) Is there a danger that measures designed to encourage the use of the Act might lead to (a) widespread attempts to repudiate just debts or (b) extravagance in incurring debt or (c) greater readiness on the part of people in general to break contracts? Do these dangers attend the measures you recommend? How should they be met?

14. Is it true that borrowers anxious to get money will try to evade whatever law of this kind is made? Is it possible to prevent evasions effectually?

15. (1) Do you recommend any amendment of the Act? Give particulars.

(2) Do you recommend the repeal of the Act with or without the substitution of different legislation? Give reasons.

Insolvency of Agriculturists.

16. What changes are required in the Provincial Insolvency Act with respect to agriculturists?

17. (1) If cultivators who have no hope of paying their debts went through some sort of insolvency procedure what advantages and disadvantages would they find?

(2) Is it desirable that a considerable number of agriculturists should go through such a procedure? What would be the effect upon the lenders and upon the conditions of agricultural credit?

Banking Law and Practice.

18. (1) Should the term *banker* be defined in the Negotiable Instruments Act?

(2) Can this definition be given satisfactorily otherwise than by instituting a register of bankers?

(3) If a register of bankers is instituted,

(a) What should be the qualifications for admission to the register?

(b) Who should decide upon applications for admission?

(c) Should unregistered persons be forbidden to do business under any title including the word *bank* or any of its derivatives?

(d) Should the *privileges* given to bankers by the Negotiable Instruments Act, the Bankers' Books Evidence Act or any other law be confined to registered bankers, while every person who carried on business under a title including the word *bank* (or any of its derivatives) or held himself out as a banker would be subject to all *restrictions* imposed upon bankers by law? (See item 5 of this question.)

(e) Should any kind of banking business be forbidden to unregistered persons?

(4) If you prefer another plan describe it and give a definition of *bank* or *banker* suitable for the Negotiable Instruments Act, having regard to the matter of item 5 of this question. Explain also how your definition would apply to persons who combine banking business with some other business to which it may or may not be subsidiary.

(5) The term *banking* is used in sections 4 and 259 of the Indian Companies Act without definition; *banker* is used in Articles 1 and 53 (1) of Schedule 1 of the Indian Stamp Act with the definition in section 2 (1)—that *banker* includes a bank and any person acting as a banker; in the Bankers' Books Evidence Act

the terms *bank* and *banker* mean "any company carrying on the business of bankers" (and also persons to whom the Act is extended by notification in the Gazette). Should a definition be inserted in the Indian Companies Act? Suggest a satisfactory definition for each Act. For each question consider the case in which banking is combined with some other business, whether as a subsidiary business or not.

19. (1) Should the term "customer of a bank" be defined for the purposes of the Negotiable Instruments Act? What definition should be adopted, having regard to the interests of both the bankers and the public? (See Paget's Law of Banking, 3rd edition, pages 10 to 14 and Legal Decisions Affecting Bankers, Volume III, pages 89 and 220.)

(2) Should the Act also state what the duties of a banker are in respect of enquiries to be made and references to be required on admission of a new customer? (See Paget's Law of Banking *II et seq* and Journal of the Institute of Bankers, Volume XLIX, Part V, page 234). Should there be any distinction between registered and unregistered bankers in this matter? [See item 3 (d) of question No. 18.]

20. Before the Underwood decision, in cases where the banker made no arrangements with his customer as to whether he would honour the customer's cheque against uncleared effects, the credit on open cheques received by the banker for collection made the banker a holder for value. He was therefore (assuming there was no question of a forged endorsement) protected against the true owner. In 1924 the Underwood case put upon the banker the burden of proving (i) that cash was carried and (ii) that the customer might draw at once; thus in most cases the banker would not be deemed to be a holder for value and would consequently be protected against the true owner if it should be found that his customer had not a good title. (See Legal Decisions Affecting Bankers, page 327 *et seq*). Should legislation be undertaken on account of this decision so as to relieve the banker of the burden it imposes upon him? Would it be suitable for this purpose to declare that, by crediting as cash a bill or an uncrossed cheque which was not overdue and upon which there was no forged endorsement, a banker shall become a holder for value?

20A. Is it desirable to have the term "negligence" in section 131 of the Negotiable Instruments Act defined? Would it be satisfactory to define it as an omission to do anything which a reasonable business-man would do, taking surrounding circumstances into consideration? What changes in this definition would you make? (See the case of *Morrison vs. Westminster Bank* in Legal Decisions Affecting Bankers, Volume III, page 91.)

21. In England it has been decided in the Macmillan case (Legal Decisions Affecting Bankers, Volume III, page 163) that it is the duty of a customer to draw his cheques in such a way as not to facilitate fraud. Should this ruling be embodied in the

Negotiable Instruments Act? Please suggest how this should be done.

22. Are you in favour of legislation to make the taking out of his pass-book by a customer and its return to the bank by him without comment constitute a settled account? (that is to say the customer should be assumed to have accepted the account as correct at the date the account was made up.) How would you provide for customers who only send in or take out their pass-books at long intervals? Are there other cases of difficulty?

23. (1) Comment upon the proposal that drafts, *hundis* and cheques originally made payable to bearer should be declared by law to be negotiable by delivery in all circumstances irrespective of any endorsements that may be made upon them. Do you approve?

(2) If such legislation is passed will there be need for protection in the case of *hundis* analogous to that provided by crossing in the case of bearer cheques?

24. Is it desirable to create by law a special type of negotiable instrument which being originally drawn payable to bearer should always remain payable to bearer?

25. What other amendments to the Negotiable Instruments Act with respect to cheques, or to *hundis* or to any other negotiable instruments do you recommend?

26. What amendments to the Bankers' Books Evidence Act do you recommend, apart from that considered in question No. 18 above?

APPENDIX VII.

Abstract of cases picked up at random from the files of decided cases in the Law Courts of Delhi, Ajmer-Merwara and the North-West Frontier Provinces.

DELHI PROVINCE.

I.—Case No. 83.—Pohkar *versus* Jawahir.

- A. FACTS.**—1. The plaintiff is a Jat by caste and resident of Deoli and the defendant is an Ahir by caste, resident of Khanpur. Both villages are in Delhi Province.
2. The plaint was presented on the 7th February 1929.
- (a) The defendant borrowed a sum of Rs. 76 on interest at Rs. 1-8 per cent. per mensem on the 12th February 1926.
- (b) Nothing was paid to the plaintiff before the institution of the case.
- (c) A claim for recovery of Rs. 100, *i.e.*, principal Rs. 76 and interest Rs. 24, was brought in after calculating interest at the rate of 18 per cent., Rs. 16 being relinquished.
3. A decree for the full amount claimed was awarded on the 18th May 1929, *i.e.*, Rs. 100 with costs Rs. 14-8.
4. No execution application was made.
- B. CONCLUSION.**—(I) Assuming that the decree-holder actually realized the decreed amount out of Court the plaintiff received Rs. 24 as interest on Rs. 76 for 3 years and 3 months. The rate of interest works out to 9.7 per cent., while the stipulated rate of interest was 18 per cent. per annum.
- (II) Assuming that the plaintiff failed to realise the decretal amount, he lost his principal, the interest thereon and the costs.

II.—Case No. 172.—Rati Ram *versus* Nandi.

- A. FACTS.**—1. Plaint was presented on the 2nd April 1929.
- (a) The defendant purchased cloth worth Rs. 10 on credit on the 14th April 1926 and promised to pay interest at the rate of 2 per cent. per mensem.

sem. After that he borrowed a sum of Rs. 19 on the 31st July 1927 at the same rate of interest, i.e., 2 per cent. per mensem.

(b) A claim for the recovery of Rs. 48-3-6 was brought after calculating interest at 2 per cent. per mensem, i.e., Rs. 29 principal and Rs. 19 interest and As. 3-6 postage on notice.

2. A decree for Rs. 38 including the costs amounting to Rs. 3-8 was awarded to the plaintiff on the 22nd April 1929. The defendant promised to pay this in monthly instalments of Rs. 5 each. The Court not only disallowed interest at the stipulated rate but allowed easy instalments spread over a long period without any interest whatever.

3. No execution application was made.

B. CONCLUSION.—Assuming that the amount decreed was paid fully, the plaintiff received Rs. 5-8 as interest for the whole period. The rate of interest works out to about 7-8 per cent. while the stipulated rate of interest was 2½ per cent.

III.—Case No. 818.—Baldeo Jat versus Ghisa Jat.

A. FACTS.—1. Both of residents of Bankner, Delhi.

2. Plaint was presented on the 3rd November 1928.

(a) The plaintiff deposited a sum of Rs. 113-7-6 on the 8th of Sawan Sambat 1979, and the defendant promised to pay interest at the rate of ¼ per cent. per month. On the 3rd June 1928 the plaintiff withdrew a portion of his deposit leaving Rs. 90 with the defendant at the same rate of interest.

(b) A claim for recovery of Rs. 100, i.e., Rs. 90 principal and Rs. 10 interest was brought, after calculating interest at the rate of ¼ per cent. per month and relinquishing Rs. 3-8.

3. (a) A decree for the full amount claimed Rs. 100 was awarded against the defendant with costs Rs. 53-2.

(b) Full interest up to the date of institution of the case was awarded, but interest was not allowed by the Court during the pendency of the suit.

(c) No interest was awarded after the date of the decree.

4. Application for execution of the decree was made on the 25th June 1929 and the whole amount of Rs. 100 plus Rs. 53-2 for costs was recovered from the defendant.

B. CONCLUSION.—The plaintiff received Rs. 10 as interest on Rs. 90 for the whole period. The interest for the period the money was deposited comes to about Rs. 3-2-3 per cent. per annum while the stipulated rate of interest was 6 per cent.

IV.—Case No. 18.—Kanshi Ram versus Jot Pershad.

A. FACTS.—1. The plaintiff is a Brahmin by caste and the defendant a Jain. Both are residents of Mehrauli in Delhi Province.

2. Plaint was presented on the 25th February 1927.

(a) The defendant executed a bond on the 7th January 1926 for Rs. 60 and agreed to pay the whole sum in instalments of Rs. 5 each and in default promised to pay interest at the rate of 2 per cent. per mensem.

(b) The defendant paid Rs. 30 before the institution of the case.

(c) A claim for the recovery of Rs. 51-8 was brought in after calculating interest on the principal at the rate of 2 per cent. per mensem.

3. A decree for Rs. 39-10 was awarded with costs Rs. 4. Instalments at long intervals were allowed without any interest so long as the instalments were paid in time.

4. The first execution application was made on the 6th June 1929.

B. CONCLUSION.—The plaintiff was awarded Rs. 9-10 as interest on Rs. 30 for 3 years and 5 months. The rate of interest awarded by the Court comes to 9-3 per cent. per annum while the stipulated rate of interest was 2½ per cent. per annum.

V.—Case No. 3500.—Ghisa Mal versus Molvi Mohammad Ismail.

A. FACTS.—1. Both residents of Paharganj, Delhi.

2. Plaint was presented on the 26th November 1926.

(a) The plaintiff borrowed the following amounts from the defendant:—

Rs. 50 on the 22nd June 1923, Rs. 50 on the 23rd July 1923 and Rs. 50 on the 7th September 1923.

The rate of interest agreed upon was 2 per cent. per mensem.

- (b) A claim for the recovery of principal and interest was brought in, *i.e.*, for Rs. 150 principal and Rs. 119-8 as interest.
- 3. (a) A decree for the recovery of Rs. 269-8 on the 25th November 1926 was awarded with costs amounting to Rs. 35-4.
- (b) Full interest was awarded up to the date of institution of the suit but not after the decree.
- 4. (a) The first execution application was made for the recovery of Rs. 269-8 on the 27th May 1927, but nothing was recovered.
- (b) The second application was made and properties were attached on 7th March 1928 and the whole sum was recovered.

B. CONCLUSION.—The rate of interest actually realised comes to 16·1 per cent. per annum while the stipulated rate of interest was 24 per cent.

VI.—Case No. 2879.—Pundit Ram Kishen *versus* (1) Abdur Rashid, (2) Kallan, and (3) Murli.

- A. FACTS.**—1. The plaint was presented on the 14th November 1923.
- (a) The defendants had jointly executed a bond on the 6th June 1921 for Rs. 100 with a promise that interest would be paid monthly and the principal after 6 months.
 - (b) The rate of interest agreed upon was 1 anna per rupee per month.
 - (c) Plaintiff received a sum of Rs. 30 only from the defendants prior to the institution of the case.
 - (d) A claim for the recovery of Rs. 250 in all was brought in after calculating interest.
2. (a) A decree for the full amount claimed Rs. 250, *i.e.*, Rs. 100 principal and Rs. 150 interest due to the plaintiff, was awarded against all the defendants including an *ex-parte* decree against No. (2) on the 16th November 1923, with costs amounting to Rs. 43-10.
- (b) Full interest up to the date of institution of the suit was awarded.
 - (c) No interest was awarded from the date of decree.

3. (a) Application for execution was made on the 19th January 1924. The properties of the defendants were attached.
- (b) On the 5th January 1927 the second application was put in for the recovery of Rs. 250 *plus* Rs. 43-10. Out of this only Rs. 130 was recovered from the sale proceeds of the properties attached. The remaining sum of Rs. 120 *plus* Rs. 43-10 *plus* Rs. 5 (expenses incurred in connection with the execution application) could not be recovered from the defendants.

The file does not show any recovery of the remaining amount.

B. CONCLUSION.—The plaintiff received only Rs. 11-6 as interest on Rs. 100 for 5 years and 7 months which works out to 2 per cent. per annum while the stipulated rate of interest was 75 per cent.

VII.—Case No. 3152.—Ram Lal *versus* Gordhan and others.

A. FACTS.—I. Both residents of Shah Mobarka, Delhi.

2. (a) The defendant borrowed on the 30th August 1921 Rs. 150 and promised to re-pay in 6 equal instalments of Rs. 25 each. In case of default interest was to be charged at 37.5 per cent. per annum.
- (b) A claim for the recovery of Rs. 250 (Rs. 150 as principal and Rs. 100 as interest) was put in after calculating interest.
3. A decree for the full amount claimed was awarded on the 15th December 1923, *i.e.*, Rs. 250 with costs Rs. 29-6.
4. (a) First execution application was made on the 24th November 1924 for the recovery of the full amount with costs, out of this only Rs. 7-12 was recovered and property was attached. After some time Rs. 20, Rs. 80 and Rs. 25 were recovered and both came to an understanding that the remaining sum would be paid in instalments of Rs. 15 each.
- (b) The second application for execution was made on the 5th November 1929 for the recovery of Rs. 170. (This include interest awarded on the decreed amount.) The defendant admitted the claim and promised to pay it in monthly instalments of Rs. 5 each, and so long as the instalments were paid in time no interest was to be charged.

B. CONCLUSION.—Assuming that the plaintiff recovered the amount in full in accordance with the terms of the settlement, he realised interest at the rate of 8·4 per cent. while the stipulated rate of interest was 37·5 per cent. per annum.

VIII.—Case No. 3140.—Kalloo Mal *versus* (1) Mohan and (2) Tara.

A. FACTS.—1. Both residents of Ganj Amir Khan.

2. Plaint was presented on the 7th December 1923.

(a) The defendants had executed a bond on the 19th June 1920, for Rs. 125 and agreed to pay it back in monthly instalments of Rs. 10.

(b) The rate of interest agreed upon was 37·5 per cent. per annum.

(c) Plaintiff received a sum of Rs. 35 only prior to the institution of the suit.

(d) A claim for recovery of Rs. 90 principal and Rs. 60 as interest, *i.e.*, Rs. 150 was brought in, after calculating interest at the rate of $3\frac{1}{8}$ per cent. per mensem and relinquishing Rs. 84·8.

3. (a) A decree for the full amount claimed, *i.e.*, Rs. 150 was awarded against the defendants on the 15th December 1923 with costs amounting to Rs. 24·2.

(b) Full interest up to the date of the institution of the suit was awarded but instalments were allowed without any interest so long as instalments were paid in full.

(c) No interest was awarded from the date of the decree.

4. Application for execution was made on the 13th December 1926 and the judgment-debtor agreed to pay the whole amount in monthly instalments of Rs. 8 each.

B. CONCLUSION.—The actually realised interest works out to 6·9 per cent. per annum while the stipulated rate of interest was 37·5 per cent.

IX.—Case No. 3789.—Mangi Lal *versus* Mahrab.

A. FACTS.—1. Both residents of Paharganj.

2. The plaint was presented on the 6th December 1926.

(a) The defendant took on the 16th December 1923 Rs. 100 on a bond and agreed to pay interest at the rate of 37·5 per cent. per annum.

(b) A claim for the recovery of Rs. 215-10 was brought in and a decree for the full amount was awarded with a proviso to the effect that the whole sum would be paid in monthly instalments of Rs. 10 each.

3. The first execution application was made on the 27th April 1927. The properties were attached.

The second application was made on the 4th May 1927.

B. CONCLUSION.—Assuming that the whole amount was recovered through attachment every time, and that the instalments are appropriated first to interest and then to principal, the rate of interest works out to 26·5 per cent. while the stipulated rate of interest was 37·5 per cent.

X.—Case No. 716.—Ram Chand *versus* Ghulam Ahmad.

A. FACTS.—1. Both residents of Paharganj, Delhi.

2. The plaint was presented on the 7th February 1927.

(a) The defendant took Rs. 200 from the plaintiff on the 15th December 1924.

(b) The rate of interest agreed upon was $6\frac{1}{4}$ per cent. per mensem.

(c) A claim for the recovery of Rs. 500 was brought in.

(d) Rs. 25 were recovered before the institution of the case.

3. A decree for the recovery of Rs. 500, i.e., Rs. 200 principal and Rs. 300 interest, was awarded on the 3rd March 1927, with costs amounting to Rs. 66-5.

Full interest up to the institution of the case was awarded.

No interest was awarded after the decree.

4. An execution application was made on the 16th May 1927 for the recovery of Rs. 500, with no result.

B. CONCLUSION.—Even presuming that the whole amount was recovered in full, the plaintiff received Rs. 325 as interest on Rs. 200 for 2 years and 5 months. The rate of interest works out at 67 per cent. while the stipulated rate of interest is 75 per cent.

XI.—Case No. 2878.—Pundit Ram Kishon *versus* (1) Rahmat Khan, (2) Dindar Khan, and (3) Murli.

A. FACTS.—1. The plaint was presented on the 14th November 1923.

- (a) The defendants had jointly executed a bond on the 2nd October 1920 for Rs. 48 and agreed to repay it in monthly instalments of Rs. 6 each and in case of default to pay interest at 37·5 per cent.
 - (b) Plaintiff received Rs. 8 from the defendants prior to the institution of the suit.
 - (c) A claim for the recovery of Rs. 40 principal plus Rs. 35 interest, *i.e.*, Rs. 75 was brought in after calculating interest at the rate of 37·5 per cent. and relinquishing the balance.
2. (a) A decree for the full amount claimed, *i.e.*, Rs. 75 was awarded against all the defendants including an *ex parte* decree against defendants Nos. 1 and 3 on the 1st December 1913, with costs amounting to Rs. 12·5.
- (b) Full interest up to the date of the institution of the case was awarded.
 - (c) No interest was awarded after the date of the decree.
3. (a) An execution application was made on the 9th December 1925 but a sum of Rs. 15 only was recovered. Re. 1·8 was spent in connection with execution application.
- (b) On the 23rd April 1926 the second application for execution was put in for the recovery of the remaining sum Rs. 73·13 which was recovered in full.

B. CONCLUSION.—The plaintiff received Rs. 35 as interest for 5 years and 6½ months on Rs. 40. The interest works out to 15·8 per cent. per annum up to the date of full payment while the stipulated rate of interest was 37·5 per cent. per annum.

XII.—Case No. 4438.—Ghisa Mal *versus* (1) Abdul Qadir and (2) Musammat Aliman.

A. FACTS.—1. Both residents of Paharganj, Delhi.

2. The plaint was presented on the 8th December 1926.

- (a) The defendants had executed a bond on the 28th September 1923 for Rs. 48 and agreed to repay

it in monthly instalments of Rs. 4 each and in default to pay interest at the rate of 37·5 per cent.

- (b) Interest agreed upon was 6 pies per rupee per month, *i.e.*, 37·5 per cent.
 - (c) Plaintiff received a sum of Rs. 20 only from the defendants prior to the institution of the case on the 28th January 1924.
 - (d) A claim for recovery of Rs. 50, *i.e.*, Rs. 28 principal and Rs. 22 interest, was brought in after calculating interest at the rate of 37·5 per cent, and relinquishing the balance.
3. (a) A decree for the full amount claimed, *i.e.*, Rs. 50 was awarded against all the defendants on the 10th May 1927 with costs Rs. 4-4.
 - (b) Full interest up to the date of institution of the case was awarded.
 - (c) No interest was awarded after the date of the decree.
4. (a) The first application for execution was made on the 12th November 1927. Only Rs. 5 were recovered then, but later on Rs. 30 are said to have been realised.
 - (b) The second execution application was put in for the recovery of the remaining sum on the 23rd July 1928.

NOTE.—It does not appear from the Court file that the remaining sum was realised from the defendants.

B. CONCLUSION.—Assuming full recovery after the second execution application, the plaintiff received Rs. 22 as interest on Rs. 28 for 4 years and 1½ months and on Rs. 15 for 8 months and 11 days. The rate of interest realised comes to 17·4 per cent. while the stipulated rate of interest, was 37·5 per cent.

PROVINCE OF AJMER-MERWARA.

I.—Case No. 28 of 1928.—Moolchand *versus* Lachman, son of Gadu Dhanra.

- A. FACTS.**—1. Loan advanced on the 1st of November 1922 was Rs. 7-8. The stipulated rate of interest was 37·5 per cent. per annum.
2. Total amount including interest said to be due up to 30th May 1927 was Rs. 15. The amount said to have been recovered before filing the suit was *nil*. The amount claimed was Rs. 15.

3. (a) The suit ended in a compromise decree for Rs. 7-8 *plus* costs amounting to Rs. 10, *i.e.*, total Rs. 17-8. The decreed amount was to be paid first by Dhanna in lump sum at a time; if he failed to pay, the money was to be recovered from Lachman.

(b) No interest was awarded after the date of the decree.

4. No execution application has been made so far.

B. CONCLUSION.—(I) Assuming that the decreed amount was not realised, the creditor lost cent. per cent. of his principal together with interest thereon and the costs of the suit.

(II) Even if the decreed amount was fully recovered, the interest realised is nil.

II.—Case No. 48 of 1928.—Ladhuram and others *versus* Dinder Khan, Annu Khan and others.

A. FACTS.—1. Loan advanced on the 30th May 1923, Rs. 54. Interest at 37·5 per cent. per annum was agreed to in the bond.

2. The total amount said to be due up to 23rd November 1927 was Rs. 114-11. The amount said to have been recovered before filing the suit was Rs. 6-11. The amount claimed was Rs. 108.

3. (a) The suit was contested but a decree was awarded on the 27th March 1928 for Rs. 108 with costs amounting to Rs. 18-8.

(b) The terms of the decree were that the judgment-debtor should pay this amount in three annual instalments, and that if he failed to pay even one instalment on due date he shall have to pay the full amount at once.

(c) Interest after the decree was to be paid at the rate of $4\frac{1}{2}$ per cent. per annum only if the judgment-debtor failed to pay the instalments on due date.

5. No execution application has yet been made.

B. CONCLUSION.—(I) If the creditor has failed to recover the decretal amount, the creditor lost his principal together with interest thereon and the costs of the suit.

(II) Assuming that the total decretal amount was realised in accordance with the terms of the decree, the rate of interest realised is 18·7 per cent. per annum, though the stipulated rate was 37 per cent. per annum.

III.—Rishi Karan *versus* Gokal.

- A. FACTS.**—1. The loan advanced on the 24th December 1924 was Rs. 15. The rate of interest agreed to in the Khata was 15 per cent. per annum. Interest from the 24th December 1924 to 19th December 1927 was Rs. 6-11.
2. Total amount said to be due was Rs. 21-11. The amount said to have been recovered before filing the suit was Re. 1-11. The amount claimed was Rs. 20.
3. The suit was contested but a decree was awarded on the 6th February 1928 for Rs. 20, with costs amounting to Rs. 5.
4. An execution application was made on the 17th September 1928, but no recovery was made.

- B. CONCLUSION.**—(I) If the plaintiff has failed to recover any amount after the last execution application, he has lost cent. per cent. of his principal as well as interest.
- (II) Even assuming that the total decretal amount was realised in full immediately after the last execution application, the rate of interest realised is 12·1 per cent. per annum against the stipulated rate of 15 per cent. per annum.

IV.—Case No. 51 of 1928.—Milapchand, Madanlal *versus* Pertab.

- A. FACTS.**—1. The loan advanced on the 29th January 1922 was Rs. 99. The rate of interest agreed to in the bond was 15 per cent. per annum. Interest from the 29th January 1922 to the 12th December 1927 was Rs. 87.
2. Total amount said to be due was Rs. 186. The amount stated to have been recovered before filing the suit was *nil*. Total amount claimed was Rs. 186.
3. The suit was contested but the decree was granted on the 13th March 1928 for Rs. 186 with costs amounting to Rs. 40-6, total amount decreed being Rs. 226-6. No interest was awarded by the Court from the date of decree.
4. Due to execution application No. 1552, dated the 17th March 1928, the amount recovered on the 30th October 1928 was Rs. 15 only.
- B. CONCLUSION.**—(I) If the plaintiff has failed to recover any amount after the date of last recovery of

Rs. 15 only, he has lost 84 per cent. of his principal as well as the interest thereon and the costs incurred on the suit.

- (II) Even assuming that the total decretal amount was realised in full one year after the date of the last recovery, the rate of interest realised is 11.2 per cent. per annum while the stipulated rate is 15 per cent. per annum.

V.—Case No. 225 of 1928.—Behari Lal *versus* Moti.

A. FACTS.—1. The loan advanced on the 2nd January 1925 was Rs. 202-1. The stipulated rate of interest was 15 per cent. per annum. Interest from 2nd January 1925 to 3rd January 1928 was Rs. 72-12.

2. The total amount said to be due was Rs. 274-13. The amount said to be recovered before filing the suit was Rs. 44. The amount waived was Rs. 13. The amount claimed was Rs. 230.

3. The suit ended in a compromise decree on the 30th January 1928 for Rs. 230 with costs amounting to Rs. 29-2, payable in half-yearly instalments of Rs. 35, with a proviso that failure to pay three consecutive instalments on due dates made the debtor liable to pay the full amount at a time in lump sum with costs. The rate of interest allowed by the court from the date of failure was 6 per cent. per annum. No interest was payable from the date of decree, if instalments were paid regularly.

4. No execution application has so far been made.

B. CONCLUSION.—(I) Assuming that the plaintiff has failed to recover any portion of the amount after the decree was passed, the creditor has lost 75 per cent. of his principal, the interest granted by the court and the cost incurred on the suit.

(II) Even assuming that the defendant has been paying all the instalments regularly and that the plaintiff was able to recover the amount in full, the rate of interest realised on the principal and costs is less than 7 per cent. per annum, while the stipulated rate is 15 per cent.

VI.—Case No. 25 of 1928.—Gulabchand *versus* Nanga.

A. FACTS.—1. The loan advanced on the 31st August 1926 was Rs. 18-12. The stipulated rate of interest was 21

per cent. per annum. Interest from the 31st August 1926 to the 17th December 1927 was Rs. 5-1-6.

2. Total amount said to be due was Rs. 23-13-6. The amount stated to have been recovered before filing the suit was Rs. 3-13-6. The amount claimed was Rs. 20.
3. A decree was given on 18th January 1928 for Rs. 20 with costs amounting to Rs. 4-7 to be paid in half-yearly instalments; failing to pay even one instalment on the due date made the debtor liable to pay the whole amount in lump sum.
4. No further interest was granted by the court.
5. As a result of execution application No. 3030 of 1928, dated the 29th May 1928, Rs. 25 were recovered on the 14th August 1928.

B. CONCLUSION.—The creditor was able to realise 13·8 per cent. per annum on account of interest while the stipulated rate of interest was 21 per cent. per annum.

VII.—Case No. 18 of 1928.—Ghisalal *versus* Chanda.

- A. FACTS.**—1. The loan advanced on 16th October 1926 was Rs. 11. The stipulated rate of interest was As. 12 per rupee (*faslana*), i.e., 25 per cent. per annum. Interest from 16th May 1927 to 8th December 1927 was estimated at Rs. 4-2.
2. Total amount said to be due was Rs. 15-2. The amount recovered before filing the suit was As. 2. The amount claimed was Rs. 15.
 3. The suit ended in a compromise decree on the 19th January 1928 for Rs. 10-3-6 with proportionate costs.
 4. No execution application has so far been made.

B. CONCLUSION.—(I) If the creditor has failed to realise the decretal amount, he has lost cent. per cent. of his principal, the interest and the costs incurred on the case.

(II) Even assuming that the creditor was able to realise the decretal amount in full, the creditor has lost 7 per cent. of his capital, together with the interest due on his principal.

VIII.—Case No. 22 of 1928.—Deokaran *versus* Sheola.

- A. FACTS.**—1. The loan advanced on the 10th October 1925 was Rs. 8. The stipulated rate of interest was 18·75 per

cent. per annum. Interest from 10th October 1925 to 17th December 1927 was estimated at Rs. 3-4-3. Notice fee was As. 2-6.

2. The total amount stated to be due was Rs. 11-6-9. The amount recovered before filing the suit was Re. 1-6-9. The amount claimed was Rs. 10.
3. The suit ended in a compromise decree on 16th January 1928 for Rs. 7 with costs amounting to Re. 1. The terms of the decree were that the judgment-debtor should pay the amount in two monthly instalments of Rs. 4 each, but in case of failure to pay even one instalment on due date, the debtor shall have to pay the full amount in a lump sum.
4. No interest on the decreed amount was allowed in case the instalments were paid in time, but in case of failure to do so, further interest at 18.75 per cent. per annum was payable from the date of failure.
5. Due to execution application No. 451f, dated the 27th September 1928, Rs. 11 were recovered on 10th January 1929.

B. CONCLUSION.—The interest realised by the plaintiff is 9.3 per cent. per annum against the stipulated rate of 18.75 per cent. per annum.

IX.—Case No. 216 of 1928.—*Gordhan versus Ghisa.*

- A. FACTS.**—1. The loan advanced on the 12th May 1927 was Rs. 100. The rate of interest agreed to in the bond is 15 per cent. per annum. Interest from 12th May 1927 to 16th January 1928 amounted to Rs. 10-2.
2. The total amount said to be due was estimated at Rs. 110-2. The amount stated to have been recovered before filing the suit was As. 2. The amount claimed was Rs. 110.
 3. The suit ended in a compromise decree on the 10th February 1928 for Rs. 110 with costs amounting to Rs. 17-14 payable in half-yearly instalments of Rs. 35 each, but in case of failure to pay two consecutive instalments on the due dates, the debtor should pay the full amount at a time in lump sum with costs. Interest was allowed at 4½ per cent. per annum from the 10th of February 1928.
 4. As the result of execution application No. 427, dated 12th February 1929, Rs. 24 were recovered on 25th February 1929.

B. CONCLUSION.—(I) If no amount was recovered by the plaintiff after the date of the last recovery, the creditor last 75 per cent. of his capital, together

with the interest and costs incurred on the suit.

- (II) Even assuming that the plaintiff was able to realise the decretal amount in full immediately after the date of the last recovery, the rate of interest realised is 7·9 per cent. per annum while the stipulated rate of interest is 15 per cent. per annum.

X.—Kanhiya Lal versus Kajamar, Defendant.

A. FACTS.—1. The plaint was presented on the 28th October 1918. Defendant on 25th December 1915 struck a balance of Rs. 49-8 in the account book of the plaintiff which carried interest at the rate of 1 per cent. per mensem. Thereafter he took Rs. 2 on the 27th January 1916 and Rs. 2-8 on the 17th March 1916, and these sums were debited to his account.

2. A suit was brought for recovery of Rs. 54 principal plus Rs. 18-14-6 interest; total Rs. 72-14-6. Nothing was repaid during the interval.

3. An *ex parte* decree was granted for Rs. 72-14-6 plus Rs. 10-10 on account of costs, total Rs. 83-8-6 on the 26th May 1919. No interest was awarded after the date of decree.

4. *Infructuous execution applications.*—First execution application was presented on the 23rd March 1921 for recovery of Rs. 83-8-6. This was filed in default of the decree-holder on the 3rd October 1921. On the 18th November 1922 another application for execution was filed for recovery of the whole decretal amount. This was also filed on the 21st February 1923 in the absence of both parties. On the 1st October 1924 a third application was put in for recovery of the decretal amount. This application was dismissed in default of the decree-holder.

B. CONCLUSION.—(I) Assuming that no amount was realised after the last execution application, the plaintiff has lost his principal, the interest accrued, and the costs incurred on the suit.

- (II) The rate of interest calculated on the assumption that the decretal amount was fully recovered by the creditor immediately after the last execution application is 4 per cent. per annum against 12 per cent. per annum the stipulated rate of interest.

XI.—Chuni Lal versus Phandu.

A. FACTS.—1. The plaint was presented on 12th October 1918. On 12th October 1912 the defendant executed a bond

to the effect that he owed Rs. 199-8 to the plaintiff. The stipulated rate of interest was $1\frac{1}{2}$ per cent. per mensem and in return he mortgaged about 7 animals. Nothing was paid in the interval. A suit was brought on 12th October 1918 for recovery of Rs. 199.

2. An *ex parte* decree was granted on 10th January 1919 for Rs. 199 principal, plus Rs. 16-4 costs, total Rs. 215-4, to be payable by monthly instalments of Rs. 15 each. No future interest was awarded by the court after the date of the decree if there was default in regular payment of instalments.
3. On the 16th May 1919 an application for the recovery of the first instalment was made. On 2nd July 1919 Rs. 6 were recovered. On the 1st October 1919 another application was made for recovery of the balance of Rs. 9-5 on account of the first instalment. On the 9th of January 1920 Rs. 1-12 were recovered. On the 1st of October 1920 another application was made for recovery of 3 instalments of Rs. 45-14 out of which Rs. 7-12 had already been recovered, and the balance outstanding was Rs. 38-2. This was filed as infructuous on the 19th November 1920.

B. CONCLUSION.—(I) If the plaintiff was unable to realise the decretal amount, he lost 96 per cent. of his capital, together with the interest and the costs of the suit.

(II) Even supposing that the creditor was able to realise the full decretal amount, he got no interest.

XII.—Padhamal *versus* Lachhman.

- A. FACTS.**—1. The plaint was presented on the 11th November 1918. The defendant purchased a she-buffalo on the 16th December 1915 and made an entry to that effect in the account book of the plaintiff. The buffalo was purchased for Rs. 31-10 and the rate of interest agreed to was 18 per cent. per annum. Defendant paid only Re. 1-8 in the interval.
2. A suit was brought for the recovery of Rs. 30-2 principal plus Rs. 16-4 interest for 36 months. The court on the 5th September 1919 granted an *ex parte* decree for Rs. 30-2 principal plus Rs. 10-14 interest plus Rs. 6 costs, total Rs. 47. No future interest was allowed after the date of the decree. The first execution application was made on the 28th July 1920. This application was dismissed in default of the decree-holder on the 27th April 1921.

Another application was made on the 9th December 1921. This was also dismissed in default on the 30th March 1922. The third application for execution was made on the 19th October 1922. This also met with the same fate on the 28th June 1922.

- B. CONCLUSION.**—(I) If the creditor was unable to realise the decretal amount, he lost his entire capital, together with the interest accrued thereon and costs of the suit.
- (II) Even supposing that the creditor was able to recover the decretal amount immediately after the last execution application, the rate of interest realised by him is 5·3 per cent. per annum against the stipulated rate of 18 per cent. per annum.

XIII.—Kaliyan Mal versus Karja.

- A. FACTS.**—1. The plaint was presented on the 21st November 1918. The claim was based on a bond for Rs. 48, dated the 27th November 1915. The terms of the repayment were that Rs. 8 per month would be paid. In case of default of an instalment, interest at the rate of one anna per rupee for the unpaid instalment was to be charged. In case of failure to pay two instalments continuously, interest at the rate of one anna per rupee per month on the whole amount was payable till the whole amount was repaid. On the 16th January 1916 Rs. 12 were paid, and again on the 12th March 1916 Rs. 12 were paid. Thereafter nothing was paid. In the plaint interest was calculated at the rate of 6 pies per rupee per month and a claim was made for recovery of Rs. 44-11, *i.e.*, Rs. 24 principal *plus* Rs. 20-7-6 interest *plus* As. 3-6 on account of the cost of notice (total Rs. 44-11).
2. An *ex parte* decree was granted on the 12th May 1919 for Rs. 24 principal *plus* Rs. 20-7-6 interest *plus* Rs. 7-6 cost, total Rs. 51-13-6 payable in two six-monthly instalments. No future interest was awarded, (not even in case of default in the payment of instalments).
4. The first execution application was put in on the 1st December 1919 for the recovery of the first instalment of Rs. 25-14-9. This application was dismissed in default of the decree-holder on the 29th April 1920. The decree-holder again made an application for the recovery of the whole, Rs. 51-13-6 *plus* costs, total Rs. 53-14 on the 7th May 1920. This application was filed on the 10th January 1921 as infruc-

tuous. The third application for execution was made on the 27th May 1923. Another application made on the 10th January 1925 was infructuous as the decree-holder did not want to proceed against the judgment-debtor at that time.

- B. CONCLUSION.—**(I) If the decretal amount was not realised, as the decree-holder did not want to proceed against the judgment-debtor, the creditor has lost his entire capital, together with the interest accrued thereon and costs incurred on the suit.
- (II) Even assuming that the plaintiff was able to realise from the debtor the full amount decreed, immediately after the last execution application, the rate of interest realised by the creditor will be 9·3 per cent. per annum, while the stipulated rate of interest is 7·5 per cent. per annum.

XIV.—L. Harparshad versus Nazru Khan.

- A. FACTS.—**1. The plaint was presented on the 19th November 1918. On the 19th November 1915 the plaintiff advanced Rs. 26 on a bond carrying interest at As. 8·6 per cent. per mensem. The terms of the bond were that if the defendant failed to pay interest monthly, he would have to pay at the higher rate of 1 per cent. per mensem, and if he failed to pay the entire amount of principal on due date, he would have to pay double the amount. Against the amount advanced he mortgaged two bullocks and a cow. Accordingly on the failure of the defendant to pay any interest and the principal on the due date, a suit for Rs. 52 was filed according to the terms of the agreement.
2. The court granted on the 28th March 1919 a consent decree for Rs. 52 *plus* Rs. 6·2 on account of costs, total Rs. 58·2 without any interest after the date of the decree.
3. On the 10th May 1919 the first application for the recovery of the decretal amount was made; and on the 22nd October 1919 Rs. 19 were recovered. On the 2nd January 1920 another execution application was made for recovery. On the 20th February 1920 another Rs. 10 were recovered. On the 23rd February 1920 a third application for recovery was made; and on the 12th February 1921 another Rs. 10 were recovered. On the 3rd February 1922 another application was made for recovery, but this application

was dismissed in default on the 15th July 1922. On the 18th July 1922 another application was made for recovery; and on the 19th March 1923 Rs. 12-8 were recovered. On the 1st February 1924 another application was made, and further Rs. 10 were recovered on the 17th May 1924. The cost of all the execution proceedings amounted to Rs. 3-6.

B. CONCLUSION.—The rate of interest realised by the creditor on his investment (principal and costs) comes to 13·7 per cent. per annum against the stipulated rate of interest of 100 per cent., according to the terms of the bond.

XV.—Duni Mal, plaintiff *versus* Maru Khan, defendant.

- A. FACTS.**—1. The plaint was presented on the 21st November 1918. Rs. 18 were advanced on a bond, dated the 14th July 1915. The rate of interest agreed upon was annas 2 per rupee per month with a promise to repay the whole amount with interest was repayable in November 1915. Nothing was repaid, and a claim for the recovery of Rs. 35 after calculating interest at the rate of Rs. 3-2 per cent. per mensem was brought, and Rs. 3-4 were relinquished.
2. An *ex parte* decree was passed on the 8th January 1919 for Rs. 35 *plus* Rs. 4-2 on account of costs, total Rs. 39-2. Full interest up to the date of institution of the legal proceeding was awarded. No interest was awarded after the date of the decree.
3. Execution application was presented on the 20th March 1919 for the recovery of Rs. 39-2. This application for execution was filed as infructuous, on the 29th May 1919. Nine annas on account of costs were added to the decretal amount. On the 1st of October 1919 the second application for execution of decree was put in for recovery of Rs. 39-11. On the 15th April 1920 this application was filed on part satisfaction of the claim on payment of Rs. 4 to the decree-holder. On the 9th November 1922 a third application was made for recovery. The application stated that plaintiff had recovered Rs. 20 in all up to the time of the application and the balance claimed was Rs. 19-11-0.

(*NOTE.*—It appears that Rs. 16 were recovered privately in addition to Rs. 4 recovered through court on the previous application.)

This application was filed in default of the decree-holder. On the 21st of April 1923 another application was made for the recovery of Rs. 15-13. It

stated that Rs. 24 in all had been recovered. It was filed on failure to effect attachment on the 29th of May 1923.

B. CONCLUSION.—(I) If no amount was realised after the last execution application proved infructuous, the rate of the interest realised by the creditor will be 9 per cent. per annum.

(II) Even if it is assumed that the total decretal amount was realised by the plaintiff immediately after the last execution application, the rate of interest realised was 12.1 per cent. per annum while the stipulated rate of interest was 150 per cent. per annum.

XVI.—Bhagwan Das *versus* Himta and two others.

A. FACTS.—1. The plaint was presented on 21st November 1918.

(a) Rs. 99 were advanced on a bond on 24th January 1915. The rate of interest agreed upon was 2 per cent. per month with a promise to repay the whole amount in a lump sum in 1918.

(b) Nothing was repaid. The claim was for Rs. 171-4, out of which Re. 1-4 were relinquished, and the suit was brought for recovery of Rs. 170.

2. A consent decree was granted by the court for Rs. 170 *plus* Rs. 13-4 costs, total Rs. 188-4 with interest at 6 per cent. per annum from the date of decree till realisation. The decretal amount was ordered to be paid by instalments of Rs. 25 each at each harvest.

3. On June 7, 1921, an application for execution was put in for recovery of Rs. 153-4, Rs. 36-1 having been recovered on the 5th February 1920. The application was filed on the 16th July 1921 for failure on the part of the decree-holder to appear in court on the date fixed. After that no application for execution seems to have been made.

B. CONCLUSION.—(I) If no amount was realised after the last application for execution was filed, the creditor has lost 63 per cent. of his capital, together with interest and the costs incurred on the suit.

(II) Even supposing that the plaintiff was able to realise the amount shown in the last execution application, the rate of interest realised is 12.3 per cent. per annum against 24 per cent. per annum, the stipulated rate.

NORTH-WEST FRONTIER PROVINCE.

I.—Case No. 1119 of 1923.—Jairam *versus* Khanizaman.

A. FACTS.—1. The plaintiff is a resident of Nawa Shahr, Tehsil Abbottabad and the defendant is a resident of Mansehra.

2. The plaint was presented on the 26th November 1923.

(a) On 26th November 1920 the defendant struck a balance in the account book of the plaintiff and admitted that he owed Rs. 130 to the plaintiff and promised to pay two “kurh” of wheat at the harvest as interest and two “kurh” of maize at the maize harvest every year.

(b) Nothing was paid on account of either principal or interest.

(c) Accordingly plaintiff calculated interest at the rate of 195 *Odhis* of wheat and 195 *Odhis* of maize, both valued at Rs. 161-8 *plus* Rs. 130 on account of principal, the total amounting to Rs. 291-8. Of this Rs. 41-8 were relinquished and a suit was brought for Rs. 250.

3. An *ex parte* decree was passed on the 16th of August 1924 for Rs. 202 *plus* Rs. 35-2 on account of costs. No further interest was allowed.

4. (a) The decree-holder applied for execution of the decree on the 1st September 1927. It was filed as infructuous at the request of the decree-holder on the 10th October 1927.

B. CONCLUSION.—(I) If the decree-holder failed to realise any amount, he lost his capital, interest thereon and the costs of the suit.

(II) Assuming that the whole amount was recovered in full on the 10th of October 1927, the plaintiff realised on the amount invested by him as principal and costs, interest at the rate of only 7 per cent. per annum.

II.—Case No. 1173.—Jawahir *versus* Bostan.

A. FACTS.—1. Both of them are residents of Nawashahr.

2. The plaint was presented on the 9th December 1924.

(a) On the 8th April 1921 the defendant took 9 maunds 20 seers of potatoes from the plaintiff and executed a bond on that account in the

latter's favour agreeing to pay one-and-a-half times the quantity of potatoes from his harvest. If he failed to do so, he should pay Rs. 95 on account of the price of potatoes *plus* interest in 285 *Odhis* of maize.

- (b) Nothing was paid. According to the plaintiff Rs. 95 on account of interest *plus* Rs. 95 on account of 285 *Odhis* of maize, total Rs. 190 were due to him.
 - (c) Rs. 90 were relinquished and a suit was brought for Rs. 100.
3. A decree for Rs. 75 *plus* Rs. 11-12 on account of costs was passed in plaintiff's favour on the 13th February 1925.
 4. (a) An execution application was presented on the 22nd September 1925.
 - (b) On the 1st of November 1925 the execution decree was satisfied in full, the decree-holder getting a receipt for Rs. 78 from Jamdali and Inayatullah, the sureties of the judgment-debtor, in full satisfaction of his claim.

B. CONCLUSION.—The plaintiff gave to the defendant potatoes worth Rs. 95 on the understanding that he would get interest in 285 *Odhis* of maize, he spent Rs. 11-12 on account of costs. He received in return a note for Rs. 78 from sureties in full satisfaction of his claim. It means that the plaintiff lost Rs. 28-12 in the bargain. According to the contract, the stipulated rate of interest was 50 per cent. for one season.

III.—Case No. 138.—Rup Chand Shah *versus* Ghazi.

Plaintiff resident of Nawashahr and defendant of Pat Kank.

A. FACTS.—1. The plaint was presented on the 9th February 1925.

- (a) On 9th February 1922 the defendant struck a balance in the account book of the plaintiff for Rs. 50-3-6 as due by him.
 - (b) Interest was calculated on it which amounted to Rs. 42-3 up to the date of institution of the suit thus making a total of Rs. 92-6-6. Of this sum Rs. 17-6-6 were relinquished and a claim for Rs. 75 was brought.
2. (a) An *ex parte* decree was passed for Rs. 75 *plus* Rs. 5-15 on account of costs on the 23rd April 1925.

(b) No future interest was awarded.

3. (a) An execution application was made on the 19th April 1928. It was filed as infructuous at the request of the decree-holder, on the 17th May 1928. No further application seems to have been made subsequently.

B. CONCLUSION.—(I) The plaintiff received a sum of Rs. 24-12-6 as interest for 6 years and 3 months on Rs. 50-3-6. Assuming that the full amount was recovered out of court on the 17th May 1928, the rate of interest comes to 7·8 per cent. per annum while the rate of interest stipulated was 28 per cent. per annum.

(II) Assuming that the decree-holder could not realise the amount of the decree, the creditor lost his principal, the interest and the costs of the suit.

IV.—Case No. 310.—Ramji Das versus Asghar Khan.

A. FACTS.—1. The plaintiff is a resident of Peshawar city and the defendant of village Ali Razi.

2. The plaint was presented on the 14th March 1921.

(a) On 24th September 1917 the defendant executed a bond for Rs. 50 received in cash from the plaintiff and agreed to repay the amount within six months without any interest. It was further stipulated that if the money was not repaid within the specified period, the defendant agreed to pay interest at the rate of 6 pies per rupee per month from the date of default till repayment.

(b) Accordingly interest was calculated from the 24th March 1918 at the stipulated rate for 35 months 20 days, which amounted to Rs. 55-12.

(c) As. 2-3 on account of cost of notice was also included.

(d) Finally a claim was brought in for the recovery of Rs. 50 principal, plus Rs. 55-12 interest plus As. 2-3 on account of the cost of notice, total Rs. 105-14-3.

3. An *ex parte* decree was passed on 25th May 1921 for Rs. 105 plus costs Rs. 9-4. No future interest was allowed after the date of decree.

4. (a) On the 24th June 1921 the decree-holder applied for satisfaction of his decree by imprisonment of the judgment-debtor in the civil jail. The warrant could not be served on the judgment-debtor and the application was filed as infructuous on 22nd December 1921.
- (b) On the 2nd April 1924 the decree-holder again applied for execution of his decree. This application was filed in default of the decree-holder on the 9th May 1924.
- (c) On the 6th January 1925 the decree-holder again applied for execution of his decree. This application was filed as infructuous on the 12th March 1925 according to the wishes of the decree-holder.
- (d) On 11th August 1927 the decree-holder made another application for execution of his decree. This application was also filed as infructuous as desired by the decree-holder on the 21st of December 1927.

- B. CONCLUSION.**—(I) The rate of realised interest comes to 10·9 per cent., presuming that the whole sum was paid in full on the 21st December 1927, while the stipulated rate of interest was 6 pies per rupee per month or 37·5 per cent. per annum.
- (II) Assuming that the decree-holder could not realise the decreed amount, he lost his principal, the interest thereon and the costs of the suit.

V.—No. 569.—Firm Amir Singh Kanhiya Sing *versus* Sahib Alam.

- A. FACTS.**—1. The plaintiff is a resident of Peshawar City and the defendant of Landi.
2. The plaint was presented on the 13th June 1928.
- (a) On 5th April 1925 the defendant executed a bond for Rs. 84 received in cash from the plaintiff and promised to repay the amount in the month of June 1927. It was further agreed that if the defendant failed to pay the amount on the due date, he would be liable to pay interest at the rate of $1\frac{1}{2}$ per cent. per mensem or 18 per cent. per annum.
- (b) Nothing was paid by the defendant.
- (c) Accordingly interest at the stipulated rate on the principal was calculated which amounted to

Rs. 47 up to the date of the institution of the suit. Both the principal and interest amounted to Rs. 131, of which Re. 1 was relinquished and a suit was brought for recovery of Rs. 130 only.

3. (a) A decree was passed on the 29th October 1928 in plaintiff's favour for Rs. 130 *plus* Rs. 24-10 on account of costs.
- (b) No interest was awarded after the date of the decree.
4. (a) An execution application was made on the 3rd of November 1928.
- (b) On the 6th February 1929 the parties compromised in this way that Rs. 50 were paid in cash to the plaintiff, and as regards the balance the judgment-debtor agreed to pay half of the balance within three months and the remaining half after 7 months. In case of default the whole outstanding debt would be recoverable in one lump sum.
- (c) On the 11th July 1929 the decree-holder applied for recovery of the outstanding Rs. 108-10 (including costs of execution). On the 11th November 1929 the decree-holder recovered Rs. 112 and the application was satisfied in full.

B. CONCLUSION.—The plaintiff received Rs. 46 as interest for 4 years 7 months on Rs. 84. The rate of interest works out to 11.9 per cent. per annum while the stipulated rate of interest was $1\frac{1}{2}$ per cent. per mensem or 18 per cent. per annum.

VI.—No. 1342.—Kanshi Ram *versus* Sher Khan and Alif Khan.

A. FACTS.—1. The plaintiff is a resident of Peshawar City and the defendants of village Ahmad Khel.

2. The plaint was presented on the 23rd November 1928.

- (a) On 1st August 1926 the defendants executed a bond for Rs. 60 received in cash from the plaintiff and promised to pay interest at the rate of $2\frac{1}{2}$ per cent. per mensem or 30 per cent. per annum.
- (b) Nothing was paid and interest was calculated on the principal at the stipulated rate which amounted to Rs. 41-8 and a claim for recovery

of Rs. 100, after relinquishing Re. 1-8, was brought in.

3. (a) A decree for Rs. 100 *plus* costs Rs. 20-4 was passed in plaintiff's favour on the 24th January 1929.
- (b) No interest was allowed after the date of the decree.
4. (a) An application for execution was made on the 12th April 1929, which was filed in default on the 16th May 1929.
- (b) Another application was made on 18th of October 1929 and this also was filed as infructuous on the 18th of January 1930.

- B. CONCLUSION.**—(I) Presuming that the whole amount was recovered in full on the 18th January 1930 the plaintiff received Rs. 40 as interest for 3 years and $4\frac{1}{2}$ months on Rs. 60. The rate of interest works out to 19.7 per cent. per annum, while the stipulated rate of interest was $2\frac{1}{2}$ per cent. per month, or 30 per cent. per annum.
- (II) If he failed to recover the decretal amount the plaintiff lost his entire capital, together with the interest thereon and the costs of the suit.

VI.—No. 1306.—Firm Balmokand *versus* Fasihullah.

- A. FACTS.**—1. The plaintiff is a resident of Peshawar and the defendant of village Nahqi.
2. The plaint was presented on the 13th November 1928.
- (a) On the 23rd of November 1925 the defendant executed a bond for Rs. 60 in favour of the plaintiff and promised to repay the amount by the 29th December 1925; in case of default he agreed to pay interest at the rate of 2 per cent. per mensem or 24 per cent. per annum.
 - (b) Out of the principal Rs. 42 were received.
 - (c) According to the plaintiff Rs. 18 on account of principal and Rs. 13 on account of interest on the above Rs. 18 for three years amounts to Rs. 31. Of this Re. 1 was relinquished and a suit for recovery of Rs. 30 was filed in.
3. (a) An *ex parte* decree was granted on the 19th December 1928 for Rs. 30 *plus* Rs. 6-8 costs.

(b) No interest was allowed after the date of the decree.

4. On the 12th of January 1929 the plaintiff applied for execution of his decree. This application was filed as infructuous at the request of the decree-holder on 12th March 1929. No further application was made.

B. CONCLUSION.—(I) The rate of interest realised on the total investment (principal plus costs) works out to 19·5 per cent. per annum, if the whole amount was recovered out of court on the 13th March 1929, while the stipulated rate of interest was 2 per cent. per month or 24 per cent. per annum.

(II) If the decree-holder failed to recover the decretal amount, he lost 30 per cent. of his capital together with the interest on the principal and the costs of the suit.

VII.—No. 197 of 1917.—Hukam Chand versus Farid Isa Khan, and Musa Khan.

A. FACTS.—1. The plaint was presented on the 3rd February 1917.

(a) On 20th August 1914 one Mohd. Sharif Khan, whose reversioners are the present defendants, executed a bond for Rs. 350 on account of three previous bonds (the previous bonds were not on the file) and promised to repay the debt in two instalments as follows:—

Rs. 200 payable on the 13th March 1915.
Rs. 150 payable on the 15th September 1915.
In the case of non-payment of any one of the instalments, Mohd. Sharif promised that interest will be paid at the rate of $1\frac{1}{4}$ per cent. per mensem on the amount of the unpaid instalment from the date when the instalment fell due as well as on the remaining principal. The principal and interest would be payable on demand.

(b) None of the instalments was paid, and interest was calculated at the above stipulated rate on the principal. This amounted to Rs. 82-8.

(c) Accordingly a suit was brought for Rs. 350 principal plus Rs. 82-8, total Rs. 432-8.

2. (a) An *ex parte* decree was passed on the 10th March 1917 for Rs. 432-8 plus costs amounting to Rs. 35-8.

(b) No interest was awarded after the date of the decree.

- 3 (a) On the 22nd March 1917 the decree-holder applied for execution of the decree and prayed for recovery of the amount decreed *plus* costs by sale of the house property belonging to the deceased debtor.
- (b) On the 4th October 1917 the decree-holder purchased the house property of the debtor for Rs. 490. Out of this sum Rs. 24-8 on account of Government's auction commission were credited to the treasury and in lieu of the balance Rs. 465-8, the decree-holder filed a receipt in court in full satisfaction of his claim amounting to Rs. 468. The decree-holder could not, however, get possession of the five houses sold to him till the 23rd November 1918, when he was delivered possession of the houses formally through the court.

B. CONCLUSION.—The plaintiff received Rs. 80 as interest for 4 years and three months on Rs. 350. The rate of interest up to the date of full payment, i.e., the 23rd November 1928, comes to Rs. 53 per cent. per annum while the stipulated rate of interest was 15 per cent. This leaves out of account altogether the loss of interest on Rs. 35-8 incurred on costs from 3rd February 1917 to 23rd November 1918.

VIII.—No. 202 of 1925.—Fida Mohd. *versus* Ishaq.

A. FACTS.—1. The plaint presented on 17th February 1925.

- (a) On the 29th November 1920 the defendant executed a bond for Rs. 170 received in cash from the plaintiff and promised to deliver 34 maunds of *Gur* in return for this amount on the 1st December 1921. He further agreed that if he failed to deliver the stipulated quantity of *Gur* on the due date, he would either deliver 40 maunds of *Gur* or the price of 40 maunds according to the market rate prevailing on the 28th February 1922.
- (b) The *Gur* was not delivered on the due date, and consequently the plaintiff brought a claim for the price of 40 maunds of *Gur* at the rate of Rs. 8 per maund, total Rs. 320.
2. (a) An *ex parte* decree was passed on the 26th March 1925, for Rs. 261-13 *plus* proportionate costs, i.e., Rs. 33-6.
- (b) No interest was allowed after the date of the decree.

3. (a) On the 2nd May 1925 the plaintiff applied for execution of his decree by attachment of the wheat and barley crops of the defendant. This application was filed on the 22nd May 1925 as desired by the decree-holder.
- (b) Again on the 4th January 1926 the decree-holder applied for execution by imprisonment of the judgment-debtor in the civil jail. Again it was filed as infructuous on 16th June 1926 at the request of the decree-holder.
- (c) On the 15th November 1926 the decree-holder again applied for execution of his decree and prayed that satisfaction be effected by attachment of the sugarcane crop of the defendant. On the 14th April 1927, only Rs. 20 were recovered and the application was filed as satisfied in part. No further application has so far been made.

B. CONCLUSION.—(I) The rate of interest realised on the investment (principal and costs) works out to 7.9 per cent. per annum, assuming that the whole amount was recovered out of court on the 15th April 1927.

(II) Assuming that the plaintiff failed to recover any amount after the last execution application, he lost 88.2 per cent. of his principal together with interest thereon and the costs of the suit.

IX.—No. 805 of 1926.—Atta Muhd., plaintiff *versus* Muhibulhaq and others.

A. FACTS.—1. The plaint was presented on the 9th October 1926.

- (a) On the 24th October 1922 the defendants executed a bond for Rs. 222 received in cash from the plaintiff and promised to supply to the plaintiff 44 maunds 16 seers of *Gur* in return for this amount on the 1st December 1923. It was further agreed that if the defendants failed to supply the stipulated quantity of *Gur* on the due date, they would deliver 55 maunds 20 seers of *Gur* or the price of that quantity as prevailing on the 29th February 1924.
- (b) The *Gur* was not supplied on the due date and accordingly a claim for recovery of Rs. 500 on account of the price of 55 maunds 20 seers according to the prevailing rate on the 29th February 1924, *i.e.*, Rs. 10 per maund was brought after relinquishing Rs. 55.

2. (a) An *ex parte* decree was passed on the 16th November 1926 for Rs. 500 *plus* Rs. 67-12 on account of costs.
- (b) No interest was awarded after the date of the decree.
3. (a) The first application was made for execution of decree on the 20th November 1926. This application was filed in default of the decree-holder on 23rd May 1927. An application was made for its restoration, but it was rejected also on the 22nd January 1929.
- (b) No further application was made.

B. CONCLUSION.—(I) Presuming that the whole amount was received out of the court on the 23rd January 1929 the plaintiff received Rs. 278 as interest for $6\frac{1}{4}$ years on Rs. 222 and for 2 years and $3\frac{1}{2}$ months on Rs. 67-12 (costs). The rate of interest realised comes to 18 per cent. per annum, while the stipulated rate of interest was more than 50 per cent.

(II) Assuming that the plaintiff failed to recover the amount after the last execution application, he lost his capital, the interest thereon and the costs of the suit.

X.—No. 527 of 1928.—Nirmal Singh, plaintiff, *versus* Mohd Umar Khan.

A. FACTS.—1. The plaint was presented on the 28th November 1918.

- (a) On the 29th May 1915 defendant executed a bond in favour of the plaintiff for Rs. 256 as per detail below:—
Rs. 200 on account of a previous bond, dated the 30th May 1912. Rs. 56 paid in cash.
- (b) Interest at the rate of $1\frac{1}{2}$ per cent. per mensem was agreed upon. It was further agreed to repay the amount within six months.
- (c) Nothing was paid. Interest at the agreed rate from 29th May 1915 to 28th May 1918 amounted to Rs. 54 and a suit was brought for recovery of Rs. 310.
3. (a) An *ex parte* decree was passed on the 10th December 1918 for Rs. 310 *plus* Rs. 24-4 on account of costs.
- (b) No interest was allowed after the date of the decree.

4. (a) The first execution application was presented on the 2nd December 1921. This application was filed infructuous at the request of the decree-holder on the 19th January 1922.
- (b) The second application for execution was made on the 16th January 1925. It was also filed as infructuous at the request of the decree-holder on the 6th February 1925.
- (c) A third application was made on the 10th January 1928. This also met with the same fate on 11th February.
- (d) A fourth application was made for recovery of Rs. 338-12 (including costs on execution applications) on 4th May 1929. This application was filed in default of the decree-holder on 6th May 1929.
- (e) On the 8th May 1929 again the decree-holder applied for execution. This was also filed in default of the decree-holder on the 13th June 1929.
- (f) On the 10th December 1929 the decree-holder again applied for execution. This application was dismissed on account of some legal defect in the presentation of the application on 10th December 1929.

B. CONCLUSION.—(I) Assuming that the whole amount was realised out of court on the 11th December 1929, the plaintiff received Rs. 54 as interest for 14½ years on Rs. 256. The rate of interest comes to 1¼ per cent. per annum, leaving out of account altogether the loss of interest on Rs. 24-4 (costs) from the 28th November 1918 to the 10th December 1929.

(II) Assuming that the decree-holder failed to realise any amount from the judgment-debtor, he lost cent. per cent. of his capital, together with interest thereon and the costs incurred on the suit.

XI.—No. 33 of 1925.—Rupchand Shah, plaintiff *versus* Bahadur, defendant.

A. FACTS.—1. The plaint was presented on the 2nd February 1925.

- (a) On the 16th January 1922 the defendant struck a balance of Rs. 25 in the account book of the plaintiff on account of previous debt and promised to pay one *Odhi* of maize per rupee on account of interest annually. Subsequently he

purchased articles from the plaintiff worth Re. 1-13.

- (b) Nothing was paid.
 - (c) According to the plaintiff Rs. 26-13 on account of principal and Rs. 25 on account of price of 75 *Odhis*, total Rs. 51-13 were due from the defendant. Of this amount Rs. 21-13 were relinquished and a suit was brought for Rs. 30 only.
2. (a) An *ex parte* decree for Rs. 30 *plus* Rs. 3-11 on account of costs was passed on the 22nd April 1925.
- (b) No interest was awarded after the date of the decree.
3. An execution application was made on the 19th April 1928. It was filed infructuous on the 17th May 1928 at the request of the decree-holder.

- B. CONCLUSION.**—(I) Presuming that the whole decreed sum was realised on the 17th May 1928 the plaintiff received Rs. 3-3 as interest for 6 years and 4 months on Rs. 26-13. The rate of interest comes to Rs. 1-8 per cent. per annum while the stipulated rate was about 33 per cent. per annum.
- (II) Assuming that the plaintiff failed to realise the decretal amount, he lost his principal, interest and costs.

XII.—Case No. 1207 of 1924.—Hukam Chand Shah *versus* Hayat.

- A. FACTS.**—1. The plaint was presented on the 15th December 1924.
- (a) On the 4th July 1921 defendant executed a bond for Rs. 254 and promised to repay the amount in the month of January 1923, or in default of payment on the due date agreed to pay interest at the rate of 6 pies per rupee per month.
 - (b) Defendant failed to keep his promise.
 - (c) According to the plaintiff's calculation, Rs. 254 on account of principal *plus* Rs. 285-12 on account of interest for three years according to the agreed rate of interest amounted to Rs. 539-12, of which Rs. 39-12 were relinquished, and a suit was brought for recovery of Rs. 500 only.

3. (a) The parties compromised on 24th February 1925 and in accordance therewith a decree was passed as per details given below:—

Defendant agreed to pay Rs. 430 *plus* costs of the suit by instalments as follows:—

Rs. 100 payable in Maghar Sambat 1982.

Rs. 100 payable in Maghar Sambat 1983.

Rs. 100 payable in Maghar Sambat 1984.

Rs. 100 payable in Maghar Sambat 1985.

Rs. 30 payable in Maghar Sambat 1986.

The costs of the suit amounted to Rs. 60-12.

4. (a) On the 5th October 1926, the plaintiff applied for execution of his decree. This application was filed as infructuous at the request of the decree-holder on the 29th November 1926.
- (b) On the 23rd December 1927 another application was filed for execution of decree. This application was dismissed on account of the failure of the decree-holder to put in the process fee on the 7th June 1928.
- (c) On the 16th November 1928 the decree-holder again applied for execution of his decree. This application was also filed as infructuous at the request of the decree-holder, on the 10th May 1929.

B. CONCLUSION.—(I) Presuming that the whole decreed amount was recovered on the 10th May 1929 while the stipulated rate was 6 pies per rupee per month. The plaintiff received Rs. 176 for 7 years and 10 months on Rs. 254. The rate of interest comes to 8.8 per cent. per annum, while the stipulated rate was 37.5 per cent.

(II) Assuming that he failed to recover the amount, he lost his principal, interest and costs.

XIII.—No. 1181 of 1924.—Prabhdial Singh *versus* Jamaldin.

A. FACTS.—1. The plaint was presented on the 11th December 1924.

- (a) On the 12th September 1921 the defendant executed a bond in favour of the plaintiff whereby he admitted Rs. 60 as already due to the plaintiff as also 80 *Odhis* of grain and received Rs. 12 in cash and promised to pay interest in kind on both the harvests of wheat and maize at the

rate of one "Kurh" at each harvest. He further agreed to liquidate the debt in the month of January 1923.

- (b) Nothing was paid.
 - (c) According to the plaintiff's calculations Rs. 72 on account of principal and Rs. 33-5-3 on account of the price of 80 *Odhis* of wheat and maize, total Rs. 105-5-3, were due to him. To this sum were added Rs. 27 on account of interest on Rs. 72, being the price of 54 *Odhis* of wheat, and Rs. 21 on account of 63 *Odhis* of maize as interest on 80 *Odhis*; total Rs. 153-5-3. Of this Rs. 3-5-3 were relinquished and a suit was brought for recovery of Rs. 150 only.
3. (a) An *ex parte* decree was passed on the 17th February 1925 for Rs. 150 *plus* Rs. 17-14 on account of costs.
 - (b) No interest was allowed after the date of the decree.
 4. (a) An execution application was made on the 31st January 1926. On the 24th April 1926 the decree-holder gave a statement to the effect that he had obtained a fresh bond for Rs. 110 from the judgment-debtor in full satisfaction of his decree, and accordingly the application was filed as satisfied in full on the 26th June 1926.

B.—CONCLUSION.—The plaintiff received Rs. 44-10-9 for 4 years and 6 months on Rs. 105-5-3. The rate of realised interest comes to about 9½ per cent. per annum.

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