

**REPORT**  
**OF THE**  
**PUNJAB PROVINCIAL BANKING**  
**ENQUIRY COMMITTEE,**  
**1929-30.**

**VOLUME I.**



**Lahore :**

**PRINTED BY THE SUPERINTENDENT, GOVERNMENT PRINTING, PUNJAB,  
AND PUBLISHED BY THE GOVERNMENT OF INDIA, CENTRAL PUBLICA-  
TION BRANCH, CALCUTTA.**

**1930.**

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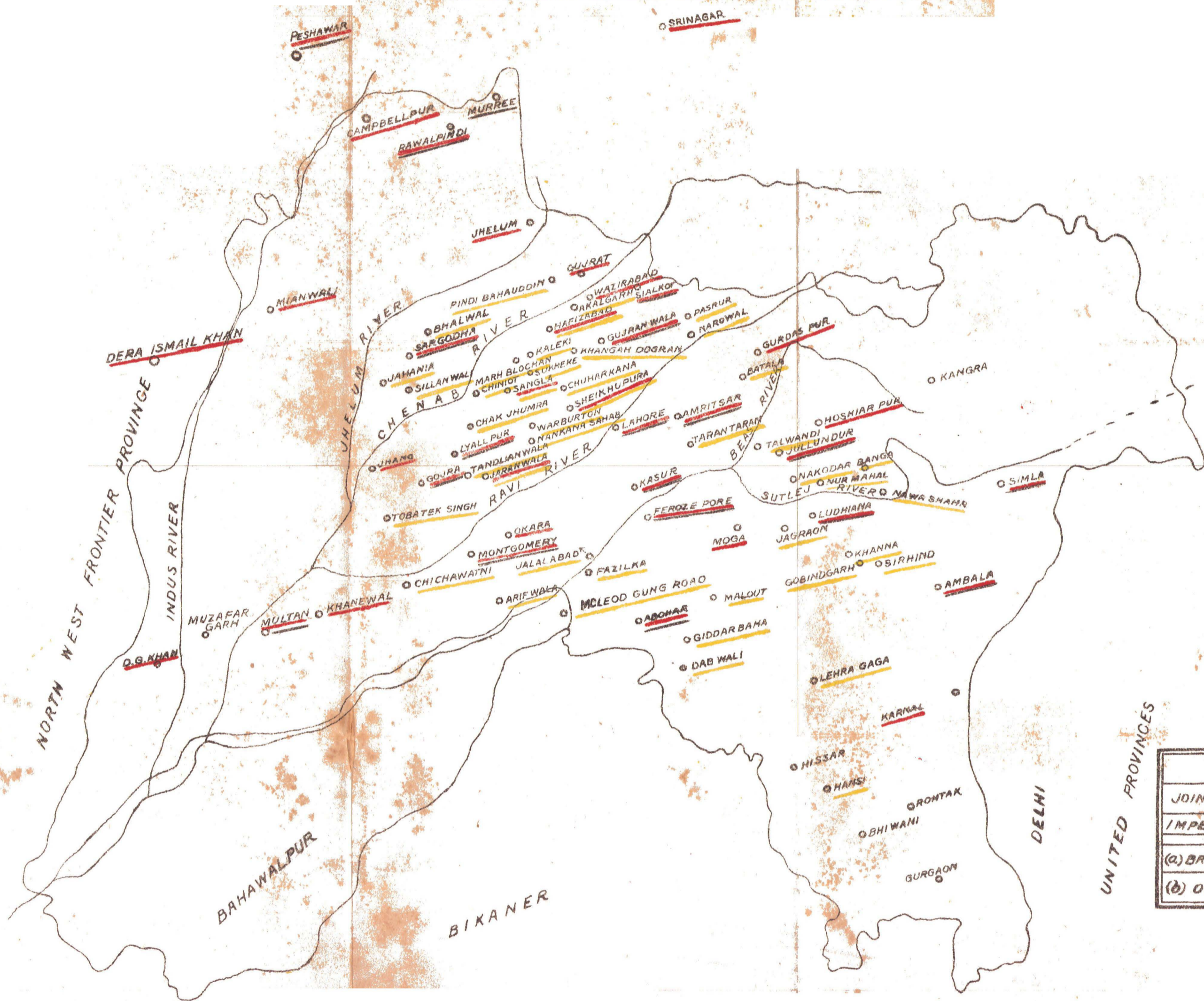
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# BANKING MAP OF THE PUNJAB



REFERENCES	
JOINT STOCK BANKS	
IMPERIAL BANK OF INDIA	
(a) BRANCHES AND SUB AGENCIES	
(b) OUT STATIONS	

# The Punjab Provincial Banking Enquiry Committee.

## REPORT.

### CHAPTER I.—INTRODUCTORY.

1. The main object of our inquiry has been to examine some of the more important aspects of the urban and rural finance of the province. The Government of India specified the following subjects for study :—

- (i) Agricultural credit in all its aspects.
- (ii) Co-operative banks including mortgage banks, and co-operative marketing societies.
- (iii) Indigenous banking, including money-lending.
- (iv) The financing of internal trade.
- (v) The investment habit and the attraction of capital.

As much inquiry and constructive work had already been done in the Punjab under the first two heads, it was decided by the Punjab Government, with the concurrence of the Government of India, that no further detailed inquiry should be made under either, though it was agreed that discussion might be necessary with representatives of the co-operative movement and agricultural interests. This explains the somewhat restricted character of our general questionnaire,<sup>1</sup> which, for instance, contains very few references to co-operative finance. When, however, we began our inquiries we found that it would be difficult, if not impossible, in so agricultural a province as the Punjab, to study with advantage any important aspect of urban or rural finance without a full understanding of agricultural conditions. We therefore issued a special questionnaire to the 19 assistant registrars of co-operative societies in order to bring the published information on rural finance up to date and to obtain more exact information on doubtful points; and wherever we went we made a point of meeting representatives of the rural classes.

2. The personnel of the Committee was as follows :—

- |  |    |                                       |
|--|----|---------------------------------------|
| (1) Mr. M. L. Darling, I.C.S.                | .. | Chairman.                             |
| (2) Mr. Harkishen Lal, Bar-at-Law,<br>Lahore | .. | Representative of Commerce and Trade. |

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<sup>1</sup>Ev., volume I.

- (3) Khan Bahadur Chaudhri Niamatullah, President, Madar Co-operative Banking Union, Madar, Jullundur District .. Representative of Co-operative Credit Movement.
- (4) Rao Pohap Singh, M.A., LL.B., *ex-M.L.C.*, Honorary Secretary, Co-operative Credit Bank, Ltd., Gurgaon .. Ditto.
- (5) Rai Sahib Kishan Lal, Honorary Magistrate, Honorary Civil Judge and Government Treasurer, Jhelum .. Representative of Indigenous Banking.
- (6) Khan Bahadur Chaudhri Sultan Ahmad (Retired Deputy Commissioner of Gujrat) .. Representative of other interests including agriculture.

Misr Dwarka Nath, M.A., P.C.S., Secretary.

We assembled on the 23rd December 1929 and early in January issued a general questionnaire in English, Urdu and Gurmukhi. We also issued special questionnaires to —

- The High Court of Judicature at Lahore.
- All Income-tax Officers in the Punjab.
- All Assistant Registrars, Co-operative Societies.
- The Financial Adviser to the Co-operative Department.
- All Managers of Estates under a Court of Wards estates.
- The Postal Department.
- The Industries Department.

In addition, at the instance of the Committee, special enquiries were made on various subjects by income-tax officers, assistant registrars, and industrial surveyors.

By the courtesy of the Punjab Board of Economic Inquiry it has also been possible to make full use of the reports of seven village survey inquiries conducted by the Board, none of which has so far been published.

3. We visited the following centres :—

- |                 |                    |
|-----------------|--------------------|
| (1) Rohtak,     | (6) Okara,         |
| (2) Bhiwani,    | (7) Gurdaspur,     |
| (3) Multan,     | (8) Amritsar,      |
| (4) Lyallpnr,   | (9) Jullundur, and |
| (5) Montgomery, | (10) Rawalpindi.   |



and at each place we not only examined a number of witnesses individually but interviewed collectively representatives of important classes, such as zemindars, indigenous bankers, money-lenders, craftsmen, etc. This proved a good way of gauging public opinion and getting general information on particular subjects. It also brought us into touch with a large number of people who might not otherwise have been prepared to appear before us. Altogether, we received 117 written replies, examined 90 witnesses,<sup>1</sup> and interviewed 80 deputations.<sup>2</sup>

4. The inquiry lasted for about 6 months and its total cost amounted to Rs. 42,371 of which details are given in appendix I to this report.

5. Three main difficulties were experienced. The first was the short time at the disposal of the Committee. As the Chairman was on leave out of India till the middle of December, we started our work several months later than the other Provincial Committees. The second was the reticence of the leading commercial banks as to their operations in the Province. To this the Imperial Bank of India and the People's Bank of Northern India were happy exceptions, and we acknowledge the fact cordially. The third was that many of the questions we were asked to deal with could not be satisfactorily answered without far more statistical data than were available or obtainable in the short time at our disposal. We did our best to collect and sift all that were available, and in addition we had a number of special inquiries made by the staffs of the Income-tax, Co-operative and Industries Departments. For this we have to thank the Commissioner of Income-tax, Punjab and North-West Frontier Province, the acting Registrar, Co-operative Societies, and the Director of Industries, Punjab. Our grateful acknowledgments are also due to the officers of these departments who undertook this extra labour for us in addition to their already heavy duties. We have also to thank the Postmaster-General, Punjab and North-West Frontier Province, for collecting for us a large mass of statistics illustrating the banking and remittance work of his department in the province. A considerable volume of fresh information has been collected in this way, and

<sup>1</sup>These included :—

Co-operative staff	..	..	..	19
Co-operators	..	..	..	17
Income-tax Officers	..	..	..	11
Directors, Managers, and Agents of Banks	..	..	..	17
Indigenous Bankers	..	..	..	4

<sup>2</sup>These numbered :—

Zemindars and Co-operators	..	..	..	10
Bankers and money-lenders	..	..	..	9
Commission agents and merchants	..	..	..	5
Factory owners	..	..	..	4
Weavers	..	..	..	2

bearing in mind our instructions we have made it our primary object to describe present conditions in the province. The field to be covered is so vast that the description is naturally more detailed at some points than at others; and where we were breaking new ground, it is, we fear, only a bare outline. In anticipation of this, we were asked (in common with the other provincial committees) to devise some means by which the work of inquiry should not cease with our labours. Fortunately, the Punjab already possesses in the Board of Economic Inquiry a permanent organization for carrying out systematic economic inquiries; and after perusing many of its reports, both published and under publication, we cordially testify to the value of its work, as we warmly acknowledge the value of its assistance.

In conclusion, we desire to emphasize the fact that the evidence given us by the various representatives of the Imperial Bank of India and other commercial banks represents their personal views and not those of their banks.

## CHAPTER II.—SPECIAL FEATURES OF THE PUNJAB.

6. The economic conditions of the Punjab and its 100,000 square miles of territory need no detailed description, for they are the subject of a number of books and publications that have appeared during the last eight years. Amongst the publications the most important are those of the Punjab Board of Economic Inquiry. This Board has undertaken a considerable number of intensive village surveys and inquiries, some of which have not yet been published. We have kindly been allowed access to them all and shall have repeated occasion to refer to them, particularly to those dealing with the survey of individual villages. Amongst the books, the *Wealth and Welfare of the Punjab* by Mr. H. Calvert, C.I.E., I.C.S., gives an admirable picture of the general features of the province and brings out vividly its immense material progress and its great potentialities for development. Six thousand miles of railway and twenty thousand miles of canals have brought it an amount of wealth undreamt of forty years ago. In 1924-25 the three great colonies of Lyallpur, Shahpur, and Montgomery grew produce to the value of 28 crores where 30 years earlier almost nothing had been grown at all.<sup>1</sup> Every year the province receives by money order about two crores more than it remits,<sup>2</sup> and, so we estimate, from 4 to 5 crores in the form of treasure.<sup>3</sup> In 1928-29 nearly 10 crores were paid to its contractors,<sup>4</sup> and 139 lakhs to its military pensioners,<sup>5</sup> the result of one man in eight being mobilized during the War,<sup>6</sup> and in the same year its total deposits (including its investments in postal cash certificates) probably exceeded 30 crores.<sup>7</sup>

7. For the moment, however, the prosperity of the province is less apparent than it was. It is passing through a period of agricultural and commercial depression, due partly to the poor harvests of 1927-28 and 1928-29, but still more to the world-wide

<sup>1</sup>*The Punjab Peasant in Prosperity and Debt* (2nd Edition), page 131 (this book will in future be referred to as *Pb. Pt.*).

<sup>2</sup>See Statement 1 (p. 326).

<sup>3</sup>See Statement 2 (p. 326).

<sup>4</sup>Payments to contractors have been as follows (figures kindly supplied by the Commissioner of Income-tax, Punjab):—

	Crores.
1926-27 .. .. .	7.58
1927-28 .. .. .	7.29
1928-29 .. .. .	9.59

<sup>5</sup>Figures kindly supplied by the Controller of Military Accounts, Lahore.

<sup>6</sup>The corresponding figure for India was 1 in 150.

<sup>7</sup>See paragraph 222.

fall in prices.<sup>1</sup> How acute this fall has been may be judged by the fact that early in May 1928 the retail price of wheat in Amritsar was 8 seers to the rupee and a year later 12 seers.<sup>2</sup> In Europe, too, the same factors have been at work with much the same results. Germany, Poland, Roumania, Bulgaria, Greece, and Jugoslavia all tell a tale of agricultural depression. In Germany there has been a "rise in the tide of indebtedness which neither increased duties nor State aid could materially reduce."<sup>3</sup> In Roumania "protested bills, failures, and moratoria reached unprecedented proportions." In Bulgaria the peasants have been "badly hit by the absence of demand for grain and other produce," and "the curtailment of credit and the shortage of ready money all over the country are increasing the evils of the situation."<sup>4</sup> The Punjab, therefore, has no monopoly of misfortune; but the conditions under which our inquiry has been made have been unfavourable to optimism. This has coloured the evidence of most of our witnesses, and in analysing the many problems that came before us it has not always been easy to distinguish between the temporary and the more permanent factors.

8. One factor, the effects of which are difficult to calculate but may be profound, is the great increase in population that has occurred since the war. In the last census decade it was sufficiently formidable, amounting to about a million or a little over 5 per cent of the whole. But in the eight years that have elapsed since, it probably amounts to be about two millions or over 9 per cent of the whole. An increase on this scale must have far-reaching consequences, especially in so agricultural a country as the Punjab, when it is accompanied by a sudden fall in price.<sup>5</sup>

9. Linguistically the Punjab falls into two halves—the eastern and the western; and broadly, the same may be said of its tenures. The east is the home of the peasant proprietor, and the west the stronghold of the landlord. In the east (except in Kangra), men live in villages and the ancient village community still survives; in the west, to a large extent, they live on wells, and the strongest ties, particularly northwards, are those of the tribe. The east as a whole is the richer of the two, for lying near the Himalayas most of it has a rainfall of 20 to 40 inches, and the soil is surprisingly fertile. On the other hand, much of the west

<sup>1</sup>Mr. Harkishen Lal considers that the one shilling and six penny rupee is a third cause of the depression.

<sup>2</sup>The following figures, taken from the *Report of the Controller of Currency 1929-30*, show the fall in the price of cereals and raw cotton in India:—

	BASIS 100 END OF JULY 1914.		
	March 1929.	September 1929.	March 1930.
Cereals .. ..	129	128	103
Raw cotton .. ..	161	146	107

<sup>3</sup>*Economist*, 15th February 1930.

<sup>4</sup>*Ibid.*, 26th April 1930.

<sup>5</sup>In March 1921 the population of the province (excluding the Punjab States) was found to be 20·68 millions. At the end of 1929, according to the Director of Public Health's estimate, it was 22·61 millions. The increase in 7½ years was, therefore, 1·93 millions.

considers itself fortunate if it gets ten inches in a year, and the districts bordering on Sind do not expect more than four or five. The west would be almost uninhabitable but for its rivers, in the broad shallow valleys of which wells can be sunk with comparative ease. But there are extensive uplands between, where wells can be sunk only at prohibitive cost. Forty years ago this tract, dividing the eastern half of the province from the western, was the home of a nomad population living a life not very different from that of the Bedouins of Arabia. In the desert Thal between the Jhelum and the Indus this life still continues. But further east five million acres have been colonised and brought under the plough, thanks to a system of canals which is without a rival in any country in the world.<sup>1</sup> Here the central areas of the two halves of the province meet, and landlord peasant, and nomad live in new-built villages side by side—the landlord is too often an absentee—in what is probably the most prosperous agricultural community in India.

10. The key to this prosperity is the size and compactness of the holdings and the security of the harvests. This point is developed at length elsewhere,<sup>2</sup> and all that need be said here is that in the canal colonies the ordinary peasant proprietor owns from 10 to 25 acres as against 5 to 15 in most other parts of the province.<sup>3</sup> In the latter case, too, holdings are often hopelessly fragmented. At first sight there might appear to be no connection between fragmentation and finance. But we shall see later that fragmentation is a serious obstacle to land improvement and agricultural development; and it is generally agreed that without agricultural development the small holder cannot reach and maintain a reasonable standard of living without being in a chronic state of debt. It is of happy augury, therefore, that a partial, if slow, solution of the problem has been found in co-operation, and that in the last eight years over 200,000 acres have been consolidated by special co-operative societies.

The cultivated area of the province approaches 30 million acres, and Mr. Calvert estimates that true agriculturists number  $3\frac{1}{4}$  million, and that over 80 per cent of them cultivate less than fifteen acres. As this area is the most that can be cultivated with one pair of oxen, he concludes that 'the Punjab cultivator is essentially the man with one plough.'<sup>4</sup>

11. Statement 28<sup>5</sup> shows that the price of cultivated land is more than four times what it was thirty years ago and is now (on the average of the three

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<sup>1</sup>*Pb. Pst.*, page 131.

<sup>2</sup>*Ibid.*, page 147 ff.

<sup>3</sup>In Lyallpur, in 1924, the average holding was 18 acres (*Pb. Pst.*, page 148).

<sup>4</sup>H. Calvert, *The Size and Distribution of Cultivators' Holdings in the Punjab* page 4 (*The Board of Economic Inquiry*).

<sup>5</sup>Page 377.

years ending 1928-29) about Rs. 390 an acre. The chief effect of this rise in value has been an enormous expansion of credit accompanied by a great increase in debt. We shall have something to say about this later.<sup>1</sup>

12. The average annual value of the agricultural produce of the Punjab for the three years ending 1928-29 is estimated by the Director of Land Records at 99 crores. Tea, tobacco, fruit, vegetables and chillies are not included, since figures for them are not readily available. Even if they were included, the resultant figure would not represent the total gross income of the land. A large sum would have to be added on account of stock-breeding—there are over fourteen million cattle in the province<sup>2</sup>—and such products as eggs, milk, butter and ghi; timber, fuel, and grass; and last, but not least, wool.

One final point may be noted. Throughout British India the district is the unit of administration, but it differs greatly in size and population from province to province. In the Punjab the average size of a district is 3,444 square miles, and in 1921 the average population was 713,277.

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<sup>1</sup>For a detailed discussion of land values in the Punjab see *The Wealth and Welfare of the Punjab*, Chapter VIII.

<sup>2</sup>Census 1930.

CHAPTER III.—EXISTING CREDIT AGENCIES.

13. In writing this chapter we are at a disadvantage, since the Imperial Bank of India and the People's Bank of Northern India are the only two larger banks in the Punjab which have given us any detailed information of their operations. By the terms of its agreement with Government the Imperial Bank was required to open 100 new branches within three years. Seventeen of these have been opened in the Punjab (the last in 1925), and there are now 18 branches in the province. Compared with the rest of India, the Punjab has nothing to complain of in this respect. With only 6½ per cent of the total population, it can claim 11 per cent of the Bank's 167 branches. Its superior position is most marked in comparison with its neighbour, the United Provinces; for with a population less than half as big, it is almost as well served :—

	Punjab.	United Provinces.
Branches .. .. .	18	24
Sub-Agencies .. .. .	1	37
Pay Offices .. .. .	8	8
Out-stations .. .. .	34	17
Population in 1921 (excluding States) in millions ..	20.68	45.38

The object of out-stations is to tap the possibilities of a new area. The main business done is the negotiation of advances against produce, and for this purpose a godown keeper is put in charge, but actual payment is made at the branch or pay office concerned. The godown keeper keeps in touch with the local dealers, and when they are sending their produce away and have demand drafts for sale, tries to get them to put the drafts through the parent branch. In this way an out-station may be a useful means of developing business. A pay office is in charge of a clerk, and cash is kept there and credit facilities given. Drafts, too, are issued and demand drafts bought, and, subject to certain restrictions, deposits are taken. A sub-agency is practically a branch, "but under the control of a neighbouring branch with a senior officer in charge."<sup>1</sup>

14. The most formidable of these rivals are the Indian Joint Stock Banks. The oldest of them is the Indian Joint Stock Bank. Punjab National Bank which was founded in 1895. They now number 18 and all but

<sup>1</sup> *Id.* p. 635.

one, the Central Bank of India, have their headquarters in the Punjab. Beyond that it has five branches; little can be said of the part played by the Central Bank of India in the province, for it has declined to give the Committee any information as to its operations. Of the remaining 17, eleven have a paid-up capital and reserve of at least one lakh, and at the end of last year they had deposits of nearly 12 crores. Their development during the last ten years is shown in Statement 3, from which we take the following figures :<sup>1</sup>—

	1919.	1929.
Number .. .. .	4	11
Paid-up capital (lakhs) .. .. .	22	91
Reserve (lakhs) .. .. .	18	43
Deposits (lakhs) .. .. .	326	1,182
Percentage of paid-up capital and reserve to deposits ..	12	11
Percentage of cash balances to deposits.. ..	18	11

These figures call for comment. The increase in deposits, due in part to the failure of the Alliance Bank of Simla in 1923, is all to the good. The fall in the ratio of cash balances to deposits is less satisfactory. Up to 1922 the percentage was 18 or more. It then fell to 11, and has never been higher than 13 since, and in the last four years it has twice been only 10. The significance of this will be apparent from what the eminent economist, Mr. J. M. Keynes, C.B., wrote about Indian Joint Stock Banks in 1914. Commenting on their figures for 1910, which showed that the paid-up capital and reserve of 16 banks were 14½ per cent of deposits, and cash balances 11 per cent, he wrote :—

“ These figures reveal, in my opinion, an exceedingly serious state of affairs.....Growing up in smooth times, they (the banks) have thought more of attracting deposits than of retaining cash reserves; and in 1910 we find sixteen banks with deposits of £17,000,000 and cash reserves of not quite 11 per cent. Even of these reserves the greater part is probably held by the older and more established of the banks belonging to this class. In the case of the smaller banks, dealing, as they are, with clients to whom banking is a new thing and in a country where hoarding is still dominant, the cash balances seem, from the available indications, to be hopelessly inadequate.”<sup>2</sup>

<sup>1</sup>Figures for the Alliance Bank of Simla have been excluded, as the Bank failed in 1923 and the comparison is much clearer without them.

<sup>2</sup>*Indian Currency and Finance* (2nd Edition), 1924, page 224.



These remarks have a special meaning for this province; for in the last 17 years, 1913 to 1929, 69 Indian Joint Stock Banks in the Punjab have failed, and 26 of these failures have taken place in the last decade. Moreover, the percentages given above compare unfavourably with those for the whole of India:—

	India.	Punjab.
Percentage of—	(1927) <sup>1</sup>	(1929).
(a) Paid-up capital and reserve to deposits .. .. .	19	11
(b) Cash balances to deposits .. .. .	13	11

Statement 3 also gives figures for ten English Joint Stock Banks, and shows that last December their cash balances were 17 per cent of their deposits. But in comparing Indian with English banks it is only fair to remember that the bulk of English deposits are at call or at very short notice, whereas the bulk of Indian deposits are at comparatively long notice. We understand, too, that the leading Punjab Banks keep a substantial part of their surplus funds in Government securities, against which the Imperial Bank allows them to draw up to fixed limits. Both these points should be borne in mind in judging the figures given above. At the same time, in the interest of joint stock banking in the Punjab, we think it necessary to call attention to four facts. Firstly, Indian Joint Stock Banks in this province do not maintain as high a proportion of cash balances as they do elsewhere. Secondly, the proportion is much lower than it was ten years ago. Thirdly, it is much less than the corresponding figure for the leading English banks. Finally, in the last 17 years far more banks have failed in the Punjab than in any other province. In our opinion, therefore, cash balances should be not less than 15 per cent of deposits.

To give some idea of the position and size of the largest of these 11 Punjab Banks, we give figures for the Punjab National Bank and the People's Bank of Northern India as they stood in 1929:—

	Punjab National Bank.	People's Bank of Northern India.
	Rs. (lakhs.)	Rs. (lakhs.)
(i) Paid-up capital .. .. .	31.23	36.72
(ii) Reserve .. .. .	15.75	2.57
(iii) Deposits .. .. .	635 <sup>2</sup>	284 <sup>3</sup>
(iv) Number of Branches and Sub-Branches—		
(a) in the Punjab .. .. .	26	31
(b) outside it .. .. .	14	28

<sup>1</sup>The latest year for which Indian figures are available.

<sup>2</sup>About 70 per cent are Punjab deposits. In May 1930 the percentage was 71.

<sup>3</sup>About 60 per cent are Punjab deposits. In June 1930 the percentage was 62.

It will be seen that last year these two banks held 78 per cent of the deposits mentioned above.

15. There are six banks with a paid-up capital of less than a lakh. Detailed figures of their development will be found in Statement 4. Their operations are very small and their total deposits amount to only four lakhs. One of them, however, the Bajwara Bank, Limited, deserves notice on account of its novel character. It represents the first attempt to start a commercial bank in one of the many townlets or *kasbas* of the Punjab. Bajwara is three miles from Hoshiarpur and has only 2,600 inhabitants. The bank was started there in 1927 with an authorised capital of Rs. 50,000, of which only Rs. 5,000 has been paid-up. Shares have a nominal value of Rs. 50 and a paid-up value of Rs. 12-8-0. Shareholders number 11, and five of them, all non-agriculturists, are directors. Deposits amount to Rs. 43,000, and Rs. 36,000 has been advanced mainly against house property and land, land being accepted only from non-agriculturists. Borrowers are drawn from all classes and include tenants and weavers. The 12 months' deposit rate is 6 per cent, and the lending rates vary from 7½ to 12 per cent.

16. Four Exchange Banks have opened nine branches in the Punjab, but as they declined to supply any detailed information, no description of their operations in the province is possible.

17. The number of indigenous bankers has greatly declined during the last twenty years, and if an indigenous bank is defined as an individual or firm receiving deposits or dealing in hundis, and doing this as its primary business—the sense in which the term is used throughout this report—there are now less than 100. They appear to be confined to 11 out of 29 districts,<sup>1</sup> and judging by a return of the Income-tax Department,<sup>2</sup> with a few exceptions their banking business is relatively small. The causes of this decline will be considered later.

18. The most important financing agency of the province is the money-lender. The money-lender's profits, says Mr. Calvert, "probably exceed those of all the cultivators put together. Beside him the professional class is inconsiderable; the industrial class is insignificant; even trade and commerce take second place."<sup>3</sup> One out of every four income-tax payers is a money-lender, and after agriculture money-lending is the most important industry in the province. It is impossible to say how much capital is invested in money-lending, but in 1928-29 the total amount employed in it by money-lenders assessed to income-tax was over 22 crores.<sup>4</sup> The magnitude of the rural money-lender's opera-

<sup>1</sup>See paragraph 187.

<sup>2</sup>See Statement 5 (Part II, p. 331.)

<sup>3</sup>*Op. Cit.*, page 130.

<sup>4</sup>Statements 5 and 6 (pp. 330-32).

tions is well indicated by total agricultural debt, which exceeds 100 crores.<sup>1</sup> In speaking of the rural money-lender we have in mind not only the ordinary money-lender or *sahukar* but also the agriculturist money-lender. In many districts the latter is becoming a very important element, and the latest inquiries suggest that, even excluding those who lend only on mortgage, there are about 19,000 in the province.<sup>2</sup>

19. On the 31st May 1930, there were 20,075 co-operative societies of all kinds in the Punjab, and on the 31st July 1929, the latest date for which detailed figures are available, the general position was as follows:—

<i>Societies.</i>	<i>Members.</i>	<i>Working Capital.</i> Rs. (lakhs).
19,462	641,427	16,05

Excluding sums lent by societies to each other and therefore counted twice over, the net working capital was about eleven crores.

For credit societies the figures are these :<sup>3</sup>—

—	Societies.	Members	Working Capital Rs. (lakhs).
Provincial Bank .. .. .	1	12,858	93
Central Banking Institutions .. ..	120	21,678	6,64
<i>Agricultural Credit Societies—</i>			
(a) With limited liability (i.e., mortgage banks) .. .. .	12	5,648	23
(b) Unlimited liability .. .. .	15,468	455,368	7,00
<i>Non-agricultural Credit Societies—</i>			
(a) With limited liability .. .. .	69	16,304	40
(b) Unlimited liability .. .. .	944	28,866	42

The Co-operative movement will be described at greater length in Chapter XI. Here only two facts need be noted. Firstly, the deposits of the whole movement in 1929 totalled 605 lakhs and exceeded the Punjab deposits of the Post Office Savings Bank and, to the best of our knowledge, of any bank working in the Punjab. Secondly, the

<sup>1</sup>See paragraph 22.

<sup>2</sup>Paragraph 210.

<sup>3</sup>The Provincial Bank figures are for February 1930, in other cases for July 1929.

500,000 members of primary credit societies have accumulated nearly 3½ crores,<sup>1</sup> thus :—

				Rs. (lakhs).
Shares	..	..	..	1,03
Reserve	..	..	..	1,45
Profits	..	..	..	32
Members' deposits	..	..	..	63
Total				3,43

It should be clear from what has been said that the Punjab is better equipped with banking facilities than many parts of India. Three quarters of the towns in India with a population of 10,000 and upwards have no commercial bank.<sup>2</sup> In the Punjab this is the case with only 19 out of 45. Thirteen towns or markets have a branch of the Imperial Bank and of a joint stock bank; 19 more have one or the other, and another 22 have a central co-operative bank or banking union. To compare the Punjab and the United Provinces once more, the Punjab has 91 branches of commercial banks and the United Provinces only 22.

20. As separate postal figures are not published for the Punjab it was necessary to obtain them by special inquiry. This was most kindly undertaken for us by the Postmaster General, Punjab, and North-West Frontier Province. The results are given in Statement 7. It will be seen that the number of post offices has increased from 2,475 in 1912-13 to 3,078 in 1927-28.<sup>4</sup> This again compares favourably with the 2,646 post offices in the United Provinces.

The two main functions of the Post Office with which we are concerned are the facilities provided for savings and remittance. Full advantage is taken of both, as Statement 8 shows. At the close of 1927-28 nearly 4 crores were in deposit with the Savings Bank, and a year later investments in Cash Certificates stood at nearly three crores. For remittance we may quote the following :—

Average annual value of—

				Rs. (lakhs).
(i) Money-orders—				
(a) issued	..	..	..	7,89
(b) paid	..	..	..	9,81
(ii) Insured articles booked	..	..	..	11,16
(iii) Value payable articles	..	..	..	1,44

<sup>1</sup>Annual Report of Co-operative Societies, 1928-29.

<sup>2</sup>Economist, 12th April 1930.

<sup>3</sup>In the Punjab the Postal Department gives no credit facilities.

<sup>4</sup>The area concerned is the Punjab and all Punjab States except Patiala, Nabha, Jind, Bahawalpur and Chamba.

These figures show what a great volume of remittance business is done by the Postal Department in the Punjab.

21. Government finances agriculture under two Acts--the Land Improvement Loans Act (XIX of 1883), and the Agricultural Loans Act (XII of 1884), and industry to a small extent under the Industrial Loans Act (of 1923), Compared with other agencies its operations, though useful, are not of much importance. Thus, in the five years ending 1928 it advanced only eighty lakhs under the two Agricultural Acts as against nine crores advanced by Co-operative Societies.

CHAPTER IV.—AGRICULTURAL INDEBTEDNESS AND  
RURAL CREDIT.

22. The agricultural debt of the Punjab in 1921 was estimated at 90 crores, 75 of which were considered to be due from the proprietors.<sup>1</sup> The chief basis of this calculation was the usufructuary mortgage debt of the province, which in 1921 was ascertained to be 36½ crores. By 1926-29 it had apparently risen to 63 crores. If we apply the same method of calculation as before, we get a total debt of 148 crores. But for reasons which are given in Note A, in which the material available for forming an estimate is analysed, we estimate it at 135 crores. This is admittedly only an estimate, for, though usufructuary mortgage debt can be fairly accurately calculated, this cannot be done with other forms of secured debt, still less with unsecured debt. These can only be roughly calculated on the basis of the very limited number of figures available.

Our estimate of 135 crores shows an increase of 50 per cent upon the estimate of 1921. The causes of this will be discussed presently. Here we will only compare the two estimates in terms of land revenue, cultivation, etc. :—

	1921.	1929.
	Rs.	Rs.
Debt's multiple of land revenue ..	19	27
Debt per—		
(a) cultivated acre <sup>2</sup> .. ..	31	45
(b) head of those supported by agriculture <sup>3</sup> .. ..	76	104

In 1921 the conclusion was reached that debt was less than a year's income of those who were dependent on agriculture, mainly because for the three years ending 1922-23 the average annual gross value of the agricultural produce of the province [excluding straw (bhoosa), tea, fruit, vegetables and chillies] was estimated at 128 crores.<sup>4</sup> On the same basis we must conclude that debt now exceeds a year's income,

<sup>1</sup>*Pb. Pst.*, pp. 10, 16.

<sup>2</sup>In 1929 land revenue was 4·95 crores and cultivated area 29·73 million acres.

<sup>3</sup>In 1921, the number was 11,864,689. Nine per cent. has been added for 1929 as the population of the province is estimated to have increased by this amount during this period. The figure taken therefore is 12,932,511.

<sup>4</sup>*Pb. Pst.* p. 16.

since for the three years ending 1928-29 the average annual value of agricultural produce calculated as above, but including straw, is estimated at 99 crores.<sup>1</sup> Had straw been included in the earlier estimate, the average would have been 140 crores. There is thus a difference of 41 crores between the two periods. The difference is mainly the result of a heavy fall in prices; and it is this fall which makes the increase in debt a particularly serious phenomenon.

23. The question of distribution is so fully dealt with elsewhere\* that only two points need be added here.  
**Distribution of Debt.** The first is that in 1921 mortgage debt stood higher in Ferozepore than in any other district. This "bad eminence" it still maintains, and in the last ten years it has added 880 lakhs to its mortgage debt. The second point is that mortgage debt is rapidly increasing in Lyallpur, which ten years ago had very little mortgage debt at all. For the five years ending 1929 the increase (118 lakhs) has been greater in volume than in any other district except Ferozepore<sup>2</sup> and Amritsar (157 lakhs). The other districts in which the increase exceeds a crore are Lahore (112), Hoshiarpur (107), Ludhiana (106) and Gurdaspur (105).

24. The method adopted is that followed in Chapter I of *The Punjab Peasant*, subject to one modification.  
**Method of Estimating Volume.** In *The Punjab Peasant* proprietors' mortgage debt was assumed to be 45 per cent. of their total debt. For reasons given in Note A we have assumed it to be 50 per cent.

25. The causes of debt in the Punjab have been analysed at length in *The Punjab Peasant*, and we have nothing to add on the subject. In that book they are summed up as follows :—

"There are four main reasons why the peasant proprietor is obliged to borrow :—

The small size of his holding and the way it is split up, conditions which make it almost impossible for him to live without getting into debt, unless he is exceptionally frugal and industrious, or has some extraneous source of income.

His constantly recurring losses of cattle from drought and disease.

His ingrained improvidence, the effects of which are greatly aggravated by insecurity of crop.

His extravagant expenditure upon marriage and other domestic ceremonies.

<sup>1</sup>Figures kindly supplied by the Director of Land Records.

<sup>2</sup>*Pb. Pst.*, p. 254.

<sup>3</sup>In the Ferozepore inquiry referred to in paragraph 28 (note) it was found that the average mortgage debt of the 4,994 agriculturists in the Kot Kapura Utar Assessment Circle was Rs. 610 (p. 24).

In addition, there are two causes that make borrowings easy, namely :—

The money-lender and his vicious system of business.

The great expansion of credit due to high prices and the inflated value of land.

The first four causes explain why the peasant proprietor must borrow, the last two how he can borrow ; and it is the combination of "must" and "can" that explains the great increase of debt in the last fifty years. Or, expressing it differently, we may say that the first four causes explain the existence of debt, the money-lender and his system its continuance, and the expansion of credit its volume."<sup>1</sup>

26. One point must be discussed in some detail. In eight years debt appears to have increased by 50 per cent. That debt should increase was to be expected, for ever since the eighties mortgage debt has been increasing. This is clear from the following figures, which are taken from Statement 9 :—

	Net increase in usufructuary mortgage debt (i.e., mortgage money, advanced less, mortgage money, discharged).	Rural population (year to which it relates in brackets).
For the ten years ending—	Crores.	Millions.
1899 .. .. .	9.95	18.00 (1901)
1909 .. .. .	5.06	17.8 (1911)
1919 .. .. .	10.42	18.5 (1921)
1929 .. .. .	28.75	20.12 (1929)

It will be seen that, though for forty years mortgage debt has been increasing, the rate of increase has been most irregular. It was lowest in the second of the four decades—no doubt because of the passing of the Land Alienation Act in 1900<sup>2</sup>—and highest in the fourth. In the last decade, indeed, the increase was greater than in the other three put together. The increase, however, is not quite so serious as it looks. The rupee in the twenties was much less valuable than in the nineties. Note B,<sup>3</sup> which has most kindly been prepared by Professor Brij Narain, M.A., of the Sanatan Dharm College, shows that,

<sup>1</sup>P. 253.

<sup>2</sup>*Of. Pb. Pst.*, p. 241.

<sup>3</sup>P. 166.



measured in the terms of five staple crops, the purchasing power of Rs. 246 in the five years ending 1929 was no greater than the purchasing power of Rs. 100 in the five years ending 1894. For the 1924 quinquennium the corresponding figure would be Rs. 251. Broadly, therefore, we may say that in the last of the four decades the value of the rupee was only two-fifths of its value in the first; in other words, the increase of 28½ crores is equivalent to an increase of only 11½ crores in the first period. This is serious enough, for the increase in the first period roused grave apprehensions and was a factor in the passing of the Land Alienation Act. The increase is also much greater than the increase in the previous decade; and, most serious of all, wholesale prices in India have fallen about 20 per cent since 1925.<sup>1</sup> We must, therefore, briefly consider the causes of this increase.

27. As it was not possible in the short time at our disposal to make any statistical inquiry that would have

*Causes of Increase.*

been of value, we contented ourselves with asking all Assistant Registrars of Co-operative Societies to make such inquiries as they could on the subject, and to report the results. We have also considered the opinions expressed last year by Commissioners and Deputy Commissioners in reply to an inquiry made by Government as to the causes of the increase in mortgage debt.<sup>2</sup> All Assistant Registrars agree that an important cause has been the fact that a sudden rise in the general standard of living has been followed by a fall in the price of agricultural produce and by a number of poor harvests. There is no doubt that the standard of living rose considerably after the war,<sup>3</sup> and that in recent years prices have fallen. It is also the case that in 1927-29 harvests were below normal: the figures for wheat given in paragraph 91 are a good example of the effect of this. That the three factors are closely connected is the view taken in a recent book,<sup>4</sup> and we think that, in conjunction with another factor, they explain most of the increase.<sup>5</sup>

28. The factor is the great expansion of credit, due on the one hand to the rise in the value of land, and on

*Expansion of Credit.*

the other to the growing importance of the agriculturist money-lender. According to one writer, the expansion of credit is "the key to the problem,"<sup>6</sup> and Mr. Calvert has said much the same. "The assumption, frequently made, that debt is due to

<sup>1</sup>If 1914 is taken as the basic year, wholesale prices in India in 1925 were 159 and in December 1929 they were 134 (*Economist*, 29th March 1930). They have fallen several points since. As compared with the average of the three years 1918-19 to 1920-21, the fall in prices in the Punjab, measured in wheat, barley, jowar, bajra and gram, was 31 per cent in 1927-28 (See Note B).

<sup>2</sup>The gist of their replies is given in Note I (p. 235).

<sup>3</sup>See Chapter VIII of *Pb. Pst.* and Chapter XIII of *Rusticus Loquitur* by the same author (this book will be referred to in future as *R. L.*).

<sup>4</sup>*Pb. Pst.*, p. 246.

<sup>5</sup>*Cf.* "The prosperity brought about by the canal has resulted in a wasteful raising up of the standard of living in all directions—in dress, conveyance, food and litigation" (*Christ Assessment Report*, 1925, p. 17. The same passage occurs in the *Jhang Assessment Report*, 1925, p. 21). *Cf.* also *Ev.*, ii, 970-71.

<sup>6</sup>*Pb. Pst.*, p. 240.

poverty cannot," he wrote in 1922, "be entertained. Debt is due to credit, and credit depends upon prosperity, and not poverty. Without someone to lend there can be no borrowers, and without the wherewithal to lend there can be no borrowing."<sup>1</sup> If, as we estimate, debt in the last eight years has increased by 45 crores, the available resources of the province must also have increased by a large sum. In Chapter II we have shown that this is the case,<sup>2</sup> and it probably explains why in the last ten years the price of land has doubled.<sup>3</sup> This alone is an indication that there are large sums seeking investment. There are signs that much of this new wealth is in the hands of the agriculturist;<sup>4</sup> and, as money-lending is one of the few forms of investment open to a villager, the number of agriculturist money-lenders has increased. This we hope to show presently, and also that he probably advances a higher proportion of value in the case of a mortgage than the ordinary money-lender, since, unlike the latter, his powers of foreclosure are not restricted by the Land Alienation Act. With more money available and money-lenders multiplying and with the value of land rapidly increasing, on the principles laid down in Chapter X of *The Wealth and Welfare of the Punjab* and in Chapter XII of *The Punjab Peasant*, a large increase in debt was to be expected, and the expectation has proved correct.<sup>5</sup>

29. Two more factors must also be mentioned : the high rates of interest and the increase in population. In good years, or in years of high prices, high interest rates can perhaps be paid, but in seasons of poor harvests, and low prices, it is to a large extent impossible and much compound interest is automatically added to principal. Over twenty years ago the Imperial Gazetteer pointed out the danger of excessively wide credit being combined with excessively dear money.<sup>6</sup> In the last five years the Punjab has probably suffered from this to an unusual degree. As to population, it is estimated that there has been an increase of 9 per cent in less than eight years as against an anticipated increase of 5½ per cent for the present census decade.<sup>7</sup> Had production increased correspondingly, this would not have mattered.

<sup>1</sup>*Op cit.*, p. 132.

<sup>2</sup>Paragraph 6.

<sup>3</sup>Statement 28 (p. 377).

<sup>4</sup>See paragraphs 212 and 221. *Cf.* "as far as can be ascertained; the major portion of the money loaned out has been derived from agriculturists out of savings from agriculture. The figures already given for extension of cultivation and of canal irrigation will serve to explain how this has been made possible. The basic cause for so much mortgaging would appear to be money seeking an outlet, rather than the poverty of the mortgagors. . . . The truth is that every zemindar with a little spare cash is ready to take a mortgage" (*An inquiry into mortgages of agricultural land in the Kot Kapura Assessment Circle of the Ferozepore District*, 1925, p. VII, published by the Board of Economic Enquiry, Punjab).

<sup>5</sup>The Ferozepore report just referred to states (p. 24) that "the senseless proprietor is responsible for nearly half the mortgages;" which suggests that in that district extravagance is an important cause of debt; *cf. P. B. Pst.*, pp. 51 and 256.

<sup>6</sup>See passage quoted by Calvert, *op. cit.*, p. 128 (note).

<sup>7</sup>See Statement 9, table II (p. 335) and Census of India, 1921, Volume XV.

but the annual production of wheat in the five years ending 1928-29 averaged 142,000 tons less than in the five years ending 1920-21,<sup>1</sup> and, as we have seen, the annual gross value of the agricultural produce of the province declined from 140 crores in the three years ending 1922-23 to 99 crores in the three years ending 1928-29. It is significant that the increase in mortgage debt was much greater in the last half of the last decade than in the first half, being 18 crores in the one and only 10½ in the other.

29 (a). In one respect the recent increase in mortgage debt must be discounted. A quotation will explain what is meant. "The cultivator is loath to mortgage his land, fearing always that it may be the first step towards sale. A mortgage, too, entails publicity, and publicity may damage his *izzat*, which may be an important factor in marrying his children. He has, therefore, always been anxious to throw the *purdah* over his debts, a characteristic that proved at first a serious obstacle to the spread of co-operative credit in India. Now, however, the peasant is beginning to realize that it is better business to borrow on a mortgage at 9 or 12 per cent, even though the fact may be known, than to pay twice this amount for the doubtful advantage of keeping his land unencumbered and his debt concealed."<sup>2</sup> Several reliable witnesses informed us that this tendency was increasing in some of the more advanced districts such as Jullundur and Hoshiarpur,<sup>3</sup> and it is probable that unsecured debt has not increased in the same ratio as secured, a factor that we have taken into consideration in framing our estimate of total debt.

30. One other point must also be remembered. In the last ten years over 27,000 masonry wells have been sunk at a cost of nearly three crores,<sup>4</sup> and in the last four years 750,000 acres of virgin land have been brought under cultivation by Punjabis in the Punjab and in the neighbouring States of Bikaner and Bahawalpur.<sup>5</sup> The Colonization Officer of the Nili Bar calculates that about Rs. 1,000 of capital are required to bring 25 acres under cultivation.<sup>6</sup> On this basis three crores would have been required for 750,000 acres. So large a sum could not be raised without considerable borrowing, and the same applies to the two crores required for the wells. To this extent the increase in debt is productive. The same may also be said of the sums borrowed by emigrants to finance their way abroad, where much can be earned and saved. In 1928 about 4,000 emigrated from Jullundur and Hoshiarpur alone, and most of them probably mortgaged their lands before they went.<sup>7</sup>

<sup>1</sup>See paragraph 91.

<sup>2</sup>*Pb. Pat.*, p. 8. Cf. also *Ev. i.* 454.

<sup>3</sup>*Ev. ii.* 876.

<sup>4</sup>Paragraph 57.

<sup>5</sup>Statement 10 (p. 339).

<sup>6</sup>*Ev. i.* 151.

<sup>7</sup>*R. L.*, pp. 178 and 362.

Finally, there are the large amounts borrowed to buy land in the new canal colonies, but, as we shall show later,<sup>1</sup> this is a more doubtful purpose.

31. It must not be supposed that there is anything peculiar to the Punjab in this increase of debt. Many areas in Burma present the same feature, and debt "shows the usual tendency to vary with the credit of the cultivator, including the price of his land."<sup>2</sup> In Europe we may cite the case of two such different countries as Germany and Poland. In Germany, from the end of the war to the autumn of 1927, agriculture incurred a new debt of over £350 million,<sup>3</sup> and in the eastern provinces a heavy fall in the price of rye has produced an agricultural crisis which "has become so catastrophic that thousands of farmers must become bankrupt if they are not helped by the State."<sup>4</sup> In Poland, as long as prices were high, the farmer could make both ends meet, though only with difficulty. But, since they fell, it has become impossible for him to pay his debt, and "bankruptcy is inevitable."<sup>5</sup>

32. The cultivator borrows from four main sources:—

- (1) the ordinary money-lender;
- (2) the agriculturist;
- (3) Co-operative Societies;
- (4) Government;

Of these four sources the first is still much the most important. The agriculturist money-lender is also of great importance, since about three-quarters of the total mortgage debt of the province is probably held by him. So far as unsecured debt is concerned, he is probably less important than co-operative societies, which now lend out about 2½ crores a year. Government loans are far the least in volume, but of great value in times of emergency, and useful, too, for sinking wells. A further source of loans, and one in very general use, is the relative or friend with spare cash. For short periods and in small amounts such loans are often free of interest.

33. The only credit agency that includes amongst its declared objects the repayment of old debt is the co-operative mortgage bank, which is described below.<sup>6</sup> But so far less than 15 lakhs have been advanced by them. Here and there, as described in Note C<sup>7</sup> the ordinary primary credit society has made special advances, but efforts have been sporadic and usually insufficiently controlled. Most, therefore, have failed of their purpose. But, though there has been

<sup>1</sup>Paragraph 73.

<sup>2</sup>*Report of the Committee on Co-operation in Burma, 1929, p. 10.*

<sup>3</sup>Horace Plunkett Foundation, *Year Book of Agricultural Co-operation, 1930,* p. 377.

<sup>4</sup>*Economist, 29th March 1930.*

<sup>5</sup>*Ibid. 15th February 1930.*

<sup>6</sup>Paragraph 61.

<sup>7</sup>P. 173.

little concerted effort, every year large sums are advanced in the ordinary course of business for the repayment of debt. The figures in paragraph 158 show that last year about 50 lakhs were lent in this way ; and that this has an effect upon debt is suggested by the experience of 2,748 societies, which have completed ten years. When they reached this point, a large number of members was found to be free of debt. For all 2,748 societies the average was 43 per cent<sup>1</sup> as against probably less than 20 per cent for the province as a whole.<sup>2</sup>

Something then has been done to relieve the burden of debt, and perhaps it was all that was possible as long as the peasant was ignorant of the use of money and unaware of its dangers. The majority are doubtless still in this case, but our many discussions with representative land-owners and co-operators left us in no doubt that amongst the cultivators of the province there are many now who have some elementary idea of the use and abuse of credit. For such we think that special facilities should be provided to enable them to discharge their existing liabilities on easy terms. At present, like large boulders on a hill road, old debt and high rates of interest block the path of advance that many of these men would gladly tread, and the high rates of interest are yearly adding to the debt. On the other hand, our evidence leads us to believe that in many areas the money-lender is finding recovery increasingly difficult and is more disposed than ever before to compound his claims. It is thought that he would agree to substantial reductions if he were given an assurance that the amount finally settled would be repaid by a fixed date without further effort on his part ; and it is suggested that the best way of giving him this assurance would be to allow him to transfer his debt, or such part of it as could not be paid at once, to the society as a deposit which would be repayable *pari passu* with the instalments fixed for the debtor, subject to a maximum period of, say, ten years. We are attracted by the suggestion, but at the same time we cannot overlook certain important considerations. The maximum period of loan in the ordinary credit society is three years. This is because the basis of all loans is personal security reinforced by sureties and the unlimited liability of all the members. At present sureties and members willingly undertake their respective obligations, because the period of loan is short enough to enable them to measure and control their extent. With a much longer period the position would be different, and mortgage security would be necessary. But there are objections to village societies dealing in this form of security, and in the Punjab these objections have always been regarded as so weighty that mortgages are rarely taken.<sup>3</sup>

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<sup>1</sup>See *Co-operative Societies Report*, 1928, p. 21.

<sup>2</sup>*Pb. Pst.*, p. 5.

<sup>3</sup>They are only taken in isolated cases as collateral security for insecure or special loans. Cf. "We, therefore, recommend that the village society should confine itself to personal sureties for all loans and should protect itself by limiting the loans to amounts and for periods for which this security is suitable" (*Report of the Committee on Co-operation in Burma*, 1928-29, paragraph 28).

34. It is clear, therefore, that there are serious difficulties in the way of a systematic clearance of debt through the agency of primary credit societies. **Facilities and Safeguards.** At the same time we cannot forget the remark made by the Linlithgow Commission in their report that "the worst policy towards debt is to ignore it and do nothing."<sup>1</sup> We, therefore, recommend that the Registrar should consider the possibility of further experiments, but on more cautious lines than those followed in the past. The safeguards we suggest are these:—

- (a) The experiments should be made in districts where the principles of co-operation are well understood, and where there are possibilities of land improvement when debt is cleared.
- (b) They should be confined to Class A and B societies<sup>2</sup> and to members in those societies who have shown over a number of years that they are good dealers.
- (c) Ordinarily no loan over and above a member's ordinary maximum credit limit should be given unless he gives proof of his determination to get out of debt by paying a substantial part of it in kind or in cash.<sup>3</sup>
- (d) A separate account should be kept of all the advances made and deposits received as the result of these transactions.
- (e) The period of loan should not exceed five years, and should at the same time be long enough to enable the member to repay it without serious difficulty. But no loan should be advanced unless there is sufficient reason to believe that it can be repaid from earnings within five years.
- (f) Experiments should not be made where there is a mortgage bank, for we consider a mortgage bank much better fitted than a village society to make advances of this kind.

35. The indigenous banker plays no material part in the financing of agriculture, and the part played by commercial banks is almost equally negligible. **Part played by Commercial Banks, etc., in financing Agriculture.** A small proportion of the Imperial Bank's advances against ornaments goes to agriculturists, and a little business is done by an important English bank at Rawalpindi. Amongst the smaller banks, the Lyallpur Colony Bank (working capital €½ lakhs)

<sup>1</sup>Report of the Royal Commission on Agriculture in India, 1928, p. 441. (In future this report will be referred to as "Linlithgow Commission)."

<sup>2</sup>For the classification of credit societies see paragraph 149.

<sup>3</sup>Cf. "Where a sum is required to transfer to the society a debt bearing a usurious rate of interest, the borrower should be made to show the sincerity of his desire to get rid of debt by selling any superfluous property, jewels, buffalo, cart or boat which he can dispense with. It is rarely advisable to redeem old debt unless the debtor makes a substantial contribution" (Burma Report, *op. cit.*, paragraph 24).

does 50 per cent of its business with agriculturists,<sup>1</sup> and the Bajwara Bank also appears to be experimenting in this direction.<sup>2</sup> But we heard of no other cases of this. Two difficulties stand in the way: the small holder's business is too small for a commercial bank to handle; and the large holder's too dangerous, for the Land Alienation Act makes his land a security of very limited value to a bank of this type. The first difficulty is unavoidable, but the second might conceivably be mitigated by restricting the application of the Land Alienation Act or modifying its procedure in such a way as to allow commercial banks, with suitable safeguards, to advance to agriculturists for land improvement or the liquidation of their debts.

56. In the western Punjab, where he is a dominating element, the landlord plays an important part in agricultural finance. This is clear from the reports of the Assistant Registrars, which are summarized in Note C.<sup>3</sup> In greater or less degree, they finance their tenants, generally at better rates than would be got from the money-lender, and sometimes without charging them at all. Much depends upon whether tenants are in demand or not. They are particularly well treated in Shahpur, because the development of the Shahpur colony has put them in great request. On the other hand, in Muzaffargarh and Dera Ghazi Khan, where the peasant is still ruled by custom and is often *adscriptus glebe* to such an extent that he regards a twenty-mile change of residence as equivalent to exile, the landlord can do very much as he pleases; and he is so often in debt that he is not in a position to render financial assistance to his tenants. In a lesser degree this applies also to Jhang. But, on the whole, whatever his position in other respects, so far as borrowing goes the tenant would seem to have some advantage over the small proprietor; and part of this advantage lies in the fact that his power of borrowing is restricted by his comparative lack of credit. In the inquiry made ten years ago it was found, for instance, that the tenant at will was much less in debt than the owner.<sup>4</sup> But a tenant on a bad estate—and there are unfortunately many such—is much worse off than a proprietor, for he will have to pay at least 25 per cent for his money, and probably 37½.<sup>5</sup> A curious feature brought to light by the present inquiry is that here and there—for example, in Lyallpur and Ferozepore—tenants advance to their landlords. The practice, however, appears to be very uncommon. A few details are given in Note C.<sup>6</sup>

<sup>1</sup>Ev. ii. 659.

<sup>2</sup>Paragraph 15.

<sup>3</sup>P. 182.

<sup>4</sup>Ph. Pd., p. 14.

<sup>5</sup>For a fuller discussion of the relations between landlord and tenant in the Punjab, see *E. L.* (index under landlord).

<sup>6</sup>P. 182-83.

## CHAPTER V.—CREDIT FACILITIES.

37. Two questions have to be considered—has the cultivator sufficient credit facilities in normal times, and has he sufficient in times of scarcity? All Assistant Registrars were asked to report on the first, and, to enable us to answer the second, seven kindly made-detailed inquiries in villages which had recently suffered from flood or drought. There was no difficulty in finding the villages, for last hot weather exceptionally heavy floods swept down the Indus, Jhelum and Chenab, devastating the countryside, and in the southern Punjab a large area is in the grip of prolonged drought verging on famine. Inquiries were made in 35 flood-stricken villages and in 21 affected by drought. The results are given in Note C<sup>1</sup> and show that with comparatively few exceptions the cultivator is able to carry on his work, though often only with great difficulty. Flood naturally produces the most violent, and drought the most prolonged, strain; but in neither case are many forced to give up cultivation and take to other forms of work. At the same time many find their credit exhausted, or that they are able to borrow only at very high rates of interest or by pledging jewellery and cattle. At such times high rates of interest are inevitable, for, even if the money-lender resists the temptation to exploit the need of the hour, he sees clearly enough that in many cases the security offered him is almost worthless and that some losses are inevitable. Villages have their proletariat as well as towns, and in such poor districts as Muzaffargarh and Dera Ghazi Khan, where most holdings are tiny, the village proletariat forms the majority and constitutes a problem of extreme difficulty.<sup>2</sup>

38. As to the question whether in normal times credit facilities are sufficient, from what has just been said it might be supposed that the answer must be in the affirmative. So far as basic needs are concerned, this is so. But in this case by sufficient credit facilities we mean sufficient not merely for the bare needs of ordinary cultivation, but for the full needs of good cultivation. For the former facilities appear to be sufficient, though a high price has often to be paid for them. But for those who have the desire and the capacity to develop their land they are both dear and inadequate. This point we discuss in the next chapter, and we shall see there that it is only a small, though growing, minority who think of development. For the large mass of cultivators, whose only thought is to cultivate as their fathers did, we think that, though in a particular area money may from time to time be tight and difficult to get at reasonable rates, the cultivator on the whole gets as much as

<sup>1</sup>P. 170.

<sup>2</sup>See *Pb. Pst.*, ch. VI and *R. L.*, ch. X.



is good for him to have. Very few Assistant Registrars suggest the contrary, and we were struck by the number of zemindars we met on tour who, when asked whether it would be to their advantage as a community to be able to borrow more freely, replied emphatically in the negative.<sup>1</sup> It is true that we got a different reply from the zemindars of Jullundur, but for this there was good reason: thanks largely to co-operation—in this respect Jullundur is the most advanced area in the Punjab—the use of money is better understood in this district than in any other. The zemindars' reply shows such grasp of the problem that it deserves to be quoted. "Compared with years ago," they said, "agriculturists have reformed themselves considerably. Formerly they used to spend more on drink and dancing at weddings; now they don't do that. Another factor is litigation, which has also decreased. The reasons for their reformation are, the co-operative societies have taught the public thrift; extravagance has taught a lesson to many; the accumulation of capital by other classes has led people to accumulate money themselves; and last, but not least, is education."<sup>2</sup>

39. The dangers of easy credit are beginning to be appreciated by the more intelligent land-owners, and there is a general feeling amongst competent judges that, with the exception of thrifty tribes like the Arains of Jullundur, the Sainis of Hoshiarpur, and the Ahirs of Rewari, few cultivators understand the use of money sufficiently for much more to be placed at their disposal without the most careful control and teaching. Teaching on this point is the cultivator's cardinal need; and this should not be forgotten when our proposals in regard to co-operation are considered, for we can think of no better way of giving this teaching than through a village credit society. The existence of 16,000 of these societies is beginning to tell, and, in alliance with the spread of education, is slowly diffusing both experience and knowledge; which, moreover, are not confined to co-operators, for others see what the true co-operator achieves and profit by the example.<sup>3</sup> As the zemindars we met at Montgomery said, what the peasant requires is "education to know the right use of money rather than more finance."<sup>4</sup> The thrifty tribes acquire this knowledge from experience, and it is possible that for them a freer supply of capital might be an advantage. But their example shows that, in farming, labour and skill are more important than capital, and that, when they are present, capital begins to accumulate on the smallest holdings;<sup>5</sup> but where they are absent, no amount of capital can take their place.

<sup>1</sup>See, for instance, *Ev.* pp. 525, 881, 888, and 899: *cf.* also pp. 291-92.

<sup>2</sup>*Ev.* ii. 876.

<sup>3</sup>*Ev.* i. 318.

<sup>4</sup>*Ev.* ii. 899.

<sup>5</sup>The holdings of the Arains of Jullundur and the Sainis of Hoshiarpur are usually very small.

Existing Facilities. 40. These have been described in paragraph 32.

Part played by Banks, etc. 41. This has been described in paragraph 35.

42. As already stated,<sup>1</sup> Government advances are made under two Acts. In this chapter we are concerned only with the Agriculturists' Loans Act of 1884, under which short-term loans are made for seed, bullocks, etc. The part played by Government in this respect is insignificant. In the five years ending 1928 it advanced only 55 lakhs as against 895 advanced by agricultural co-operative credit societies (unlimited).<sup>2</sup> The working of the Act is fully discussed in the report of the Lulichgow Commission, and, subject to what follows, we are in entire agreement with what is said in it. The report states that "the operation of the Act is not confined to occasions of distress, but there is considerable evidence in favour of the adoption of this course in practice."<sup>3</sup> At the same time it expressed no definite opinion whether this was the best course. Our own view is that it would be wise to confine the Act to times of emergency and stress. We are led to this conclusion by three considerations. Firstly, the figures just given show that, if Government wished to play any considerable part in the normal finance of agriculture, it would have greatly to increase its advances. Secondly, Statement 12<sup>4</sup> shows that advances are being made at a loss, for the net return on them is less than the cost of the money. The system, therefore, is not capable of indefinite expansion unless the rate of interest were substantially raised, in which case it would lose its only attraction. Thirdly, though the nominal rate of interest is only 6½ per cent, owing to the variety of expenses incurred in obtaining a loan and to the petty exactions charged by the subordinate revenue staff, the effective rate is much higher. From careful inquiries made throughout the province we have little doubt that the latter is at least 3 or 4 per cent above the Government rate.<sup>5</sup> The only way of obviating the petty exactions is for advances to be made under the close personal supervision of an officer of the Indian or Provincial Civil Service. This would be difficult to arrange if taccavi became a part of normal finance, but should not be impossible if it is confined to times of emergency. Finally, taccavi is liable to be misused, and in one district recently this is said to have been done by 33 per cent of those who received advances. Some repaid their old debts, and some even purchased clothes.<sup>6</sup> With an uneducated peasantry it is essential that credit should be closely controlled, and with a Government agency this is impossible.

<sup>1</sup>Paragraph 21.

<sup>2</sup>Statement 11, table IV (p. 342).

<sup>3</sup>*Op. cit.*, p. 430.

<sup>4</sup>P. 347.

<sup>5</sup>See Note C (p. 183), also *Ev.*, pp. 353, 359, 699, 883 and 972.

<sup>6</sup>*Ev.* i. 484 and 439.

43. Nearly all our evidence points to the unpopularity of taccavi as a system of finance. Objection is taken not only to the petty exactions to which we have just referred, but also to the delay that often occurs in obtaining loans, and still more to the necessity of having to repay on a fixed date. The easy-going methods of the money-lender and the great insecurity of the harvest, now happily mitigated by the canal system, have accustomed the cultivator to such happy-go-lucky methods of finance that he views any system involving punctual repayment with instinctive repugnance. There is ample evidence of this in the village survey reports, and from one of them, relating to a village in Multan, we may quote the following :—

“ Government demands cannot be postponed, and non-payment results in the issue of warrants of distress and arrest, and release is only possible by the mortgage or sale of one's lands or cattle. Under the circumstances the cultivators prefer dealing with a money-lender, whose payments they can evade by a slight pretext or postpone by a little importunity. They are tactful enough to keep him in humour by giving him an armful of fodder at the time of his visit, and the money-lender too does not like dragging them to court as long as they are not thoroughly bad debtors.”<sup>1</sup>

44. If we are compelled to criticise the working of the Agriculturists' Loans Act, it is only right to add that the possibility of removing its defects has been the subject of anxious consideration to Government during the last three years. Special inquiries have been made, including one by a Commissioner deputed for the purpose, and we are satisfied that all that is possible is being done. But as most of the disadvantages we have mentioned appear to be inherent in the system, we think that the Act should be restricted to times or cases of emergency and stress. And to mitigate the evil of petty exactions, we recommend further that, so far as possible, all advances should be made under the close personal supervision of an officer of the Indian or Provincial Civil Service.

45. We make the first recommendation with the more confidence, since it is becoming increasingly clear that much the best agency for financing the cultivator is the co-operative credit society. This point we shall develop later. Here we will only consider whether taccavi should be made through co-operative societies. The question can be very briefly dealt with, for it has been most carefully examined in the past : first of all by the Maclagan Committee on Co-operation, then by Local Governments and the Government of India, and finally

<sup>1</sup>R. L. Bhal's "An Economic Survey of Bairampur" (Hoshiarpur District), 1922, p. 95, corroborates this.

by the Secretary of State. In 1919 the Secretary of State ruled that loans might be made experimentally to co-operative societies and that, except in the case of new societies with limited resources, they should be confined to times of agricultural scarcity and stress, since there was a danger that the grant of financial help by the State on a large scale might undermine the societies' co-operative character. Sharing this fear and convinced that in co-operation the principle of self-help should be most jealously guarded, and that, therefore, co-operative societies should look to each other, rather than to Government, for assistance, we would add (a) that no loans should be made to co-operative societies as long as sufficient funds are available within the movement, (b) that no loans should be made by the revenue staff to co-operators without the knowledge and consent of their society, and (c) that this consent should not be given if co-operative funds are available. The first of these principles would appear to be already followed, for in the last five years no advance has been made through co-operative societies.

46. The possibilities of self-help are well exemplified by an experiment made last year when exceptionally heavy floods in the Chenab, the Jhelum and the Indus caused sudden and acute distress over a large area. Co-operative societies, without any help from Government, came to the assistance of their members with emergency loans at 7 per cent instead of the usual  $12\frac{1}{2}$  per cent. Altogether 5.67 lakhs were advanced to 8,679 members in eight districts. Funds were provided by the provincial co-operative bank at 6 per cent and passed on to primary societies by central banks at  $6\frac{1}{2}$  per cent. The margin of half per cent was not intended to do more than cover bare expenses. The measures taken are described at length in Note D<sup>1</sup> and suggest a most satisfactory alternative to a large taccavi advance through co-operative societies. But there are difficulties apart from finance. The chief one is to provide a sufficient staff to make the necessary investigations promptly and control distribution in such a way that the loans will not be misapplied. This requires a special effort on the part of the co-operative staff, which was evidently most willingly and successfully made on this occasion, but which might not always be forthcoming if every emergency were treated in this way. The experiment, however, should certainly be repeated.

47. Detailed information about interest rates is given in chapter XI of *The Punjab Peasant*, and a certain amount of further information in a later publication.<sup>2</sup> We have also made inquiries on the subject from all Income-tax Officers and many Assistant Registrars. The results are given in Statement 13.<sup>3</sup> The first distinction that must be made is between secured and unsecured loans.

<sup>1</sup> P. 188; see also *Ev. i.* 455-56, 463-64.

<sup>2</sup> *R.L.* (see index).

<sup>3</sup> P. 349.

In the village much the commonest form of secured loan is the usufructuary mortgage, and there is general agreement that in this case the return to the lender is somewhere between 6 and 9 per cent.<sup>1</sup> This means that, if a land-owner is prepared to mortgage his land with possession, he can borrow as cheaply as anyone in the Punjab, for the best urban business is done at the same rates,<sup>2</sup> and the Imperial Bank rate itself in the last two years has averaged over 6 per cent.<sup>3</sup> This point is important because, according to our estimate, half of the debt of the proprietors of the province has been advanced on usufructuary mortgages. If a land-owner is not prepared to give up possession of any part of his land, he can still borrow on a mortgage without possession at 12 per cent.<sup>4</sup> Where, as in Jullundur, there is plenty of money seeking investment, he can borrow at less.<sup>5</sup> Contrariwise, where it is in strong demand, as now in Lyallpur, he may have to pay up to 18 per cent.<sup>6</sup>

43. For unsecured loans the range is very wide. A good dealer with ample security can sometimes borrow at 6 per cent.<sup>7</sup> and a bad dealer with no security will have to pay as much in the Punjab as anywhere also. For the ordinary peasant proprietor the customary rate is 18½ per cent (*paisa rupiya*), but in certain areas it is 24 or 25 per cent.<sup>8</sup> These are generally the remoter districts, but they also include Lahore, Amritsar and Ferozepore, and the new Nili Bar Colony.<sup>9</sup> The latter is a good illustration of the laws governing interest rates. Money is in demand for colonization purposes, but, unless secured, can only be lent at considerable risk, because the colonist may be here to-day and gone to-morrow.<sup>10</sup> The new colonist is virtually, and often actually, in the position of a tenant; and for tenants the rates are naturally higher than for proprietors, and vary from 25 to 37½ per cent.<sup>11</sup> Much the same rates apply to labourers and village menials.

49. If jewellery is pledged, or any other form of movable property, the rates may be 5 or 6 per cent less, but, as shown in Note C,<sup>12</sup> not more than 5 per cent of the loans are secured in this

<sup>1</sup> *Ev.*, pp. 359, 407, 875, 967.

<sup>2</sup> See paragraph 197.

<sup>3</sup> For 1923 the average was 6.2 per cent. and for 1929 it was 6.3 per cent. (see Statement 27; p. 377.)

<sup>4</sup> *Ev.* i. 881.

<sup>5</sup> *Ev.*, ii. 875.

<sup>6</sup> *Ev.*, p. 928, cf. p. 881. The report of the Ferozepore inquiry referred to in paragraph 28 (note) states (p. 10) that in some cases "mortgagees allow the mortgagors to cultivate the mortgaged land at cash rents equal to calculated interest at 12 per cent., 15 per cent, and sometimes 24 per cent. on the consideration money."

<sup>7</sup> *Ev.*, pp. 358 and 872; and *R. L.*, p. 287.

<sup>8</sup> Cf. *Ev.* p. 295, Note H; (p. 221); Note C (part 5), and Statement 23; (p. 370).

<sup>9</sup> See *Ev.*, pp. 152, 381, 789, 1054.

<sup>10</sup> *Ev.* i. 152.

<sup>11</sup> Cf. statement 14 (column 9).

<sup>12</sup> P. 180.

way. If a cultivator were prepared to pledge jewellery freely, he would be able to finance himself through the Imperial Bank at  $7\frac{1}{2}$  per cent<sup>1</sup>, and through other banks at 9 per cent.<sup>2</sup> A few zemindars take advantage of this. We were told of 160 cases at Lyallpur<sup>3</sup> and of 30 at Montgomery.<sup>4</sup> At Lyallpur gold bars are occasionally brought in, and one actually weighed half a seer. But in general the facilities are very little used, partly because they are not widely known; and partly, no doubt, because the peasant is not accustomed to deal with commercial banks. Also, in the case of the Imperial Bank, the minimum advance (Rs. 200) is too high to attract him. But more fundamental than any of these objections is his instinctive prejudice against any type of secured loan. Even a mortgage is tainted in his eyes as derogatory.<sup>5</sup> "If a man is known to have mortgaged his property", said the zemindars who waited on us at Amritsar, "he might find it difficult to arrange for the marriage of his children." This is doubly so with jewellery, and in this case the position is complicated by women's rights.<sup>6</sup> At the same time women themselves are rarely willing to lend on any other basis, and almost always insist upon some kind of security.<sup>7</sup> A good judge thinks that in Jullundur and Hoshiar, the prejudice against the secured loan is weakening.<sup>8</sup> To this extent the remedy for high rates, as for so many other evils, is in the peasant's own hands; and this applies particularly to their worst feature—compound interest. This can be avoided altogether by a usufructuary mortgage.

50. A combination of high rates and compound interest may have disastrous consequences for the peasant, particularly in the less secure tracts where the great uncertainties of the harvest often make the punctual payment of interest impossible. To some extent the money-lender tempers the wind to the shorn lamb by allowing accounts to run on for two or three years before making them up.<sup>9</sup> For reasons which are not clear, Montgomery is an exception to this rule. There, by old custom, accounts are struck every six months.<sup>10</sup>

51. Usury, as many lawyers have found, is a very difficult term to define; and, though usurious rates are mentioned more than once in Chapter 12 of the

<sup>1</sup>The rate is 7 per cent, with quarterly rests, i.e., about  $7\frac{1}{2}$  per cent. A margin of 20 per cent of value is maintained (Ev. ii 701).

<sup>2</sup>Most Indian joint stock banks advance against ornaments.

<sup>3</sup>Ev. ii. 715.

<sup>4</sup>Ev. ii. 657.

<sup>5</sup>Ev. pp. 415, 466, 881, 970.

<sup>6</sup>Ev. p. 869, 876, 928.

<sup>7</sup>Ev. i. 427.

<sup>8</sup>Ev. i. 309.

<sup>9</sup>Ev. i. 421.

<sup>10</sup>Ev. ii. 897.

Lidlithgow Commission report, no attempt was made to define them. "Interest rates ordinarily vary with the supply of money, the demand for it, the risk incurred in lending it and the trouble and expenses in collecting it."<sup>1</sup> Of these four factors we are inclined to think that the last is the most important, as it is also the least considered. Business of the type that is carried on by the ordinary village money-lender can never be done cheaply on a large scale. This is clear from the experience of two such different countries as the United States and the Dutch East Indies. In the United States, where most States have maximum rates of 6 to 12 per cent, it has been found necessary to allow up to 42 per cent in the case of loans of a certain type and size. The highest rates are charged "in the newer States, where crop failures are frequent and where other risks of lending are rather high."<sup>2</sup> In Oklahoma, for example, the average rate is 15 per cent.<sup>3</sup> This is not very different from the average in the Punjab, and the reasons assigned for it—bad farming and bad finance—apply equally here. The case of the Dutch East Indies is even more striking. A gigantic small loans business is done by Government, and, though all the loans are secured, the rates charged vary from 12 to 72 per cent and in 1926 averaged 44 per cent, of which 20 per cent represented the cost of the business.<sup>4</sup> In the circumstances, though the rates in this country press heavily upon the cultivator, the customary rate of 18½ per cent (*pausa rupa*) for small loans can hardly be regarded as usurious—*so far as it is honourably applied*. How far the stated rates are honourably applied we are not in a position to say, for the evidence we received on the subject was too partisan for a definite judgment.

52. In the absence of statistical information, which is not available, it is very difficult to judge whether the rates are rising or falling. One of the factors affecting rates of interest is the supply and demand of money; and, though this is of little importance in individual cases compared with the credit of the borrower, it has its effect upon borrowing in general. The poor harvests of 1927 and 1928 appear to have stimulated the demand for money, particularly in districts like Gurgaon and Lyallpur, in the first of which famine conditions prevail, and in the second of which a high standard of living is being maintained with difficulty. The effect of this upon rates in both districts has already been noted.<sup>5</sup> The position is aggravated if an increase in the demand for money is accompanied by a contraction of credit. Many witnesses said the latter had occurred,<sup>6</sup> and it is possible, even probable, that the ordinary money-lender, noting the fall in the

<sup>1</sup>E. L., p. 328.

<sup>2</sup>F.W.Ryan: *Usury and Usury Loans*, 1924, p. 115.

<sup>3</sup>*Ibid.*, page 108.

<sup>4</sup>E. L., pp. 328-29.

<sup>5</sup>Paragraph 47.

<sup>6</sup>*Ev.*, pp. 319, 381-82, 875; cf. also p. 1054.

prices of produce, may be advancing proportionately less than a year or two ago, since produce is his chief security. This, however, like poor harvests, is only a temporary factor, for either produce prices will rise, or all prices will fall sympathetically, in which case the need for money will be less. Taking a longer view and comparing the rates before and after the war, we think, on the whole, that they have fallen. Nominal rates are much the same, but actual rates are almost certainly less. Before the war dealings were more in grain than in cash, but now it is the other way round, and this is undoubtedly to the borrower's advantage.<sup>1</sup> Before the war, too, the indebted cultivator probably did not get a fair price for his produce, but now, as we shall show later,<sup>2</sup> he is very little prejudiced. Even more important is the gradual discontinuance of the semi-feudal charges that the money-lender used to impose in addition to interest.<sup>3</sup> "The villagers," writes the Assistant Registrar, Sialkot, "no longer supply him with fodder, vegetables, sugarcane, bhoosa and fuel." Finally there are 16,000 village credit societies, which have already made it possible for one-sixth of those who depend upon agriculture to borrow at  $12\frac{1}{2}$  or  $9\frac{3}{8}$  per cent. A Deputy Registrar with 23 years' experience of the co-operative movement stated that in most districts the common rate-to-day was 18 to 22 per cent as against 30 per cent twenty to twenty-five years ago.<sup>4</sup> On the whole, we think that, though for the moment there is a tendency upwards, interest rates are perceptibly lower than before the war.

53. The answer to this question is easy. At present village rates for unsecured loans are high, because recovery is both costly and difficult. Eliminate or mitigate this factor, and the rates will automatically fall. Money is reasonably abundant and lenders are legion, but security is bad. First-class security is available in jewellery and land, but rarely offered as long as personal security will be accepted; and the cultivator's personal security is often a broken reed. In a later chapter we shall have something to say about the difficulties of recovery.<sup>5</sup> For these difficulties the cultivator is not wholly to blame. They would be materially less if the money-lender lent with more prudence and with more thought for the way his money was likely to be spent. If the borrower has to be educated in the use of money, the lender has also to be educated in its advance. And this is what gives co-operation its supreme advantage over every other form of credit; it educates both lender and borrower, and, while both are learning, provides the necessary control. It is now the accepted

<sup>1</sup>See *Pb. Fst.*, p. 218, also *Ev.*, pp. 354, 360, 443, 767, 873.

<sup>2</sup>P. 54.

<sup>3</sup>*Ibid.*, pp. 220-21.

<sup>4</sup>*Ev.* i. 295.

<sup>5</sup>Paragraph 205.



experience of the world that co-operation is the best weapon against usury. "If in Germany to-day," says a German writer, "the usurer is a rare phenomenon, it is principally thanks to the co-operative society."<sup>1</sup>

Effect of Debt on Marketing.

54. This is dealt with in paragraph 83.

55. Apart from the few suggestions made in connection with the two taccavi Acts, one of which has just been discussed and the other of which will be discussed in the next chapter, we have only one recommendation to make, namely, that co-operative credit should be developed to the utmost possible extent. This is dealt with at length in Chapter 11.

Improvements in Credit Facilities.

Co-ordination of Credit Agencies.

56. We have no recommendation to make on this point.

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<sup>1</sup>Horace Plunkett Foundation, *A Year Book of Agricultural Co-operation*, p. 375.

## CHAPTER VI.—LAND IMPROVEMENT.

57. It is generally supposed that the Punjab peasant takes little thought for the improvement of his land. There is truth in this, but not the whole truth. In the ten years ending 1929 the total number of wells in the Punjab rose from 258,689 (1918-19) to 286,134. The cost of sinking a well varies from Rs. 500 to Rs. 2,000, or even more, according to the depth of the sub-soil water and to the size and fashion of the well. On an average of Rs. 1,000 per well, 27,445 new wells represent an outlay of about 2½ crores.<sup>1</sup> The largest number, about 4,000, has been sunk in Jullundur. Not less important than the sinking of wells is the bringing of virgin soil under cultivation. The great canal colonies are a living testimony of what the Punjabi is capable in this direction. As we have already seen,<sup>2</sup> in the last four years alone he has brought 750,000 acres under cultivation at a probable cost of three crores. Apart from this, there is little else to chronicle. In a few districts embankments to regulate the flow of hill torrents are made, and in one (Gurgaon) considerable sums have been spent upon the substitution of the Persian-wheel for the *charsa* or leather bucket.

58. Banks and indigenous bankers play almost no part in financing land improvements. If they lend at all, owing to the Land Alienation Act it is only to non-agriculturists. The ordinary money-lender also does not do very much. Various reasons are given for this. The cynics say he is disinclined to lend for any purpose which may make the cultivator independent of his assistance; others, that his rates of interest are so high that few care to borrow from him. Some also think that he does not like advancing big sums for a long period. In reality, the object and period of the loan are of small concern to him provided the security is good; but his rates of interest make it almost impossible for the prudent to deal with him. Moreover, three-fourths or more of the cultivating population is in debt, and most would rather liquidate an old debt than sink a new well. Another obstacle, hardly less formidable, is the minute fragmentation of land which prevails in many districts, especially in the central Punjab. Where a man's few acres are scattered in small plots round the village, an almost indispensable preliminary to the sinking of a well is the consolidation of his fields. We note with pleasure, therefore, that in eight years (ending 1929) 212,000 acres have been consolidated by special co-operative societies

<sup>1</sup>For the cost of wells in different parts of the Punjab see *R. L.* (index under wells).

<sup>2</sup>Paragraph 30.

with the help of a large staff provided by Government.<sup>1</sup> A large area, the extent of which is unknown, has also been consolidated by private exchange.<sup>2</sup> Consolidation by private exchange is generally due to the desire to sink a well which cannot be done without it ; and, though this is not the primary object of consolidation by co-operation, it is the invariable result. Over 600 wells have been sunk in this way, and as many old ones brought back into use. In some Jullundur villages, after holdings have been consolidated, more wells are said to have been sunk in two years than in the previous twenty. The effect of consolidation then is greatly to strengthen the demand for capital for land improvement. In districts which have no mortgage bank—and only 9 out of 29 have one—the only way of obtaining this capital cheaply is to obtain a loan from Government under the Land Improvement Loans Act of 1883.

59. Government charges  $6\frac{1}{2}$  per cent, mortgage banks 8 to 9 per cent and money-lenders their usual rates.<sup>3</sup> Rates of Interest, Period of Loans, etc. Nearly two-thirds of the working capital of the mortgage banks ( $14\frac{1}{2}$  out of 23 lakhs) has been advanced by Government, mainly through the Punjab Provincial Co-operative Bank, which pays Government 6 per cent<sup>4</sup> and charges  $6\frac{1}{2}$  per cent. Some good judges think that, if money were available at reasonable rates, there would be a strong demand for it in the central Punjab. The maximum period of loan is ten years in the case of mortgage banks and twenty years in the case of Government. We shall have something to say about the former later.

60. All Assistant Registrars were asked to report on the credit facilities required for land improvement. Credit Facilities required. The gist of their reports is briefly given in Note C<sup>5</sup>. Most cultivators, probably 90 per cent or more, require no facilities, for they are either unwilling or unable to improve their lands. In some districts the holdings are too small, in others too large. Where they are small, they tend to be badly fragmented, and, as we have explained, fragmentation makes the sinking of wells almost impossible. In the central Punjab the desire for a higher standard of living, combined with an increase of population, provides an economic spur which is the only factor strong enough to overcome the Punjab peasant's indifference to improvement. The absence of this spur, which is particularly marked in parts of Ferozepore, Hissar and Ambala, where holdings are substantial and land sufficient, probably provides the answer to the question put by the Linlithgow Commission in their report—"why were the wells sunk last year not sunk five years ago" ?<sup>6</sup> Another factor operating

<sup>1</sup>At a cost now of  $1\frac{1}{2}$  lakhs a year.

<sup>2</sup>R. L., pp. 188-89, and *Gaggar Bhana Report*, p. 65.

<sup>3</sup>See paragraphs 47-49.

<sup>4</sup>Till recently the rate was  $5\frac{1}{2}$  per cent.

<sup>5</sup>P. 172.

<sup>6</sup>*Op cit.*, p. 428.

in the same direction is the zemindar's land hunger. This is usually so great that most, when they find themselves in a position to sink a well or buy land, choose the latter; and for this purpose many will even mortgage the land they have.<sup>1</sup> But rarely will they mortgage part of their land to improve the rest. Were they prepared to do this, money could be had cheaply enough.<sup>2</sup>

61. The co-operative mortgage banks, which number twelve, and are the only mortgage banks in the province, are fully described in the last two annual reports of the Co-operative Department,<sup>3</sup> but some further description is necessary, since they are pioneer enterprises, and, as such, are of great importance not only to the Punjab, but to the whole of India. With the exception of the banks at Mianwali and Jhang, which operate over a whole district, their operations are confined to a single tehsil.<sup>4</sup> Apart from agricultural credit societies, only owners of agricultural land may become members, and no one may be advanced more than thirty times the land revenue payable on the land mortgaged. As the land revenue rarely exceeds 25 per cent of the net income of the land, this means that no one can get more than what the land will bring in net in  $7\frac{1}{2}$  years. Loans are made for the redemption of land, but never for its purchase, since it is not economic to buy land at present prices with money borrowed at 8 or 9 per cent. Loans are also made for the liquidation of unsecured debts, and are available for the improvement of land; but there is little demand for money on this account. Since the banks were started, nearly 32 lakhs have been advanced, thus:—

		Rs. in lakhs.
Repayment of old debt	..	14.47
Land redemption (21,000 acres redeemed)	..	14.70
Land improvement	..	2.17
Land purchase	..	0.19

These figures show that all but  $2\frac{1}{2}$  lakhs have been given out for the discharge of old liabilities. A few more figures may be given to show the amount of business done up to the 1st March 1930:—

		Rs.
(i) Total amount advanced	..	32 lakhs.
(ii) Amount outstanding on 1st March 1930	..	21 lakhs.

<sup>1</sup>This is not peculiar to the Punjab; thirty years ago it was said of the small proprietor of Italy that he would "rather spend his savings in buying fresh fields than in improving those he has already" (Bolton King: *Italy*, 1901, p. 167).

<sup>2</sup>*Cf. Linlithgow Commission*, p. 418—

"It may be said with confidence that mortgage credit is rarely used to finance improvements in agricultural land."

<sup>3</sup>See reports for 1928 (p. 29) and 1929 (p. 34).

<sup>4</sup>Usually an area of 750 to 1,000 square miles with a population of 150,000 to 200,000.

<sup>1</sup>(iii) Number of loans—

(a) issued .. ..	1,632
(b) outstanding .. ..	1,462
(iv) Average loan issued .. ..	Rs. 1,961

For the most part banks advance from Rs. 1,000 to Rs. 3,000 at a time; but in the prosperous district of Lyallpur, where holdings are substantial,<sup>2</sup> loans have averaged Rs. 3,218 each, and in the poverty-stricken district of Gurgaon only Rs. 595. The amount outstanding represents only Rs. 35 per acre mortgaged. Considering that the average price of land in the Punjab is well over Rs. 200<sup>3</sup>, it is clear that the material security is ample.

62. But material security is not everything. Even in a land mortgage bank character is important.

Defaulters. "We rely very much upon character," said Mr. L. Dawson, the head of Dawson's, Ltd., an important mortgage bank in Burma, in explaining to the Linlithgow Commission the secret of his bank's success.<sup>4</sup> Herein lies the weakness and the danger of the co-operative mortgage-bank. Figures may be given to illustrate this—

(i) Number of defaulters on 1st March 1930 ..	499
(ii) Amount in respect of which they were in default on account of—	
	Rs.
(a) principal .. ..	1.76 lakhs.
(b) interest .. ..	64,000

That is to say, 34 per cent, or about one out of every three borrowers, were in default. On the whole, this was not the result of any slackness on the part of the managing committees in recovery; since the banks were started, 290 members have been proceeded against legally and 36 imprisoned. It was mainly due to two factors—bad harvests and imprudent loans. The Gurgaon bank, with 205 defaulters, is an example of the one, and the banks at Lyallpur and Jhang, with 118 defaulters, examples of the other. Gurgaon is an exceedingly insecure tract, and it is a question whether a co-operative mortgage bank can succeed in an area of this kind. Dawson's, Ltd., operate in a deltaic tract, and Mr. Dawson informed the Linlithgow Commission that, if it worked in a dry tract, it would have to raise its rate of

<sup>1</sup>Report on the Working of Co-operative Societies in the Punjab, 1929, p. 34 (In future this annual report will be referred to as Co-operative Report).

<sup>2</sup>Average about 15 acres (*Ph. Pst.*, p. 148).

<sup>3</sup>The sale price of land given every year in the *Land Revenue District Reports* shows that since 1919-20 the average price per acre has only once been less than Rs. 200 and has thrice exceeded Rs. 250. For 1928-29 it was Rs. 240.

<sup>4</sup>*Linlithgow Commission*, vol. xiii, p. 262.

interest, which was already 15 per cent.<sup>1</sup> As to Lyallpur, the Registrar wrote in his last annual report that it has "the unenviable distinction of providing the worst and most obstinate defaulters;" and he added that many means had been tried to effect recoveries; but not even imprisonment had produced any effect.<sup>2</sup> In a district in which men tend to borrow freely and imprudently—in the five years ending 1929 the total mortgage debt in Lyallpur increased by 113 lakhs as against 58 lakhs in the preceding five years—there is grave danger that a mortgage bank may accentuate the tendency, unless great care is taken in lending. "Successful banking," to quote Mr. Dawson again, "is successful lending."<sup>3</sup> At Lyallpur this fundamental principle has been neglected. At first more was often advanced than could conveniently be repaid within ten years; loans were misapplied, and directors' reports could not always be trusted. Fortunately wiser methods now prevail: loans are limited to 20 times the land revenue; great care is taken to prevent the misapplication of loans, and a more public-spirited directorate has been obtained. At Samundri and Toba Tek Singh, in the same district, greater care was exercised from the start, and there are comparatively few defaulters. The same applies to the banks at Sonapat, Shahpur and Naraingarh.

63. Most of the defects that have appeared are due to inexperience, and, given a good directorate, can be remedied. The good directorate is the crux, and in most areas not easily found. One Deputy Registrar stated before us that only two out of the six banks in his circle had good committees; and he added significantly that in both these banks members repaid their loans without pressure.<sup>4</sup> The inclusion in each committee of a nominee of Government is a safeguard, but in a co-operative society it is a safeguard that co-operators must naturally wish to rely upon as little as possible.

64. After a good committee the greatest difficulty is to get borrowers to repay their loans punctually, and to go on doing so for ten years. "The ordinary peasant has still to learn to distinguish between productive and unproductive expenditure, to borrow only for the former and save for the latter, and whenever he borrows always to apply the loan to the purpose for which it was given. He has also to learn to be punctual in repayment instead of for ever postponing it; to reduce his expenditure or increase his effort rather than default; by intelligence and thrift, to make both ends meet where they did not meet before, and in good years to put something by for the bad; in short, to provide for an obligation before it arises instead of trying to evade it after it has

<sup>1</sup>*Linlithgow Commission*, vol. xiii, p. 262.

<sup>2</sup>*Co-operative Report*, 1929, p. 35.

<sup>3</sup>*Linlithgow Commission*, vol. xiii, p. 263.

<sup>4</sup>*Id.*, p. 288.

arisen. To build up the character of the peasant and develop his intelligence is therefore indispensable to the cure of his financial ills." With the heavy burden of debt of which we spoke in paragraph 22 and the growing desire for land improvement, no one can doubt the widespread need for mortgage credit; but the experience of those twelve mortgage banks leaves it equally in no doubt that mortgage credit cannot succeed, unless education and character are sufficiently developed to ensure wise lending and punctual repayment.

65. In speaking thus critically of mortgage banks our object is to sound a note of warning against their too rapid development. The Financial Adviser to the Co-operative Department, in testifying to their general soundness, gave it as his opinion that development should proceed no faster than at present—the department's aim is not more than two new banks a year—and he considers that, if this is adhered to and banks profit by the mistakes of the past, and if, too, recovery is facilitated in certain respects, they have a promising future. On the question of special facilities for recovery we think it too early to express a definite opinion. Only in three cases so far has a bank had to take possession of mortgaged land, and these furnish too narrow a basis for judging the difficulties inherent in the present system. But we would note that difficulties in recovery provide a useful restraint upon careless or reckless lending, and we would deprecate recovery being made too easy. Subject to this, we see no reason to dissent from the Financial Adviser's view and recommend that there should be no departure from the present policy of cautious advance until the experimental stage is passed.

66. We alluded just now to a tendency at Lyallpur at one time to advance more than a borrower could possibly repay within ten years (the maximum period of loan.) Elsewhere, too, this tendency has shown itself, and it is now the policy of the department to limit loans to Rs. 5,000. Unfortunately only four banks have agreed to do this, and seven have a limit of Rs. 10,000 and one (Gujranwala) of Rs. 15,000. We think that these limits should be reduced without delay. Another defect is a marked tendency in some committees for directors to be too indulgent in the matter of loans both to themselves and to their relatives. On this point the Registrar in 1928 wrote as follows:—

"The greatest difficulty in the administration of a co-operative mortgage bank is to create a sufficient balance between the interests of the creditor and those of the borrower. In a central bank, the interests of the creditor are to a large extent protected, since the directors are often creditors and rarely borrowers, and as shareholders usually have an eye upon the dividend. In a mortgage bank, the position is different. As deposits are not taken, directors may be borrowers, but

<sup>1</sup>R. L., pp. 327-28.

can hardly be creditors, and as dividends are not paid, they have no personal interest in the profit. Even if they are not borrowers, their interest and sympathies are likely to lie with the borrowers rather than with the bank. It is not merely that they find it difficult to resist the claims and entreaties of their relatives and neighbours, but in showing indulgence to-day they hope to be treated with indulgence to-morrow. In several banks this has led to considerable laxity, and in one to something like fraud..... I have, therefore, proposed that no loans should be given to a director, and four banks have already accepted this. The obvious alternative is to strengthen the official element in the management.....but I hesitate to advocate doing this, as it must weaken their co-operative character.”<sup>1</sup>

We are impressed by the importance of restricting loans to directors, and are glad to find that five banks forbid them altogether (four by by-law and one by convention), and only one allows them without restriction. In the remaining six, they are only granted if, firstly, at least two-thirds of the directors (excluding the applicant) are present and all agree to the loan; and, secondly, the official member signifies his approval in writing. There is much to be said for total prohibition, and this is the rule in some parts of Europe, for example, in Austria; but we recognize that it may be easier to impose this in a country where other facilities are available than where, as in the Punjab, the only alternative is a loan from Government or a money-lender.

67. One important question was raised by several witnesses, namely, for how long loans should be given. A

Period of Loans. strong desire was expressed that the present period of ten years should be extended to fifteen, if not twenty. On this point the Registrar wrote as follows in his report for 1928:—

“Some urge that loans should be given for longer periods—at Mianwali a number have been given for twenty years—but there is danger in this at present; for with an uneducated and unbusiness-like peasantry the benefit obtained by a loan is quickly forgotten and only the burden remembered, with consequent difficulties as to repayment. When the cultivator is sufficiently educated to understand the virtue of punctuality and sufficiently developed in character habitually to practise it, it will no doubt be possible, and also desirable, to extend the period. But at the outset these banks will be well advised to confine themselves to the class of business intermediate between the short-term loan of the ordinary credit society and the long-term loan of the western mortgage bank. To pass straight from the one to the other may very well end in failure, if not disaster”.<sup>2</sup>

After careful consideration we think that as long as a bank is in the experimental stage, the period of loan should not exceed ten years, but after that stage is passed it might be extended to 15 years, subject to special precautions being taken to ensure regular repayments. An

<sup>1</sup>*Co-operative Report*, 1928, pp. 32-33.

<sup>2</sup>*Ibid*, p. 30.



extension of the period will doubtless increase the scope of these banks, but we are satisfied that even within their present limited scope they have no difficulty in employing their resources to advantage. We note further that Dawsons, Ltd., do not advance for more than ten years; and this is based upon considerable experience for the bank has 7,000 clients.<sup>1</sup>

68. Of their working capital of 23 lakhs (on the 31st July 1929) Government Assistance to 14½ have been advanced by Government, Mortgage Banks. mostly through the provincial co-operative bank. The latter has also raised five lakhs by issuing debentures at 6 per cent interest, the payment of which Government has guaranteed for 25 years.<sup>2</sup> We understand that these arrangements have been made to suit the experimental conditions under which the mortgage banks have been started. A time, no doubt, will come when it will be possible for the mortgage banks to raise debentures upon their collective assets either through the provincial bank or through a central mortgage bank. As to whether the debentures of a central financing institution should be included in the list of trustee securities, we endorse what the Linlithgow Commission wrote on the subject:—

“Under Act XXI of 1917, the debentures of the Bombay Provincial Co-operative Bank have been included in the list of securities given in Section 20 of the Indian Trusts Act, 1882. We do not think that any objection can be taken to this course. In the agreement with the bank in which the Local Government guarantee the interest on these debentures, they have taken ample power to interfere in case of maladministration, and this appears sufficient to reduce the risk of loss to the holders of the debentures to a minimum. We, therefore, recommend that the debentures of co-operative land mortgage banks registered under the Co-operative Societies Act, which are similarly secured, and the interest on which is guaranteed by the Local Government, should be added to the list of trustee securities.”<sup>3</sup>

To sum up, the co-operative mortgage bank is still in the experimental stage, and, if numerous weaknesses have come to light, many of them are more of the nature of infantile diseases than inherent disabilities. The most serious are the want of public spirit in many of the directors and the low standard of character and intelligence in many of the borrowers. These defects alone are a sufficient argument against rapid advance. At the same time there are signs of improvement in control and administration, and the better banks are certainly benefiting their members. These are drawn from all classes of zemindars, and it is satisfactory to note that more than half of those who borrow are comparatively small holders, owning 25 acres or less.<sup>4</sup>

<sup>1</sup>Linlithgow Commission, vol. xiii, p. 256.

<sup>2</sup>Last year the debentures were 4 or 5 points above par. Now the reverse is the case (*Ev. ii*, p. 504).

<sup>3</sup>*Op. cit.* 465.

<sup>4</sup>See Statement 15 (p. 353). A brief note giving the views of certain Assistant Registrars, etc., on mortgage banks will be found in Note C (p. 180).

69. We have already said that the commercial banks take little or no part in financing land improvement, and in the Punjab, owing to the Land Alienation Act, it is almost impossible that they should, so far as agriculturists are concerned. In any scheme of land improvement, therefore, the only two credit agencies to be taken into account are Government and co-operative societies. Co-ordination between the two is sufficient, and we have no recommendation to make on the subject.

70. Theoretically, a Government loan at  $6\frac{1}{2}$  per cent for land improvement should be attractive; yet Statement 29<sup>1</sup> shows that less than 10 per cent of the wells sunk in the ten years ending 1928 were sunk with Government help. Last year an Extra Assistant Commissioner was deputed to investigate the operations of the Land Improvement Loans Act in the Ambala division. He found that advances for wells were not popular in Karnal, Rohtak and Hissar, because the possibilities of obtaining them were not generally known, applications were not always promptly dealt with, and the applicants had to incur expenses of the type mentioned in our discussion of the Agriculturists' Loans Act. Since 1910, only Rs. 83,000 has been advanced in Rohtak, about the same amount in Hissar and a little over a lakh in Karnal. In Gurgaon, on the other hand, loans were popular and  $10\frac{1}{2}$  lakhs had been advanced since 1911. Gurgaon illustrates both the possibilities and the dangers of taccavi. On the one side, money has been advanced for the construction of 1,587 wells, of which 933 have been completed; on the other, out of the  $10\frac{1}{2}$  lakhs advanced  $8\frac{1}{2}$  are outstanding, of which  $1\frac{1}{4}$  are overdue. It may be doubted whether it will be possible to recover this amount, for prolonged drought has led to large advances of all kinds and to greatly depleted resources.

71. Several witnesses complained to us that the Act was very little used and that applications were not promptly dealt with. We, therefore, made certain inquiries from all Deputy Commissioners (except Simla), the results of which may be tabulated thus :—

(1) The number of districts from which replies have been received	..	..	27
(2) Amount advanced in 1929-30	..	..	27.15 lakhs.
(3) Number of persons who received advances	..	..	9,036
(4) Number of applications pending at the end of the year for lack of funds	..	..	1,195
(5) Amount involved in (4)	..	..	5.97 lakhs.

As 27 lakhs were advanced to over 9,000 people, it can hardly be said that the Act is very little used. The amount advanced varied greatly from district to district: in ten it exceeded a lakh, and in Hissar it was nearly four lakhs. In most districts there were few or

no applications pending at the end of the year, but in two there were over 200, and in five others 50 or more. It would seem, therefore, as if in a few districts there might be some ground for complaint on the score of delay. There is also reason to believe that in the less developed districts the facilities for obtaining Government loans are not generally known. We consider that the best remedy for this would be to make their existence known in these districts through the co-operative staff.

72. In regard to the rules governing the Act, they were carefully overhauled in 1927, and we have only one recommendation to make. This relates to **Fruit Growing.** The present rules do not allow of the development of fruit growing. The present rules do not allow of loans for this purpose, doubtless because in the past fruit growing has been largely confined to the more substantial type of land-owner, who has required no assistance from Government. But there are signs that it is attracting men of more limited means, to whom a loan might be useful. In view of the importance of developing every form of intensive farming in a country of small proprietors and of the great possibilities of fruit farming in the Punjab, we consider that Government loans should be available, though we realize that they should be subject to different conditions from those governing loans to wells. We recommend, therefore, that special rules under the Act should be framed for the purpose.

73. An important question, which may conveniently be discussed here, is whether the conditions under which Government is selling land in the Nili Bar Colony are satisfactory. Three hundred thousand acres, i.e., about one-third of the whole colony, have been set aside for sale by auction over a period of twenty years. This has been done, firstly, to enable the Punjab Government to repay the Government of India the large sum it has borrowed to construct the canal system which irrigates the colony; and, secondly, to provide the non-agriculturist capitalist with an opportunity for acquiring land, in respect of which the Land Alienation Act places him at a disadvantage. It was not intended, and certainly not anticipated, that the ordinary peasant would be a prominent bidder at the auctions. Yet, such is the hunger for land, he has bought much more than the non-agriculturist. There would be no reason to regret this but for what follows. The land so far sold averages Rs. 410 an acre. At this price the Colonization Officer calculates that, if a man cultivates the land himself, he will obtain a net return of 8 to 10 per cent. At present prices, land having shown a tendency to fall in price, he thinks he might get as much as 12 per cent. This is reasonable enough for those who buy with their own money. But our evidence suggests that many buy with borrowed money.<sup>1</sup>

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<sup>1</sup> *Ev.*, pp. 292, 293, 298.

Those who mortgage their land with possession for this purpose will perhaps not suffer, for the effective rate of interest will then not be more than 6 to 9 per cent,<sup>1</sup> but others will almost certainly have to pay from 12 to 18½ per cent, and some even more. Now it is clear that, if a man has to borrow at 12 per cent or more to buy land which yields 12 per cent or less, he will not gain by the purchase, and, if compound interest comes into play, he may get seriously into debt.

There is a further consideration. At purchase, hitherto 10 per cent of the price has had to be paid at the time of auction and the balance in five years; the latter period has since been extended. This means that, with land at Rs. 400 an acre, a man with Rs. 1,000 could buy 25 acres valued at Rs. 10,000. Assuming that he borrowed this Rs. 1,000 at 12 per cent, and that the land yields 12 per cent, and that the interest on the balance of the purchase price is 8 per cent (which in fact it is), the result will be as follows:—

	Rs.
Net yield from 25 acres .. ..	1,200
Deduct—	
(a) Interest at 12 per cent on Rs. 1,000 borrowed .. ..	120
(b) Interest payable to Government on Rs. 9,000 unpaid balance of purchase price .. ..	720
Balance available to meet the first year's instalment of Rs. 1,900 .. ..	360

Although, as a concession, the half-yearly instalments have been increased from ten to fourteen, this still leaves Rs. 1,286 to be found in the course of the first year.

There is reason for thinking that many buy as much as their present resources permit, trusting to the future to provide the means for paying the instalments as they fall due. Not infrequently the result is default, and for this the penalty is loss of the land and of all that has been paid for it. It is possible then that a peasant may borrow at a high rate of interest to buy land and ultimately be left with nothing but an inflated debt. And it is not only possible, but probable, that not infrequently he borrows more than he can repay from the income of the land. How often this happens and how far debt is increasing in consequence we are not in a position to say, because we have not been able to ascertain the number of those who borrow, the amount they have borrowed, or the rates at which they have borrowed; all of which are material factors. But we would note the following: Firstly, there is general agreement that borrowing to buy land in the new canal colonies, including those in Bikaner and Bahawalpur, is common. Secondly, it is only in a few districts that a zemindar will mortgage

<sup>1</sup>See paragraph 47.

his land with possession when other forms of loan are open to him,<sup>1</sup> and when he does not do this, the rate of interest is likely to be higher than the net return of the land. Thirdly, the seven-year instalment system tempts the peasant to buy as much as he can pay for, irrespective of future commitments. Finally, purchasers have to pay 8 per cent on all unpaid instalments, and this may absorb the greater part of the land's net return.

In our opinion the system of colony auctions requires revision. In the last six years 6½ crores have been realized from residents in the Punjab for the sale of colony land in the Punjab, Bikaner and Bahawalpur,<sup>2</sup> and in Bahawalpur alone Punjabis have committed themselves to finding nearly 6 crores in the next fourteen years to complete the purchase of the land already bought.<sup>3</sup> Not being fully familiar with the loan obligations of Government, we hesitate to propose a remedy, but tentatively we suggest that the initial instalment should be raised from 12½ to 50 per cent, and that payment should be completed in two years. We have no desire whatever to exclude the peasant from these auctions; but, in view of the high, and probably uneconomic, price of land in the Punjab, we think it important in his interest that it should not be made easy for him to purchase it with borrowed money. With a rapidly increasing population the hunger for land is growing more and more intense, and as the competition for it increases the return on it as an investment is bound to decline.

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<sup>1</sup>See paragraph 29 (a).

<sup>2</sup>See Statement\*10 (p. 339).

<sup>3</sup>Information kindly supplied by Mr. C. A. Barron, C.I.E., C.V.O., I.C.S., Revenue Member, Bahawalpur.

50 per cent higher.<sup>1</sup> Much, no doubt, depends upon the distance of the nearest market. In Shahpur, where 8 out of the 11 villages under inquiry were 10 miles or more away, it was found that the cultivator had little knowledge of prices; but in Chak 73-G.B., which is 11 miles from Lyallpur, and in Dalowali, which is 8 miles from Sialkot, the cultivator is said to be in daily touch with the market and its rates.<sup>2</sup>

78. The third reason given above is a reference to the practice of settling rates under a cloth described in paragraph 21 of Note E.<sup>3</sup> This appears to be customary in all colony markets, though, according to Mr. W. Roberts, Managing Director of the British Cotton-growers' Association, in Khanewal feeling is turning against it. Mr. Roberts considers that the system helps the seller, since no bidder knows the bids made by his rivals. But, though it appears to work well so long as brokers go their rounds in groups, it is liable to abuse, and the system of open bidding prevalent at Sonapat is better calculated to inspire confidence in the cultivator.

79. More serious are the deductions forced upon sellers of cotton by factory-owners described in paragraph 29 of Note E.<sup>4</sup> The conclusion reached in that note is that these are often imposed without sufficient reason is confirmed by other evidence. The commission agents who appeared before the committee at Montgomery admitted that *watta*<sup>5</sup> was charged on 80 per cent of the cart-loads of cotton brought to the Montgomery market. And the Cotton Inquiry Report contains the following passage.<sup>6</sup>

"It is a common practice for buyers to offer high rates in the market and then to cut down these rates when delivery is being effected on the ground that the *kapas* in the centre of the cart is dirty or inferior in quality to that exhibited on the outside. Such complaints are invariably made when it is too late for the seller to take his produce elsewhere, as a portion of it has already been weighed and mixed with other *kapas* in the purchaser's godown. The seller has, therefore, no option but to accept the reduced rate. Such action on the part of buyers must engender very bad feeling and is another reason why growers are so loath to market their own produce. It is reported that such deductions usually vary between annas 2 to annas 12 per maund, but that in some cases they may be much more."

<sup>1</sup> Ev. ii 761.

<sup>2</sup> Village Survey Reports.

<sup>3</sup> P. 204.

<sup>4</sup> P. 208.

<sup>5</sup> For the meaning of this see p. 208.

<sup>6</sup> *Op. cit.*, p. 34.

<sup>7</sup> Unginned cotton.

These deductions after sale are not an inseparable feature of marketing even in the canal colonies, for at Chak Jhumra near Lyallpur the cotton is unloaded in front of the commission agent's shop and every opportunity given to the buyers to inspect it before making their bids; after which no deductions are allowed.<sup>1</sup>

According to the Indian Cotton Committee, abuse by the cultivator and village trader is 'of minor importance' compared with the malpractices carried on in the ginning factories.<sup>2</sup> In this there appears to be an allusion to the much debated practice of mixing short-with long-staple cotton. The Okara commission agents and factory-owners who appeared before the Committee admitted that a good portion of short-staple country (*desi*) cotton is mixed with the long-staple American cotton, but asserted that the exporters insisted upon this being done, and that any factory refusing to do it would be ruined.<sup>3</sup> Sufficient evidence is not available to determine responsibility, but it may be noted that the Lyallpur mill-owners who appeared before the Committee admitted that the mixing was not done by the growers,<sup>4</sup> and that Colonel E. H. Cole, who farms 7,500 acres near Okara, stated that he had failed to secure a higher price for pure cotton, and had even been informed by his brokers that he would get a much better price, if he mixed it.<sup>5</sup>

80. The final reason given by the Cotton Inquiry Report  
(r) Commission Agent and Broker. for the growers' preference for village sales is that the commission agent acts chiefly in the interest of the buyers. The Linlithgow Commission thought that the broker was "more inclined to favour the purchaser, with whom he is brought into daily contact than the seller, whom he only sees very occasionally."<sup>6</sup> The Cotton Inquiry Report suggests that this is true of the commission agent even when he is ostensibly acting for the seller.<sup>7</sup> The colony market inquiry, we understand, hardly supports this view. In all the markets considered, with the exception of Sonepat, a broker as well as a commission agent is employed. The commission agent acts for the seller, the broker for the buyer, and this is found to be a satisfactory arrangement. In Sonepat the commission agent acts for both parties, and this too is reported to work well, because sales are by public auction and prices determined by the highest bid.<sup>8</sup>

81. The colony market inquiry suggests that a powerful factor  
(s) Market Organisation. in deterring cultivators from marketing their own produce is the way the ordinary market

<sup>1</sup>*Ibid.*, page VI.

<sup>2</sup>Linlithgow Commission, p. 401.

<sup>3</sup>*Ev.*, ii 1104.

<sup>4</sup>*Ev.*, ii 1108.

<sup>5</sup>*Ev.*, ii 911.

<sup>6</sup>*Op. cit.*, p. 389.

<sup>7</sup>*Op. cit.*, p. 31 (note).

<sup>8</sup>The point is not referred to in Note E, but it was the subject of inquiry by the Assistant Registrar.

is organized. It is dominated by the trader, and the cultivator, when he goes there, can hardly help feeling himself an alien. He has no voice in the control of market arrangements, no say in the fixing of market dues, no representation on market panchayats, and little or no means of ascertaining outside prices. He is often in debt to his dealer, and generally divided from him by religion or caste. He is mulcted in contributions to charitable objects, in which, if a Muhammadan, he takes not the slightest interest; and he has frequently to submit to other exactions that he is powerless to resist. In this connection the figures given by the Cotton Inquiry Report are illuminating. Whereas only 17 per cent of the total amount of the cotton under inquiry was marketed by the growers, in Chak Jhumra<sup>1</sup> 50 per cent was marketed; and the only reason for the difference, apparently, was that the grower was much better treated at Chak Jhumra than elsewhere.<sup>2</sup> The way the ordinary market is organized weighs less with the large grower than the small. The large often has some education and can hold his own; but the small is usually illiterate and feels himself at the mercy of dealers he does not know and of conditions he does not understand. Men of this type prefer to stay at home and deal with the local shopkeeper, whom at least they know and often trust.

82. A difficulty which applies as much to the village as to the market is the general inaccuracy of weights and scales. Striking evidence of this will be found in Note G.<sup>3</sup> Out of 1,407 scales tested in five districts, 69 per cent were found to be incorrect, and of 5,907 weights 29 per cent. How far inaccuracy and fraud go hand in hand it is impossible for us to say, but the village survey reports, whose information on the subject is briefly summarized in Note H,<sup>4</sup> suggest that it is not uncommon. Inaccurate weights appear to be so general that it is difficult to deal with the evil. In regulated markets the Lunlithgow Commission recommended that the provision of a weigh-bridge should be made compulsory.<sup>5</sup> But something more than this is needed, and on paper a good deal has been done. Sixty-five local bodies<sup>6</sup> have passed by-laws to control the weights and measures used within their areas and to provide for their inspection; but with most this has been merely a gesture, for few have furnished themselves with standard weights and measures, and without them the by-laws are useless.<sup>7</sup> A serious difficulty is that a set of standard weights at the Mint costs Rs. 534-1-0, which most committees regard as prohibitive.

<sup>1</sup>*Ibid.*, p. 42.

<sup>2</sup>*Ibid.*, p. vi.

<sup>3</sup>P. 217.

<sup>4</sup>P. 221.

<sup>5</sup>*Op. cit.*, p. 393.

<sup>6</sup>Forty-eight municipal committees, nine notified areas and eight district boards.

<sup>7</sup>Nine local bodies (including one district board and one notified area committee) have informed Government that they have obtained standard weights and measures.



Some compromise by getting a set made locally and sending them to the Mint to be stamped ; but we understand that the Mint generally refuses to stamp them, on the ground that they are made of unsuitable material or can easily be altered after they have been stamped. Even when weights are acquired, the by-laws are not necessarily enforced. In one important market town, though factory-owners and commission agents sometimes compare their weights with the committee's, the committee does not do the reverse. If the problem is difficult to solve in the town, it is doubly difficult in the village. In Gijhi (Rohtak) cultivators who wish to protect themselves have their own weights and insist upon their being used in their dealings with shopkeepers.<sup>1</sup> How far this is the custom elsewhere or how far it could be introduced we are unable to say, for the question arose after our touring was concluded. We suggest, however, that the Registrar, Co-operative Societies, should consider whether something could not be done to rectify the evil through the medium of village credit societies.

In the markets of Multan and the non-colony area of Montgomery, *e.g.*, in Pakpaṭṭan, 42½ seers of cotton are taken to be equal to a maund<sup>2</sup> as against 40½ seers in the Montgomery colony markets. The larger allowance was justified before the Committee on the ground that dryage is unusually rapid in Multan. The commission agents of Montgomery attributed the difference to the keener competition at Montgomery,<sup>3</sup> and the Okara merchants said that the allowance was intended to cover dust and dirt in the cotton.<sup>4</sup> Two ginning factory owners at Multan said the same, and added that, in practice, no account was taken of whether the cotton contained these things or not. They generally contained them, but they averaged only 1½ seers a maund. Neither at Okara nor at Multan was anything said about dryage. On the whole, it would seem that competition and the economic position of the seller are the determining factors. In both respects the colony areas have the advantage.

83. One of the old unwritten laws of marketing was that a debtor must deal with his creditor. The grower who is in debt to his village shopkeeper must sell through him, and the village shopkeeper who borrows from a commission agent must use him as his agent. The rule is not as strong as it was—an example of debtors breaking away from it is given in Note E,<sup>5</sup> but it appears still to be more often observed than not. The question arises how far it affects prices. As between one trader and another, it probably affects them very little.

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<sup>1</sup>Village Survey Report.

<sup>2</sup>Forty seers.

<sup>3</sup>*E. v.* ii 1101.

<sup>4</sup>*E. v.* ii 1103.

<sup>5</sup>P. 196.

for it is then a case of Greek meeting Greek, and debt is usually not so large that it cannot be repaid or transferred if good service is not given. As between trader and grower, the Linlithgow Commission held it established "that, where the cultivator is in a position to dispose of his produce in a market, however limited its scope, he obtains a much better price for it, even when the cost of transport is taken into consideration, than when he disposes of it in his own village."<sup>1</sup> The evidence before us, though not conclusive, on the subject suggests that this is an overstatement so far as the Punjab is concerned. It is probably true of the remoter and more impoverished tracts such as Gurgaon, Muzaffargarh and Dera Ghazi Khan, for remoteness and poverty together put the cultivator at the mercy of the dealer. But remoteness may be counteracted by cohesion amongst the growers or by the presence of an influential landlord. The Salt Range is sufficiently remote, but tribal ties there are strong, sometimes strong enough to weight the balance in favour of the grower, even when in debt. In a village recently surveyed there, the case is mentioned of a powerful zemindar insisting upon selling his *bajra* at 12 seers to the rupee when the market rate was 15, and of others following his example as soon as it was known.<sup>2</sup> Note E<sup>3</sup> shows how important may be the influence of a landlord; and the survey report of a landlord village near Multan states that indebted cultivators get a fair price for their produce, and sometimes even earn a better price than others when creditors are anxious to obtain repayment of their loans. In the more advanced districts the practice varies. The Jullundur village survey report states that the person who is not in debt tries to avoid selling to his creditor, but is obliged, if unsuccessful, to accept  $\frac{1}{4}$  to  $\frac{2}{3}$  of a seer per rupee less than the prevailing rate. The Amritsar village report says that a grower, even if indebted, "is not bound to sell his produce to his creditor."<sup>4</sup> As a rule, indeed, he sells it in the open market and pays his creditor in cash. Much the same is reported of a village near Lahore. If, says the investigator, a money-lender offers less than the market rate, the cultivator takes his produce elsewhere and pays him with the proceeds. On the other hand, the Lyallpur and Sialkot village reports suggest that the indebted cultivator loses, and the Sialkot report says that the money-lender exercises considerable influence in fixing prices.

It is difficult to believe that in ordinary circumstances the seller is not prejudiced by being in debt to his dealer, if only because equality cannot subsist between debtor and creditor. But the evidence before us suggests that the disadvantage is less than is generally supposed. The popular idea on the subject is to a large extent based upon practices

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<sup>1</sup>*Op. cit.*, p. 388.

<sup>2</sup>Village Survey Report.

<sup>3</sup>P. 198.

<sup>4</sup>Gaggar Bhana, *op. cit.*, p. 117.

once common, but which now survive only where the cultivator is at the mercy of the money-lender. They are still common in parts of Gurgaon, Dera Ghazi Khan, Muzaffargarh and Multan, but even there they are less strong than they were, and it is significant that the survey report of the village near Multan (written in 1925) states that "the old system by which indebted cultivators fixed prices with their creditor shopkeepers, generally to their own disadvantage, long before the ripening of the crops has practically died out." The trend of the times is definitely against practices of this kind, and, as communications improve and education and knowledge of market rates spread, they may be expected to die out.

84. Where the indebted cultivator probably suffers most is in  
 Payment of Land Revenue. having to sell part of his produce directly  
 it is harvested to meet his obligations, for then  
 prices tend to be at their lowest. One of the most important of these obligations is the payment of land revenue. It would seem as if he must be prejudiced by the present system of payment, for under it he has to pay at a time when everyone else is paying, with the result that a very large amount of produce must come into the market at the same time and depress prices. In the Multan and Rawalpindi divisions what is known as the "echelon" system has recently been introduced, under which the payments of a district are spread over a month or more according to a village roster. The system, which was introduced for purposes of administrative convenience, is reported to be working well, and we understand that the question of extending it to the rest of the province is being considered. In the interests of the small proprietor who sells from necessity, irrespective of whether the market is high or low, we think that this should be done, and, in order that the change may have the fullest possible effect, we recommend further that, if other considerations permit, the period of a month should be increased to six weeks. What is said in paragraph 91 below provides a strong argument in favour of the change.

85. It is generally supposed that, even when not in debt, the cul-  
 tivator loses by selling his produce in the  
 Village and Market Prices compared. village. Our information does not altogether  
 justify this view. The Shahpur inquiry sug-  
 gests that the village dealer's margin of profit is only 2 annas a maund for wheat and 4 to 8 annas for cotton;<sup>1</sup> and the Income-tax Officer of the district reports that he works on a 5 per cent margin of profit. The Gaggar Bhana inquiry shows that the profit made is not excessive;<sup>2</sup> the Jullundur, that "the seller exercises the chief influence in deciding prices"; and the Jhelum, that the cultivator is more powerful than the local shopkeeper. The Okara Assessment Report of 1929 says that selling in the village "involves a slight net loss in produce," but that

<sup>1</sup>Note E, p. 196.

<sup>2</sup>Op. cit., p. 117.

“where the trader is prepared to take over produce at a fair price on the threshing-floor, most zemindars are glad enough to close with him” and shift on to his expert shoulders “the burden of coping with the dues and impositions of the mandi staff.”<sup>1</sup>

It is also sometimes stated that the grower who sells in the market does not get a fair price. Our evidence on this point is scanty and conflicting. One witness, a merchant of long experience, stated that the grower does not get full value, since he is not upon an equality with the buyer either financially or educationally. This is probably true of the less developed areas, but applies with much less force to the canal colonies. Both the Settlement Officer of the Nili Bar Colony and Mr. Conville, who farms 3,000 acres in Montgomery, thought that, on the whole, the prices paid were fair. Incidentally the Settlement Officer's evidence brings out the importance of two points in regard to prices—competition and transport facilities. He stated that an attempt made at Arifwala to extort more than was fair from the grower automatically failed, because the grower went elsewhere. In the early days of the Montgomery colony, too, there was a marked difference in the prices quoted at Arifwala, Chichawatni and Montgomery, though all were within forty miles of each other. But now transport facilities have improved so much that the grower can take his produce to which ever of the three suits him best.<sup>2</sup>

86. We have stated above that in his dealings with the market the grower labours under certain disabilities.<sup>3</sup> Better Organization of Markets. Strongly impressed by this, the Linlithgow Commission recommended that regulated markets on the Berar system as modified by legislation in Bombay should be established.<sup>4</sup> “Well-regulated markets,” they observe, “create in the mind of the cultivator a feeling of confidence and of receiving fair play, and this is the mood in which he is most ready to accept new ideas and to strive to improve his agricultural practice.”<sup>5</sup> At present he is “an infinitely small unit”<sup>6</sup> and, even if fairly treated, is likely to harbour doubt and distrust. The last point is well illustrated by the fact that in 1928 in the six markets dealt with in Note E less than 3 per cent of the shops were in the hands of agriculturists, and not a single local body had more than three agriculturist members.<sup>7</sup> Co-operative commission shops provide a partial remedy for this. But it will be shown that, though these societies are making steady, if somewhat slow, progress, they are hampered by many difficulties

<sup>1</sup>P. 22.

<sup>2</sup>Ev. i 142—47.

<sup>3</sup>Paragraph 81.

<sup>4</sup>Op. cit., p. 413.

<sup>5</sup>Ibid, p. 388.

<sup>6</sup>Ibid, p. 382.

<sup>7</sup>P. 201.

which it will take time to overcome. Consequently something more effective is needed to establish a proper balance between the interests of cultivator and trader, and we think that some kind of organization, in which the producer is adequately represented, is required for the control and regulation of markets. Judging by the efforts (described in Note E)<sup>1</sup> which have been made at Lyallpur, Chichawatni and Chak Jhumra to establish associations for the settlement of disputes and the control of market business, it would seem that even the trader feels the need of regulation. And it is only fair to him to say that the rules and regulations made by these associations and panchayats are reported to be just. But, however just they may be in principle, in practice, so far as prices, charges and deductions are concerned, "buyers invariably have things entirely in their own hands."<sup>2</sup> We, therefore, support the recommendation of the Linlithgow Commission that regulated markets should be established.

87. The part played by the commission agent in marketing has been described in Note E,<sup>3</sup> and it is clear from what has been said there that it will be long before he can be eliminated. His functions are of the most miscellaneous character, touching money-lending at one end and inn-keeping at the other.<sup>4</sup> On the whole, his charges would appear to be fair. Some, notably those connected with charity, would doubtless be out of place under more modern conditions, and with more efficient organization others might be reduced or eliminated. The British Cotton-growers' Association, which has recently started a commission agency business, is able to charge half the ordinary rates.<sup>5</sup> But this is mainly because a large amount of business is handled. Nor does it attempt to give customers as much personal attention as is given by the ordinary commission agent; the volume of business makes it impossible. It is an advantage of small-scale business, which is sometimes forgotten, that personal service can be freely given; and in judging the commission agent's charges this should not be forgotten.

One of the commission agent's functions has recently involved him in heavy loss, which might otherwise have fallen upon the producer. Every year a vast amount of grain, notably wheat, has to be stored for the consumption of the towns till the following harvest. Some of this is stored by the producer, some by the consumer, but the larger part by the middleman. For this he needs capital, and, if his own resources are not sufficient, he must borrow at 7 to 9 per cent. He has also to pay for storage accommodation, possibly, too, insurance charges,

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<sup>1</sup>P. 202.

<sup>2</sup>Cotton Inquiry Report, *op. cit.*, p. 32.

<sup>3</sup>Pp. 200-04.

<sup>4</sup>See p. 208.

<sup>5</sup>*Ev.* ii 944.

and he must allow for wastage, which, in the case of wheat, will hardly be less than 2½ per cent, and may well be 5.<sup>1</sup> Mr. W. Roberts, Managing Director of the British Cotton-growers' Association, estimates that with a harvest price of Rs. 4 a maund it would not pay to hold wheat over the monsoon unless the price rose to Rs. 4-6-0.<sup>2</sup> The graphs facing page 53 indicate that in only two of the last seven years would it have paid to hold cotton and wheat for any length of time, and that, though occasionally, as with wheat in 1928, large profits may have been made, the net result upon dealers of the whole period must have been loss. Mr. Roberts' evidence generally corroborates this. He normally stores a quarter of his wheat, but said that in the last five years it would have paid him better to sell both wheat and cotton as they came in. In regard to cotton, he added that every time he stored he lost, and sometimes he had not been able to get rid of it at the end of the season.

88. From this point of view it is perhaps fortunate that the ordinary cultivator has neither the ability nor the desire to hold up his produce for any length of time. The Cotton Inquiry showed that less than 6 per cent of the cotton under investigation was held up for sale after the 31st January for a rise in price;<sup>3</sup> and the village survey reports generally suggest that the holding up of produce for long periods on this account is unusual, except amongst the larger and better-to-do holders.<sup>4</sup> Amongst these the rise in prices after the war led to a marked strengthening of the tendency to hold, and of the village surveyed in Multan it is said that it would have "assumed large proportions" but for the fall which followed.<sup>5</sup> A number of the village survey reports give examples of the loss inflicted by this fall upon those who held. The loss of the

<sup>1</sup>A special inquiry recently made by the Imperial Bank all over India into the damage caused to wheat stored under its control by rat and weevil showed that it never exceeded 5 per cent, and that for the Punjab it was between 3 and 5 per cent (Evidence, vol. ii, p. 683). Mr. W. Roberts states that with his wheat, which is stored under very good conditions, the damage goes to 2½ per cent, and Dr. Harbans Singh of Sargodha, who stores his wheat in rat-proof godowns with cement floors, that it may go to 6 or 7 per cent. The deductions allowed by the Sugar and Grain Association of Amritsar may also be quoted (Evidence, vol. ii, p. 759).

Month.	Rate per maund.	
	Seers.	Chs.
Asauj (September-October)	0	6
Katak .. .. .	0	8
Magar .. .. .	0	12
Poh .. .. .	1	0
Magh .. .. .	1	2
Phagan .. .. .	1	4
Chet .. .. .	1	8
Bisakh .. .. .	1	10

<sup>2</sup>Ev. ii 940.

<sup>3</sup>Op. cit., p. ix.

<sup>4</sup>Both the Rohtak and the Jullundur village reports state that the better-to-do hold up their produce.

<sup>5</sup>Village Survey Report.

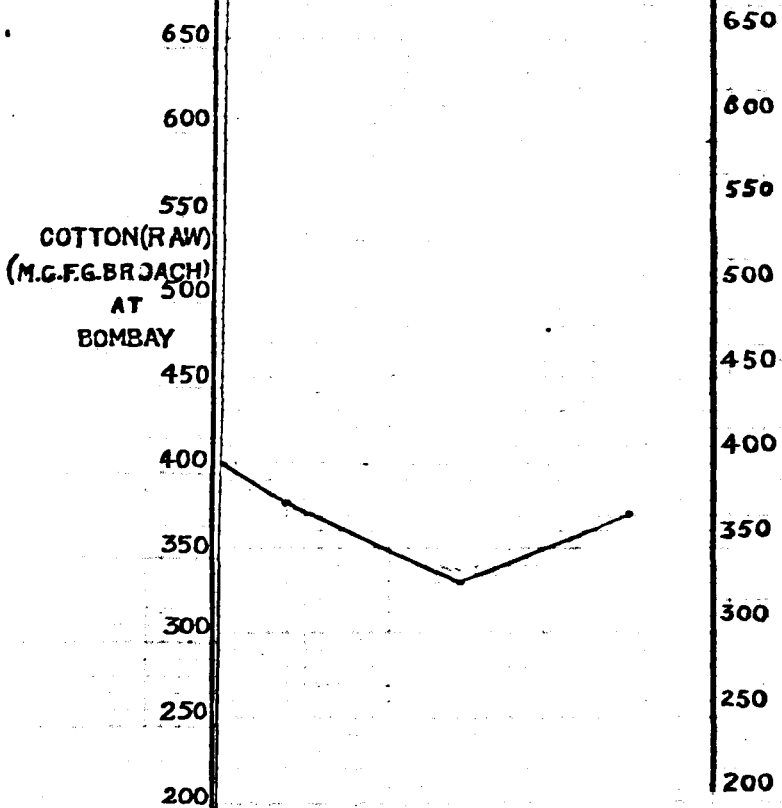
d-October 1924

WHOLESALE  
PRICES IN  
RUPEES PER  
CANDY

APRIL  
1928

OCTOBER  
1928

MARCH  
1929



TO FACE PAGE 58

larger holders has been the gain of the smaller. If the larger had not held, more produce would have come upon the market when the ordinary cultivator was selling, and lower prices would presumably have ruled. It may not be to the individual cultivator's advantage to hold, but it is certainly to the general benefit that some should hold.

Though the ordinary cultivator does not hold up his produce for any length of time, he will not sell it as soon as it is harvested, unless he is seriously involved. This appears to be one of the more marked changes of the last five or ten years. The Cotton Inquiry showed that a large part of the cotton crop was not sold till some time after it was picked.<sup>1</sup> Similarly the wheat crop is not rushed upon the market as soon as it is threshed, though few retain over the monsoon what they do not need for domestic consumption and seed. What is said in the Gaggar Bhana Report would probably apply to most of the central Punjab.

"It may be stated, as a general rule, that the produce of the village is not sold immediately, except sugar (gur) and rape (toria). Sugar is sold as soon as possible after preparation because it is believed to get drier and lose weight if kept. Toria is sold as soon as it is reaped because the cash obtained for it enables the cultivator to meet the first demand for land revenue for the autumn harvest. Cotton is kept till prices are favourable, but rarely longer than February, by which time the whole of the preceding crop has usually been sold. Occasionally, if a cultivator is hard-pressed for ready cash, he will sell some of his cotton as it is being picked. Much of the wheat is kept for local consumption; a portion is sold to pay the land revenue and occupiers' rates of the spring harvest. By selling his toria the cultivator is often able to hold his cotton for a month or two longer, so as to get a better price."<sup>2</sup>

89. The best single remedy for the growers' marketing difficulties is co-operation. It is, therefore, satisfactory to find that there are 25 co-operative commission shops and sale societies in different parts of the province, the first of which was started at Lyallpur in 1919. They are described at length in the last two annual reports of the Co-operative Societies Department, and require no detailed description here. In 1928-29 they sold produce of the value of 58 lakhs,<sup>3</sup> for 11 lakhs of which a single society, the Sale Society at Okara, was responsible. Their development is hampered by many difficulties. They make little appeal to the small holder, who, for reasons already explained, either cannot, or will not, sell in the market.<sup>4</sup> Most members are lukewarm in their support, and many do not use them at all for the sale of their produce. Last year, for the six shops in the Lyallpur district, the average value

<sup>1</sup>*Op. cit.*, p. iv.

<sup>2</sup>*Op. cit.*, p. 119.

<sup>3</sup>It has been ascertained that the figure (53 lakhs) given in the Co-operative Societies Report for 1929 (p. LXIX, col. 15) is not correct.

<sup>4</sup>*Cf. En. § 315.*



of the produce sold per member was only Rs. 320. Reliable and suitable managers are difficult to secure, and embezzlements are not infrequent. In spite of this, however, progress, though slow, is sure, especially in the canal colonies, where larger holdings provide more surplus produce for sale. Their financial position is reported to be sound,<sup>1</sup> and in five years their number has increased from 10 to 25, and their sales from 20 to 58 lakhs. This is a promising achievement, though not one upon which such larger schemes as that suggested by Mr. Owen Roberts can be safely based. The commission shops at present do *kachhi arhat*, and, as such, represent an attempt to deal co-operatively with marketing in its simplest form. When success has been achieved in this elementary stage, it will be time to consider more elaborate forms of organization. This moment is approaching at Lyallpur, where the local commission shop is said to stand first out of over 100 firms that do *kachhi arhat*. But it will probably be many years before anything of the nature of a pool can be organized on co-operative lines. The recent experience of the Canadian Wheat Pool shows how difficult it is to achieve success with this form of enterprise even with an educated and well-organized body of farmers. A small, but significant, point in the light of what follows is that very little advantage is taken of the storage facilities offered by commission shops, though they are mostly prepared to advance up to 75 per cent of value at 9½ per cent.<sup>4</sup> In 1923-29 four shops in the Lyallpur district stored only 398 out of the 37,429 maunds sold. They do little, therefore, to encourage the holding up of produce.

90. Before produce could be much more extensively held up in

Storage. the village, the storage accommodation would probably have to be considerably increased and also improved. In the Lyallpur village report it is said that for want of proper accommodation the cultivators think it better to sell their grain without much delay. If this is the case in Lyallpur, one of the most advanced districts in the province, we may assume that it is generally the case elsewhere. Big landlords and the more substantial owners in the colonies frequently have godowns, sometimes very carefully built, for storing large quantities of produce. And in the more insecure tracts provision is often made, though in much simpler fashion, for storing a year's, if not two years', supplies against a period of prolonged drought. In Rohtak, a case in point, the grain is stored in rooms with sanded floors or in large gunny bags, and, to prevent damage by insects, the grain is given a mixture of sand, and in the monsoon it is usually aired and put out in the sun to dry.<sup>5</sup> Where, however,

<sup>1</sup>Ev. i 236.

<sup>2</sup>Ev. ii. pp. 998-99.

<sup>3</sup>Explained in Note E (paragraph 16).

<sup>4</sup>In the Lyallpur district one (out of six) charges 12 per cent; the two societies at Ferozepore and Pindi Bahaudin do the same.

<sup>5</sup>Gijhi Village Survey (under publication).

as in most of the province, holdings are small and conditions not particularly insecure, storage accommodation is largely determined by the consumption of the family.

Opinion is divided as to whether storage facilities in town and market are sufficient. We think them generally sufficient in quantity, though possibly not adequate in quality. That in many towns and markets they are sufficient in quantity is conclusively proved by the figures given in Statement 16. These show that 32 towns and markets have a storage capacity of nearly 13 million tons, and that in 1927-28 and 1928-29 less than four million were stored there. Separate figures are given for ten markets in the Lower Chenab Colony. With a storage capacity of over two million bags, they accommodated only half a million in 1928-29 and less than a million in 1929-30.<sup>1</sup> In most towns produce is stored in more or less primitive godowns called *kothas*, and in both town and market produce is freely pledged as security for loans. It is impossible to say what proportion of total produce is stored, and we can only give the following estimates, which we regard as fairly reliable. The mandis of the Montgomery district are said to store 40 to 50 per cent of the wheat passing through them (as against 20 to 30 per cent three years ago), but only 5 per cent of the cotton, and the Gojra mandi 20 to 25 per cent of the produce marketed in it.<sup>2</sup> As to the ratio between town and village, the President of the Amritsar Sugar and Grain Association stated that only 25 per cent of the wheat sold in Amritsar was stored in the villages.

91. There is some evidence that more wheat is stored now than 15 or 20 years ago—for instance, the Montgomery figures just quoted—and it is suggested that this is due to a fall in export and an increase in the internal demand. There has certainly been a fall in export, and there are indications of a strengthening in the internal demand. Taking the all-India figures first, and comparing the five years ending 1929 with the last five years before the war, we get the following results. In each case the figures represent the annual average of five years:—

Amount.	FIVE YEARS ENDING	
	1914. <sup>3</sup>	1929. <sup>4</sup>
	Tons (ooo.'s).	Tons (ooo.'s).
(a) Produced in India .. .. .	9,570	8,567
(b) Imported into India .. .. .	1,118	142
(c) Exported from India .. .. .	1,308	333
Balance available for internal consumption.	8,263	8,326

<sup>1</sup>In the case of wheat, 11 bags weigh one ton.

<sup>2</sup>Fr. ii 719

<sup>3</sup>Review of the Trade of India, 1913-14, p. 68.

<sup>4</sup>Ibid., 1928-29, p. 87.

Three points emerge. Firstly, the later period shows a fall in production of nearly a million tons—the result of comparing a period of poor harvests with a period of good. Secondly, there is almost as great a fall in export; and, thirdly, in spite of the fall in production, the balance available for internal consumption is much the same. This last is due to the import of 710,000 tons during the five years, of which 562,000 were imported in a single year (1928-29). The conclusion would seem to be that India now consumes about as much wheat in years of poor harvests as she did before the war in years of good, and that she is able to make up deficiencies in her own production by imports from abroad. A reasonable inference is that her purchasing power has increased.

Turning now to the Punjab, we are in a difficulty, for, owing to the discontinuance of the provincial Internal Trade Report in 1923, import and export figures for the 1929 quinquennium are not available. We have, therefore, taken in their place the figures for the five years ending 1922. Again the average of five years is given—

Amount.	FIVE YEARS ENDING		
	1914.	1922.	1929.
	Tons (000.'s).	Tons (000.'s).	Tons (000.'s).
(a) Produced in the Punjab <sup>1</sup>	3,516	3,338	3,196
(b) Imported into the Punjab <sup>1</sup>	4	30	..
(c) Exported from the Punjab <sup>1</sup>	934	561	..
Balance available for internal consumption.	2,586	2,807	..

Agreeing with those for the whole of India, these figures show a fall in production; and the fall is the more striking because, thanks mainly to the spread of canals, the area under wheat cultivation in the Punjab has increased in the last fifteen years by 600,000 acres.<sup>2</sup> The explanation would appear to be the weather. That, in spite of the great increase in cultivation, average production should have fallen in the same period by 320,000 tons a year shows to what an extent this factor still dominates the food supply of the province.<sup>3</sup> This is even more clearly shown by this year's crop, the outturn of which is estimated at 4,142,000 tons, or nearly a million tons more than the 1929

<sup>1</sup>Punjab Internal Trade Reports (Statement II) and Director of Land Records. The figures include Punjab States, but not Delhi or the North-West Frontier Province.

<sup>2</sup>Average sown area under wheat for the five years ending—

	Acres.					
(a) 1914	..	..	..	..	..	8.9 (millions).
(b) 1929	..	..	..	..	..	9.5 "

<sup>3</sup>In the 1914 quinquennium two harvests were normal, one above normal, one below and one "excellent." In the last period three were normal, one below and one poor.

figures given above.<sup>1</sup> As to internal consumption, the balance available was 221,000 tons greater in the second period than in the first, and this is the more significant, since harvests were better in the first period than the second. Another significant figure is that, whereas in the earlier period the wheat exported from Karachi was equivalent to 90 per cent of the total amount exported from the Punjab, in the later it was only 59 per cent.<sup>2</sup> In other words, not only does the internal consumption of wheat appear to be increasing in the Punjab, but a larger proportion of its surplus seems to be going to other parts of India.<sup>3</sup>

These two points have a direct bearing upon the question of storage. When Punjab wheat was being freely exported from Karachi, it was mainly in demand in June and July to fill up a gap in the European market between the Argentine and the Australian crops, and the bulk of the export had not to be stored for long. But, if internal consumption, whether within or without the Punjab, is taking the place of foreign export, it is clear that the demand for the surplus is likely to arise at the end, rather than at the beginning, of the year, and that much of what used to be shipped from the country soon after it was harvested will have to be stored, possibly for many months. It will also be to the interest of the grower not to sell much of this surplus wheat as soon as it is harvested. With a strong demand for export in June and July he did not suffer much by early sales, but with a redirection of export he might suffer severely. This gives point to the recommendation made above that the payment of land revenue should be spread over as long a period as possible, and also bears upon what follows.

92. Though there is ample storage accommodation in the Punjab, it must be admitted that most of it is of Licensed Warehouses. a very primitive character. It would, therefore, be an advantage if well-built godowns could be provided. With this object it is suggested by some that licensed warehouses on the

<sup>1</sup>Fourth wheat forecast (*Civil & Military Gazette*, 31st May 1930). For the Punjab, excluding Punjab States, the estimated outturn is 3,715,000 tons; and, though the area under wheat (9·89 million acres) is only 5 per cent above the quinquennium average, the output is 30 per cent better.

	FIVE YEARS ENDING	
	1914.	1922.
*Annual average export from—	Tons.	Tons.
(a) Punjab .. .. .	934,000	561,000
(b) Karachi .. .. .	840,000	331,000
Percentage of (b) to (a) .. .. .	90	59

For the Punjab see annual *Reports on the Internal Trade of the Punjab*, and for Karachi the annual *Review of the Trade of India*.

<sup>2</sup>Punjab wheat goes mainly to the North-West Frontier Province, Baluchistan and the United Provinces, and even finds its way to Bombay and Calcutta, but there it comes into competition with Australian wheat.

American model should be established, and it is claimed that, if this were done, their managers could issue certificates as to grade and quality, which would be useful instruments of credit and in time become negotiable. The information before us is not sufficient for us to judge how far, if at all, the American system is appropriate to conditions in the Punjab; but certain considerations suggest themselves. The warehouses would have to be built either by private enterprise or by Government, or by a combination of both. We doubt the possibility of the first. The second might be feasible, but in that case overhead charges would be high, higher probably than either producer or trader would be prepared to pay. The third method, too, would require a large measure of Government control, which would hardly conduce to the popularity of the warehouses. Even if these difficulties could be overcome, there would remain the vital difficulty of standardization, which appears to be essential to the success of a scheme of this kind. Without standardization the certificates issued by the managers would necessarily be vague and, therefore, of doubtful value as instruments of credit. Yet, with the present system of cultivation and marketing, standardization is impossible. Mixing is too freely practised in the case of cotton, and in the case of wheat single bags may contain half a dozen different varieties. A scheme of this kind would stand a much better chance of success if all concerned were prepared to pool their produce and be content with the *average* price of the season, instead of seeking the highest. But the cultivator has a rooted objection to pooling, and in the Punjab this objection alone is a serious obstacle to the scheme, for most holdings are so small that, without pooling, it will be difficult to handle produce in bulk. As to this, the Linlithgow Commission observe: "We have grave doubts whether the difficulties have been sufficiently appreciated of dealing with a multitude of small, and, for the most part, uneducated, cultivators whose individual contributions are very much smaller than are those of farmers in countries in which the system has been successfully worked."<sup>1</sup> A further objection to the scheme is that it would inevitably tend to encourage the grower to hold up his crop, and if, as has been shown, this is risky for those who are capable of taking a long view of the market, it is doubly so for those who have too little education and knowledge to take any view at all.

93. Much the same objections would seem to apply to the further proposal, to adopt, with suitable modifications, the cotton marketing system recently introduced into Egypt. Under this system Government undertakes both to gin cotton and sell lint, and offers facilities for storage, and makes advances at reasonable rates against the produce stored. Again we have not enough information to pronounce upon the feasibility of the scheme. In view of what has been said above about the strength-

<sup>1</sup>Op. cit., p. 406.

ening of the internal demand for wheat and of its bearing on the question of storage, we think that some system of storage controlled by Government may ultimately be desirable, but at present we consider it premature. In any case, before an attempt is made to introduce the Egyptian system, we recommend that a deputation, which should include an official, an agriculturist and a grain dealer, should be sent to Egypt to examine and report on its working.

94. One of the advantages claimed for the Egyptian scheme is that it facilitates borrowing against produce. Facilities for this in the Punjab already exist and are increasing. Four years ago, following the example of other banks, the Imperial Bank started advancing against grain and cotton in the Punjab. It has succeeded so well that it is developing this wherever it can, and is already operating in every large market in the Punjab and is now extending its operations to markets in the Punjab States. Last year half the advances made at Lyallpur were of this character, and in the whole province about 76 lakhs were at one time out on loan. In some places godowns (generally with a capacity of a thousand maunds) have been built to facilitate dealings, some of them even by landlords. At many places the bank has its own hired godown, and it encourages the construction of suitable godowns at places where there is a shortage of storage accommodation, or where the godowns in use are not acceptable to the insurance companies. But generally other people's godowns are used. Some of these are merely rooms in houses, upon which the bank puts its own lock. Every godown must be approved before it can be used, and the bank will only approve places which admit of complete physical possession being taken. Before an advance is made, the applicant's financial position is the subject of careful inquiry, and also his general trustworthiness, since character and finance are intimately connected and a man's integrity is of as much importance as the security he offers. If the results of the inquiry are satisfactory, a maximum credit limit is fixed and an advance made. The produce is weighed and stored in the presence of one of the bank's employees, and is periodically inspected, but not turned over. Grain already in store is only accepted in exceptional cases. Generally advances are allowed up to 75 per cent of value in the case of grain and up to 70 per cent in the case of cotton. In the event of a fall in price, the borrower is required to maintain this margin either by adding to the produce stored or by repaying part of his loan. This has had to be freely done of late owing to the heavy fall in prices, and no serious difficulties have been experienced. The margin is required to cover not only a fall in price, but also the possibility of the produce deteriorating, of interest accumulating and of sale, with its incidental expenses, being necessary. The produce may be left in storage till the next harvest of the grain in question, provided the borrower's financial position and the state of the market continue satisfactory; but it is unusual to allow it to be carried over from one season to another, and at Lyallpur the average period of

storage is five to six months. In the case of grain,  $7\frac{1}{2}$  per cent is charged during the first six months of the calendar year, during most of which money is dear, and 7 per cent in the last six months. In both cases, the charge includes the services of a godown-keeper<sup>1</sup> and a watchman, the cost of insurance and other incidental expenses, which at one time were debited to the borrower. For cotton the charge is 1 per cent over the bank rate, subject to a minimum of 6 per cent per annum, and the cost of insurance<sup>2</sup> has to be paid as well, making  $8\frac{1}{2}$  to 9 per cent when the bank rate, is 7 per cent. The cotton rates are higher than those for grain, because money is dearer during the cotton season and insurance rates are higher. Cotton is not so freely handled as wheat, for falling prices have not infrequently led to arson, and most of the insurance companies now refuse to insure it when stored in factory compounds.<sup>3</sup> Consequently, the bank's advances are almost entirely confined to cotton stored outside the factory. Though it is prepared to advance against cotton lying loose in a factory which does not gin for others, provided the borrower can arrange the necessary insurance cover with an approved company. But, owing to its bulk and its liability to damage and dryage, very little cotton is stored before it is ginned and pressed. Nearly all the bank's grain dealings are with commission agents, and so far no attempt has been made in the Punjab to extend them to villages. The difficulties are too formidable. Storage accommodation in the village is generally primitive; the amounts offered for storage would be small—at present the smallest amount likely to be handled in one lot is 250 maunds in the case of grain and 10 bales in the case of cotton<sup>4</sup>—it is not easy to get complete possession, and in the rains the condition of the roads makes periodic inspection difficult. Moreover, an experiment made in Madras failed. Even in the mandis difficulties were experienced at first. Clients were reluctant to have their produce checked, and to give complete possession and to submit to the necessary supervision; some, too, objected to the measure of publicity involved. To overcome these prejudices, some latitude was allowed at first, but this is no longer necessary.

95. Other banks, apart from the Imperial Bank, advance against produce—for example, the Allahabad Bank, the Central Bank of India, the Punjab National Bank and the People's Bank of Northern India—but the last two find it difficult to compete with the rates charged by the Imperial Bank. Some business is also done by the Amritsar Sugar and Grain Association. This association, which has been registered as a limited liability company, is of so unusual a character that it must be described in detail. Formed twelve years ago to

<sup>1</sup>A godown-keeper is paid from Rs. 65 to Rs. 140 per mensem.  
<sup>2</sup>The insurance premium on baled cotton is 12 annas per cent per annum if stored in a normal second-class godown and Re. 1-4-0 if stored in a working factory.  
<sup>3</sup>Ev. i. 701.  
<sup>4</sup>There is no hard-and-fast rule, and agents are allowed to use their discretion in the matter.

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control the very extensive forward business done in Amritsar in sugar and grain, the association now includes all the principal grain dealers of the city—about 100 in number—and has made it difficult, if not impossible, for anyone to do forward business without joining it. Each member is obliged to buy a share of Rs. 1,000, but may not acquire more than five. The shares sell at a premium, which last year's dividend of 95 per cent sufficiently explains. All forward transactions are registered daily, and for every 500 maunds purchased Rs. 100 must be deposited as a margin to cover fluctuations in price. When 75 per cent of the margin is absorbed, a further deposit, sufficient to bring it up to its original value, is demanded. In a sense the association might be said to encourage speculation, but the President<sup>1</sup> stated that what it did was to secure that all speculation should be done with proper guarantees, and he claimed that this was a useful service. A further service is the settlement of all disputes between members free of charge by a board of arbitration, and last year between 400 and 500 disputes were settled in this way. Thanks to shares and deposits, the association has ample funds, and part of these it employs in advances against grain. Last year it had as much as Rs. 80,000 out at one time. The terms are somewhat easier than those of the Imperial Bank. Up to 80 per cent of value is advanced, and interest is at  $5\frac{1}{2}$  to  $7\frac{1}{2}$  per cent.<sup>2</sup> Godown rent has also to be paid at Rs. 11 a month per *kotha*, with a minimum charge of Rs. 66 (six months' rent). The *kotha* is generally a small room with a capacity of about 900 maunds, and not long ago one could be found behind every corn dealer's shop. Now the tendency is towards concentration, and there may be fourteen or fifteen in a single compound. In all there are five or six hundred in Amritsar capable (at 900 maunds a *kotha*) of storing about 450,000 maunds. Their contents are constantly changing hands, and it was the great speculation in them towards the close of the war that produced the association. Not the least of the latter's services is the maintenance, for its members' use, of correct weights and scales. Four sets are kept in different parts of the city so that disputes may be settled promptly.

The *kotha* system is by no means peculiar to Amritsar, and is in use in Lahore, Kasur, Ferozepore and Kot Kapura, and in towns as far apart as Kaithal and Mianwali. But only in Gojra have we heard of anything corresponding to the Amritsar association. There the commission agents have formed two limited liability companies to control the forward business, and they take earnest money from the contracting parties and make themselves responsible for the final settlement of all transactions on the proper date.<sup>3</sup>

A curious feature of this form of speculation is the part played by the astrologer. We were informed in Multan that 50 per cent of the merchants there buy and sell on his advice. A number of witnesses

<sup>1</sup>He is our authority for this account—*Ev. ii.* 753.

<sup>2</sup>*Cf. Ev. ii.* 756.

<sup>3</sup>*Ev. ii.* 719.



complained that the profits of speculation went to European, rather than to Indian, firms. If there is any truth in this, a reason may be—and the reason was actually put forward by an experienced Indian merchant—that European firms depend for their guidance upon a knowledge of world prices, and not upon the stars in their courses.<sup>1</sup>

96. From village to mandi the marketing of produce is largely financed by the village shopkeeper who is generally also the village money-lender, and to a lesser extent by the commission agent and the co-operative society. The village shopkeeper works principally with his own capital, but often—75 per cent, it is said, in Shahpur<sup>2</sup>—supplements it by advances from the commission agents. These advances are made less with the object of practising money-lending than of attracting business. Occasionally—indeed, frequently, in Rohtak<sup>3</sup>—the village shopkeeper helps to finance the commission agent by lending him his spare cash at 9 per cent or less.

In the mandi the commission agent finances the storage and sale of the produce till it is actually paid for by, or on behalf of, the purchaser. Like the village shopkeeper, he works mainly with his own capital, but adds to it such modest deposits as he can attract from a relative and neighbour. When he requires more, if in a small way of business, he goes to a more substantial commission agent, who charges him from 9 to 12 per cent;<sup>4</sup> and if in a large, to an indigenous banker or commercial bank, which charges from 6 to 9 per cent according to the security offered. When the security is grain, possession of which is delivered, the charge, as we have seen, is only 7 or 7½ per cent, and this security is being increasingly used. But, when it takes the form of house property, the charge goes up to 9 per cent; and, if the borrower is not entirely reliable, up to 12 per cent. In the slack season rates are lower, and may fall to 6 per cent.<sup>5</sup> From market to port or Indian destination finance is mainly supplied by the commercial banks, notably by the Imperial Bank, and to a lesser degree by the big exporting firms, indigenous bankers and guarantee brokers, but this is dealt with in the next chapter.

97. As this chapter is a long one, for the sake of clearness, we sum up our conclusions as follows:—

Summary.

- (i) The large majority of growers sell their produce in the village, and do this as much from preference as from necessity (paragraph 75).

<sup>1</sup>Ev. ii pp. 864, 868.

<sup>2</sup>Note F (p. 216).

<sup>3</sup>Note K (p. 244).

<sup>4</sup>At Sonapat commission agents who require funds go to Delhi (27 miles away), where they can borrow from other commission agents at 6 per cent—Ev. ii 766.

<sup>5</sup>Ev. ii 862.

- (ii) The grower suffers from the badness of village communications, and to a much less extent from lack of information about market prices (paragraphs 76 and 77).
- (iii) In the market he is prejudiced by having little or no voice in its organization and control. This applies particularly to some of the charges and deductions commonly made, but only to a very slight extent to the system of selling (paragraphs 78 to 81).
- (iv) In both village and market he is prejudiced by the common use of inaccurate weights and scales, and there is reason to believe that in many cases inaccuracy leads to fraud, though usually on a petty scale. By-laws on the subject have been passed by many local bodies, but are rarely enforced (paragraph 82).
- (v) The effect of indebtedness upon marketing is less than is popularly supposed, and is diminishing (paragraph 83).
- (vi) The present system of land revenue payment probably has the effect of depressing market prices at the time of payment to the disadvantage of the smaller peasant proprietor (paragraph 84).
- (vii) Subject to what has been said in (iii) and (iv), village and market prices are, on the whole, fair to the grower (paragraph 85).
- (viii) The commission agent is at present an indispensable feature of marketing, and performs the useful function of storing the produce required for the consumption of the towns. In the last seven years, so far as wheat and cotton are concerned, this has probably involved him more often in loss than gain (paragraph 87).
- (ix) The ordinary cultivator does not hold up his produce for any length of time, but tends less than he did to sell as soon as it is harvested (paragraph 88).
- (x) Pools at present are impossible, but co-operative marketing in the simple form of the sale society and the commission shop is establishing itself (paragraph 89).
- (xi) Storage facilities are sufficient in quantity, but not in quality (paragraph 90).
- (xii) Statistics suggest that the internal demand for wheat is increasing at the expense of the foreign. If so, the demand for storage facilities and financial accommodation is likely to increase (paragraph 91).
- (xiii) Licensed warehouses are at present premature, but may be needed in time (paragraph 92).

- (xiv) Large sums are now advanced by banks, particularly by the Imperial Bank of India, against produce, possession of which is taken, and the business is likely to increase in the near future, especially in regard to wheat. Advances against cotton present more difficulty owing to the danger of arson (paragraph 94).
- (xv) In Amritsar forward contracts are regulated by an association, which also settles disputes and makes advances (paragraph 95).
- (xvi) Credit facilities are adequate, and, in the case of approved customers, interest rates run from 6 to 9 per cent; others have to pay up to 12 per cent. Village rates are higher (paragraph 96).

## CHAPTER VIII.—INTERNAL TRADE.

98. The foreign trade of the Punjab treated in this chapter does not include the trade crossing the frontiers on the North-West, or passing to and from the territories lying beyond the Himalayas ; and takes no account of the exchange of goods between Indian States and the British provinces lying on its borders. What is considered is the trade through Karachi and Bombay, principally through Karachi, which is the chief seaport that serves the land-locked Punjab both in exports and imports. We visited Amritsar, which is the Punjab's emporium for imports from overseas, and Lyallpur, an important and typical colony town, which exhibits all the features of the export of produce from this province. The important articles of export are wheat, oil-seeds, and cotton ; and, to a smaller extent, gram, barley, bones, and wool. The cotton and grain are exported by rail from all over the province, but wool and bones from a few places only. Wool is chiefly exported from Fazilka and Abohar, where it is received and cleaned ; and, to a less extent, from Lahore, Amritsar, and Multan. We were unable to visit either Fazilka or Abohar, but the Income-tax Officer, Ferozepore, kindly made a detailed enquiry for us at both places, the results of which will be found in note F ;<sup>1</sup> and we believe that, so far as financing is concerned, to which our enquiry is expressly limited, there are no remarkable differences demanding special notice.

99. The exports of wheat, cotton and oil-seeds overseas is done mostly by exporting firms which are established abroad, and have branch offices or agencies in important supply places all over the province, with their section head offices at Karachi and Bombay. So far as cotton is concerned, these firms buy it in one of two ways. Either (a) they buy it in the Punjab raw or in pressed bales and pay for it on the spot, directly or through their shroffs, in cash, currency notes, or in drafts drawn on Karachi or Bombay. If drafts are given to the sellers of cotton, they are sold to the Imperial Bank, exchange banks, Indian joint stock banks ; or they are collected at Bombay and Karachi by the holders through their own banks and commission agents ; and money is then remitted to the Punjab through the sources mentioned above.

If shroffs are employed by the exporting firms to make their purchases for them, the firms reimburse them by giving them demand drafts on their port offices and remunerate them by paying them a commission of five to eight annas per cent. This rate includes interest and charges for delivery of cash or notes at the factory point or in mandis. The shroff keeps himself in funds by selling the drafts to indigenous bankers and commercial banks.

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<sup>1</sup>p. 210.

Or (b), the exporting firms buy the Punjab cotton from stock in pressed bales of 492 lbs. at Bombay and Karachi, which has been consigned to these port towns by ginnerers on their own account. The ginnerers consign to their commission agents, from whom they generally draw 75 to 85 per cent of the market price of the day, paying interest varying from  $7\frac{1}{2}$  to 9 per cent, *plus* godown charges and commission. The owners of the cotton (generally the ginning factories) have to maintain a margin of 15 to 25 per cent, as the case may be, to guard against fluctuations of price. The exporting firms pay the commission agents in cash, and hand over their invoices and bills of lading to an exchange bank to collect in the usual way at destination. We have not enquired into the rates of discount and scale of accommodation, or other terms of business governing the finance of shipments abroad, such as insurance, shipping, commission, and brokerage charges.

Occasionally, but rarely, cotton is consigned for sale in England, or against direct sales already made on telegrams received from some country in Europe. In this case finance is obtained from the exchange banks against credits arranged by importing firms, or more rarely by the exporters themselves. But full details as to exactly how this is done are not before us.

100. Until recently, wheat and wheat products "flour, etc.," formed a very important item in the list of exports from Karachi; but of recent years their export has considerably fallen, as will be clear from the following figures<sup>1</sup> :—

<i>Five years ending</i>		<i>Annual average export of wheat from Karachi.</i>
		Tons.
1914	.. ..	840,000
1929	.. ..	856,000

Exports of wheat from Karachi are mostly on behalf of the exporting firms, which buy up-country on Karachi pass, or outright, and also from commission agents and merchants in Karachi. If wheat is bought on Karachi pass, a portion of the price is paid before railings to the local agent of the exporting firm against delivery of the railway receipt, and the balance on pass at Karachi. The precise amount of the balance will depend upon the result of the analysis of the produce done at Karachi. Payments are generally by cheques and drafts drawn on the Imperial Bank of India, on exchange banks, or on the firm's own offices at Karachi. Punjabi merchants who consign wheat to Karachi for sale in a rising market depend chiefly on Indian banks, including the Imperial Bank, to negotiate their railway receipts and drafts. The drafts are drawn on their agents, who may be their own head offices or sub-offices at Karachi or independent commission agents. They are mostly demand drafts, but include a certain number

<sup>1</sup> Cf. also the figures in paragraph 91.

drawn at 30, 45 or 60 days' sight. With approved clients this business is done on a margin basis of 20 or 25 per cent.

101. Exports in oil-seeds generally follow the same course as wheat, excepting that oil-seeds are less frequently stocked in mandis than wheat.

Oil-seeds.

102. Wool is consigned to Liverpool mainly from Abohar and Fazilka, and in smaller quantities from Lahore, Amritsar, and Multan. The consignors are mostly Indian merchants, who buy wool in these markets on arrival, and sometimes from outside, as, for instance, in Bikaner, and pay for it from their own resources, or from money borrowed locally by the sale of hundis or by cash credit accounts with Indian joint stock banks, including the Imperial Bank.

Wool.

Consignments to Liverpool are made through foreign exporting firms in India and by merchants direct. In the first case, the firms advance from 60 to 75 per cent of the Indian price against railway receipts, and charge commission, insurance, interest, and shipping charges, etc.

In both cases the accounts are adjusted on receipt of the sales account from Liverpool. A more detailed account of the wool trade will be found in note F (part I).<sup>1</sup>

103. Hides and skins form another important item of export, but they are generally railed to Agra, Calcutta and Madras, to be half tanned prior to export. From the villages these articles mostly find their way to Lahore and Amritsar, where there are a large number of middlemen known as Khojas, who buy them from villagers or from other Muhammadan middlemen. They store and sort them into light and heavy grades, whole and imperfect, "cows" and "buffalces," and forward them to Calcutta and Karachi on consignment, or against outright sales previously made or on account of shippers at the ports.

Hides and Skins.

Transactions between these store-places and ports are financed by the Khojas themselves, who are generally well-to-do people; but they also raise money by hundis, which are discounted with sahu-kars, merchants, traders, lawyers, and banks. From the ports financing follows the traditional line of operation through the exporting firms and the exchange banks.

104. The main imports into the province from overseas are sugar, textiles, machinery, motor cars, and metals; other goods, whose name is legion, are imported in comparatively small consignments and do not require individual treatment.

Chief Imports.

Karachi is the chief importing port for them all, and the chief distributing centres are Delhi for the south-eastern Punjab; Amritsar for the central and northern Punjab, and Karachi itself for the south-western Punjab. Sugar, however, sometimes works its way

<sup>1</sup>P. 210.

up to the eastern and southern Punjab *via* Calcutta and Bombay, if railway freights and the fluctuations of the market are favourable. There are several distributing centres for motor-cars, but Delhi and Lahore are the principal ones. Rawalpindi too is of importance on account of the heavy demand for the Kashmir traffic. The five main articles of import are imported into the distributing centres by firms which, in the case of textiles, have their branch-offices or representatives in Delhi and Amritsar ; and, in the case of metals, at Amritsar, Lahore and Delhi. For motor-cars there is more than one distributing centre ; and for machinery Lahore and Bombay are the only centres of sale and distribution.

105. Except in the case of sugar, and to a smaller extent of textiles from Italy and Japan, the importers are generally foreign firms who import against orders booked with them by others, or on their own account. In the machinery mart most of the buyers have to pay in advance sums varying from 10 to 25 per cent of the price settled. Those who buy on a small scale have sometimes to do the same to cover risks. Motor-cars, however, are imported at the risk of manufacturers or distributors.

In all cases, invoices, drafts and bills of lading are taken up by the exchange banks working in India from the exporting firms at the places of origin, or by banks in other countries, which negotiate them through the Indian branches of the exchange banks, or occasionally through representative Indian banks, who act as collecting agents of foreign banks which have no branches in India. If the importing firms have their own offices in Amritsar, they collect the goods themselves from the railways and issue their own invoices ; and, on payment of invoice values or by special arrangement, they deliver the goods in one or more instalments. Thus it is clear that Indian finance, except to the extent of advances made for the purpose of providing security against orders, plays no part in financing the import trade from the country of export to the distributing centre.

106. From the distributor or distributing centre to the consumer there is an intermediate stage of stocking of goods which is freely financed by all banks. In the case of textiles, it is mostly done by the exchange banks at bank rate, subject to a minimum of 7 per cent *plus* godown charges.

In other cases, the Indian joint stock banks share in the financing operations on varying terms, by keeping goods in their own godowns or by taking possession of goods in the distributor's godowns, by discounting and purchasing hundis, by opening cash credit accounts on personal security, or by taking some kind of collateral security other than sureties and the goods concerned. Interest at this stage varies from 7 to 9 per cent in the case of substantial firms, and from 10½ to 12 per cent in the case of others.

107. As both the export and the import trades are principally handled by foreign firms, which as exporters take over the goods from the mandis or from Karachi, and as importers carry the goods (except in the case of machinery) to the distributing centres, there is a very small demand for finance on either account from the Indian banks. For storing purposes the exchange bank is generally helpful, though in Amritsar some thought their combined interest and godown charges too high.

So far as we can judge from the evidence before us, there appears to be no difficulty in carrying on this trade under present conditions and by present methods. But, if at any time Punjabis try to take a larger part in the foreign export trade, their efforts may conceivably be hampered at the outset by the absence of an Indian overseas bank ; but no opinion can be hazarded on the point at this stage.

108. Amritsar is of such importance as a distributing centre for piece-goods that it deserves special mention. A banker estimates that roughly 90 per cent of its imports are of this character.<sup>1</sup> They are imported not only from England, but from France, Germany, Italy, Czechoslovakia, and Japan.<sup>2</sup> A detailed account of the way the business is financed at each stage is given in a note kindly prepared for the committee by Lala Asa Nand, M.A., Income-tax Officer, Amritsar.<sup>3</sup> Up to the arrival of the goods in Amritsar the method is that already described. The trade is almost entirely financed by the exchange banks, and of the two dozen merchants whose business runs into lakhs, only five or six are said to take advances from an Indian joint stock bank.<sup>4</sup> From the importers, goods pass into the hands of the wholesale dealers. These sell through commission agents to the innumerable dealers who come to Amritsar from all parts of the central Punjab, and from the north as well, to restock their shops. The wholesale dealer is financed partly by the importer, partly by Indian joint stock banks, and to a small extent by indigenous bankers. The importer advances up to half the value of the goods at 6 per cent, and allows his accounts to run for four or five months, sometimes for much longer.<sup>5</sup> Similarly the wholesale dealer gives the commission agent credit at 6 per cent, and allows him ten days' grace.<sup>6</sup> The commission agent on his side works on much the same system as the commission agents described in chapter VII. He too allows his clients credit at 6 to 9 per cent<sup>7</sup> on the understanding that payment will be made within a month, but in this case there is no period of grace.<sup>8</sup>

<sup>1</sup> Ev. ii. 664.

<sup>2</sup> Ev. ii. 1056.

<sup>3</sup> Note V. (p. 322).

<sup>4</sup> Ev. ii. 631.

<sup>5</sup> Ev. ii. 1059.

<sup>6</sup> Ev. ii. 733.

<sup>7</sup> Ev. ii. 853 and 1059.

<sup>8</sup> Ev. ii. 733, 957 and Note F.



It is clear therefore that the whole piece-goods business is largely financed, directly or indirectly, by the commercial banks, for even those who do not deal with them obtain credit from those who do. In most cases dealers and commission agents have capital of their own; but, when parties are known to each other, credit is so freely given that a large business may be done almost entirely without capital. The commission agents in particular supplement their resources by taking deposits, generally from relatives and friends, and to some extent from shopkeepers.

109. The effects of this long chain of credit are not always happy, and some ascribe the overtrading and speculation that has taken place of late to its baneful influence. It can be understood that, when trade is brisk and prices rising, many are tempted to order more goods than they can sell or finance. And this applies not only to Amritsar, but to the Punjab in general. More than one banker stated that in the higher ranks of business credit and caution were improving,<sup>1</sup> but many witnesses were of opinion that in the lower ranks much harm had been done by an undue expansion of credit which began with the post-war boom.<sup>2</sup> This was repeatedly stated in Amritsar, and a banker there informed us that about 80 per cent of the traders had been carrying on their business on borrowed capital, and many had suffered losses because the capitalists who were financing them stopped their advances.<sup>3</sup> Many of the merchants we met elsewhere also took the view that credit facilities should be expanded with caution. If, said those in Montgomery, small traders get easy credit, "they work recklessly." And the director of an important bank at Sargodha, who has much experience of business, thought that the traders there would not be the better at present for increased credit facilities "because they have speculative habits, and these inherited habits have ruined them."<sup>4</sup> It would almost seem as if the expansion of credit was only less harmful for the trader than for the cultivator, and that, just as it has involved the cultivator in a great increase of debt, it has also involved the trader in losses which he might otherwise have escaped. Our conclusion, therefore, is that credit facilities are sufficient for those who can use them wisely,<sup>5</sup> and that what is wanted for both cultivator and trader is not more credit, but better credit.

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<sup>1</sup>See, for instance, *Ev.* pp. 631, 674.

<sup>2</sup>*Ev.* pp. 191-92, 194-95 and 738. *Cf.* *Ev.* pp. 537, 688.

<sup>3</sup>*Ev.* ii. 630-31.

<sup>4</sup>*Ev.* ii. 1088.

<sup>5</sup>*Cf.* *Ev.* ii. 630.

## CHAPTER IX.—SMALL INDUSTRIES.

110. Owing to the very limited time at our disposal,<sup>1</sup> and to the large number of other questions which we had to deal with and which we thought more pressing, we found ourselves unable to spare much time for the consideration of industrial finance, and the only industry to which we personally paid any special attention was weaving. By the courtesy of the Director of Industries and of the Registrar, Co-operative Societies, we were, however, able to have special enquiries made into the finance of the following industries :—

General.

- (1) The cotton-ginning, oil-milling, ice-making and flour-milling factories of Lyallpur ;
- (2) The iron foundries of Batala and Ambala ;
- (3) The sports gear industry of Sialkot ;
- (4) The cutlery industry of Wazirabad, Nizamabad, and Bhera ;
- (5) The hardware industry of Gujranwala ;
- (6) Hand-loom weaving ;
- (7) Tanning ; and
- (8) Country shoe-making.

The results of these enquiries will be found in note P<sup>2</sup>. They suggest that, whereas organized industries, such as cotton-ginning and flour-milling, can finance themselves without serious difficulty at 9 to 12 per cent, cottage industries have usually to pay from 12 to 24 per cent, and sometimes more. This is a serious handicap which, it is generally agreed, can only be removed or mitigated by co-operation. The enquiries suggest further that the weaving and tanning industries are definitely on the decline.

111. Weaving is much the most important cottage industry in the province. According to the last census, the number of persons supported by the textile industry in 1921 was 896,026. A more definite estimate puts the number of hand-loom weavers (actual workers) at 192,544.<sup>3</sup> These include the most heterogeneous elements, *e.g.*, Pathans, Jats, Awans, barbers, minstrels (mirasis) and tanners. During the Swadeshi movement even Brahmins and Khattris took to it, and it may be said that the notion which was once prevalent amongst orthodox Hindus that weaving was a menial occupation has lost much of its force. In the western Punjab they are mostly Muhammadans, but in the Ambala Division they are nearly all Hindus. It seems that superior fabrics are generally woven by Muhammadans, and the

<sup>1</sup>Explained in paragraph 6.

<sup>2</sup>P. 274.

<sup>3</sup>Mul Raj : The Textile Industry, Punjab Industrial Monographs, 1920, p. 1.

coarser by Hindus of the lower castes. The explanation of this is that the Muhammadans are hereditary weavers, while Hindus are still comparatively new to it.<sup>1</sup> The value of the goods woven every year is estimated thus—

				Rs. (lakhs).
Cotton	..	..	..	.. 2374
Silk	..	..	..	.. 382
Wool	..	..	..	.. 441

112. The common method of finance is for the capitalist who owns shops at all the important weaving centres to "give out work to the weavers on the piece-wage system, and keep a large stock of cloth for export to places outside the province."<sup>5</sup> Under this system the weaver obtains his yarn from the middleman on credit on the understanding that the finished products will be sold through him. The system is subject to all the disadvantages incidental to such arrangements in this country; that is to say, a high price has to be paid for the yarn, and a low price accepted for the cloth. But there are compensating advantages. In the first place, a weaver can work without capital. Secondly, both in the purchase of his raw material and the sale of his finished products, he deals with one man only. Thirdly, he is secured an outlet for his goods. Of these advantages the last is much the most important, since marketing is the great difficulty that confronts the weaver when he tries to act independently, which now he does not often try to do.

113. In the hope that it might be possible to free the weaver from the disadvantages of dealing with a middleman, and at the same time retain for him these advantages, about 200 co-operative societies have been formed for financing weavers. So far as the supply of raw material goes, these societies work on much the same principles as the middleman, but at rates which are estimated to be 15 to 20 per cent cheaper. Up to this point therefore the weaver who joins a co-operative society gains, and he still has the advantage of being able to work with the minimum of capital and with a single agency. But, when it comes to marketing, he only gains when it is possible for his society to market his goods. Unfortunately, in spite of repeated experiments, all efforts to do this on any considerable scale have failed; and in nine cases out of ten he is left to market his goods himself.<sup>6</sup> Here he is at a disadvantage for, except in so far as he can sell in his own or in neighbouring villages, he is forced to employ a middleman, and the middleman naturally

<sup>1</sup>We are indebted for these particulars to the monograph quoted above; see also note P, part 6, p. 291.

<sup>2</sup>*Ibid.* p. 12.

<sup>3</sup>*Ibid.* p. 22.

<sup>4</sup>*Ibid.* p. 28.

<sup>5</sup>*Ibid.* p. 48.

<sup>6</sup>*Es. i.* 338.

gives him less favourable terms than the weaver who deals with him throughout. Even so, however, the balance of advantage appears to lie with the co-operator. We were unable to obtain statistical proof of this, but the co-operators we met at Multan and Jullundur seemed in no doubt that on the whole they gained by co-operation. This gain would doubtless be much greater if the marketing problem could be solved, and, in comparison with this, finance is scarcely a problem at all. The Co-operative Department is well aware of this, and is doing its utmost, within its very limited resources, to solve it. Wherever possible, it organizes sale societies, and does its best to obtain orders for members from Government departments, etc. A new departure, initiated in 1929, is the starting of a Sales Depot in Lahore under a manager specially selected for his business capacity. It is too soon to judge the results of this. For the moment, with the return of the Swadeshi movement, the weaver's prospects are brighter than they have been for some years; but he can hardly count upon receiving more than a very temporary advantage from this, since he is finding it increasingly difficult to hold his own against the competition of the machine, and the spread of the machine is likely to proceed independently of political movements.

114. This brings us to the third aspect of the problem. As we have seen, the question of finance is bound up with the question of marketing; and the question of marketing is itself ultimately bound up in the question of technical equipment. Upon this we are not competent to write, but we received evidence from two important witnesses, the Director of Industries and the late Principal of the School of Arts and Crafts (Mr. L. Heath, I.E.S.). Both of them agree that the ordinary weaver is unable to adjust himself to the profoundly changed conditions of to-day through his lack of technical equipment. But, though they agree on this point, they differ greatly as to the remedy. Into this question it is unnecessary for us to enter, for all last cold weather Mr. Heath was on special duty enquiring into the conditions of the weaving industry, and he has just submitted a report to Government giving his conclusions on the subject. This report was submitted too late for us to have the advantage of seeing it.

115. That the problem of the weaver demands the close attention of Government can hardly be doubted. From time immemorial he has been an essential element in both urban and rural society, and no element in either society has perhaps suffered more from the advance of industrialism. All agree that he now supports himself with difficulty, and even the skilled Muhammadan worker, who produces silk fabrics (daryai, lungis, etc.) only earns from ten to fourteen annas a day, being greatly prejudiced by the new vogue for artificial silk. The unskilled weaver, who produces *khaddar*, *khes*, durris, etc., fares much worse, and earns only five or six annas a day.<sup>1</sup> This is but a bare

<sup>1</sup>Note P. , p. 291.

subsistence wage, and he and his family are "always just on the verge of starvation."<sup>1</sup> The result is "innumerable cases of impoverishment and permanent indebtedness."<sup>1</sup> The weaver who would escape this is almost obliged to take up other work, and in the village is often able to do so, helping in the fields when the harvest is on, and at other times working as a coolie. Normally, women help the men only in the preliminary processes of winding, doubling, and warping, but in some western districts (Multan, Dera Ghazi Khan, Shahpur, and Jhelum) they are showing a tendency to do the actual weaving itself, presumably to add to the family's earnings.<sup>2</sup> If in urban areas the middleman controls the weaver, in rural he is controlled by the zemindar. The zemindars "dictate their own terms, and eat up a good deal of the profits."<sup>3</sup> As a result of being at the mercy of others in both town and country, the weaver has little financial sense, and saves nothing in times of prosperity. Having neither thrift nor enterprise, and being entirely unorganized and temperamentally "slothful and easy-going," he is generally without any permanent resources, and his customers frequently "complain of his lack of promptness in carrying out their orders, and of his practice of debasing the yarn supplied to him." The result is "a growing preference for mill-made cloth, which has the advantage of being obtainable ready-made and at cheaper rates."<sup>2</sup> The effect of all these factors is that many weavers are giving up weaving, and some of the middlemen, too are giving up dealing with weavers<sup>4</sup>.

116. At our instance special enquiries into the condition of weavers were made by co-operative industrial inspectors in five villages in five different districts. Their reports show unmistakably that in these villages the industry is declining. The reasons given for this are what might be anticipated: competition with foreign imports, which are cheaper and finer than the ordinary coarse hand-woven fabric and more agreeable to the taste of the day; and want of organization, the industry being run on primitive lines. Of one village in Sialkot, the investigator reports that many weavers are migrating to the canal colonies, and that out of the 66 left only two can be called independent workers, i.e., men who live by weaving alone. The remaining 64 either have some other subsidiary occupation or do piece-work for zemindars. Eleven out of the 40 families work merely with the material supplied by their customers. Hardly able to earn the bare necessities of life by their profession, they are compelled to supplement their resources by other means. Some sell sugarcane, melons, and mangoes in their different seasons; one sells meat in the village, another drives a tonga and a third works as a mason. In one family two cultivate land, and only

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<sup>1</sup>*Ibid*, p. 3.

<sup>2</sup>*Ibid*, p. 5.

<sup>3</sup>*Ibid*, p. 6.

<sup>4</sup>*Ev. i.* 334-35.

one weaves. On the financial side two factors were found to prejudice the industry: the high rates of interest, especially for the purchase of improved implements; and the financial dependence of the weaver upon the middleman. As to the former, it is significant that in only one village was any improved appliance in use, and for that Rs. 40 had been borrowed at 13½ per cent.

The statistical data of the five enquiries are epitomized in Note P. (p. 299). The more important points are these—

- (a) twenty-nine out of 412 families (7 per cent) have given up the industry, and only one has taken to it;
- (b) in four villages containing 162 families only 25 (15 per cent) are free of debt, and in the fifth village not more than 5 per cent are said to be free;
- (c) in all five villages debt averages Rs. 106 per family; this may not be heavy in volume, but it is probably heavy in proportion to resources; and
- (d) interest rates vary from 12½ to 37½ per cent.

Where an essential feature of an arrangement between debtor and creditor is that goods should be sold through the creditor, interest rates are difficult to calculate with any precision. Considering, however, that a large part of the debt appears to have been incurred for carrying on the industry, so far as they exceed 12 per cent, they are clearly high and must be a serious addition to the difficulty of producing at a profit. It is this aspect of the problem which is most successfully dealt with by co-operation.

117. Though co-operative societies have so far barely touched the fringe of the problem, there is general agreement that co-operation promises the only possible solution or mitigation of it. We understand that the question is under consideration whether co-operative societies for the assistance of cottage industries should be under the Registrar, Co-operative Societies, or the Director of Industries. Though we agree that all technical teaching and training must be proved directly or indirectly by the Industries Department, we think that the societies themselves should remain under the undivided control of the Registrar. We are led to this conclusion by the consideration that, as already pointed out, there are three aspects of the problem; finance, technical organization, and marketing, and only one of these—technical organization—concerns the Industries Department.

118. Co-operation not only helps the weaver, but to some small extent assists many kinds of artisans, e.g., shoe-makers, tanners, carpenters, furniture-

Shoe-making.

makers, dyers, coppersmiths, ironsmiths, and even goldsmiths. The most important of these is the shoe-maker, and, to obtain some idea of his financial position, we had enquiries made in three villages in Sialkot, Jhelum, and Karnal on the same lines as those described above. The enquiries showed that, though the shoe-maker is distinctly better off than the weaver, he does no more than hold his own against adverse and changing times. In these three villages the number of families engaged in shoe-making had not decreased, but their position was less secure than it was. The reasons assigned for this are—

- (i) The change of taste and fashion. The demand for country shoes is diminishing every day; "boots" are taking their place, and members of the younger generation are often ignorant of the old fashions.
- (ii) The shoe-maker, having no facilities for learning the art of boot-making, finds it difficult to adjust himself to the new demand.
- (iii) The consumer will pay more for "boots" than country shoes, because they are more fashionable, comfortable and durable, and cooler in summer and warmer in winter.

According to old custom, the village shoe-maker prepares shoes on order, and receives his customary dues at harvest-time; he also mends the village shoes, and is given in return things like fuel, vegetables, and green fodder free. He depends for his living almost entirely upon the cultivator, whose good and bad fortune he shares.

The statistical results of the three enquiries are given in Note P. (p. 306). They embrace 200 workers in 138 families. Only 19 per cent of the families are free of debt, and in the case of the others debt averages Rs. 237 per family. For all families the average is Rs. 232, which is more than twice as high as the corresponding figure for weavers (Rs. 106). The difference is an indication of the superior position of the shoe-maker, for he would not be able to borrow so much unless his credit were reasonably good.

119. The Punjab Industrial Loans Act was passed in 1923 "to encourage industrial developments." As such, it appears to be analogous to the Land Improvement Loans Act, and its rate of interest (6 per cent) is the same. It was not used till 1926, and has not been much used since. In four years only 59 loans have been given, and the total amount outstanding at the end of 1929-30 was 2.53 lakhs. As a financing agency therefore, it is on about the same level as one of the twelve mortgage banks described above, with this difference, however, that the mortgage bank normally operates in a single tehsil, and this is intended for the whole province. Loans are generally limited to Rs. 10,000, and only twice has this amount been exceeded.

The minimum loan is Rs. 500, which appears to us to be too high, considering how modest are many of the enterprises involved in cottage industries. As in the mortgage banks, the maximum period of loan is ten years, but the average period is only five.

The Act has been working for too short a time, and upon too small a scale, to judge its utility. Whether it suffers from the disadvantage of involving Government in financial loss, as was found to be the case with the Agriculturists Loans Act<sup>1</sup>, and possibly with the Land Improvement Loans Act,<sup>2</sup> it is difficult to say; but, from what the Director of Industries said on the subject, it appears to be possible.<sup>3</sup> If so, either the rate of interest will have to be raised or its use restricted. In this connection we would endorse the following opinion expressed by the Indian Industrial Commission in their report in 1917: "All schemes for Government loans to industries should be worked with the object of handing over the business to a suitable banking agency in due course, and the interest on these loans should accordingly be fixed at a rate which would render this course possible."<sup>4</sup>

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<sup>1</sup> Paragraph 42.

<sup>2</sup> Paragraph 70.

<sup>3</sup> *Ev. s.* 40-41.

<sup>4</sup> Industrial Commission Report, 1918, p. 185.



## CHAPTER X.—REMITTANCES FACILITIES AND INSTRUMENTS OF CREDIT.

### *Remittance.*

120. A society whose business transactions have reached the stage of the exchange of commodities on the basis of prices fixed in currency and money, and in which the easy transport of commodities and services is made possible by the introduction of railways and roads, requires some means of transporting or remitting money from one place to another at as low a cost as circumstances permit. This is of special importance to the Punjab, for crores of rupees have to be transmitted or remitted every year from outside or inside the province to meet the following requirements :—

*Introductory.*

- (1) to pay the price of commodities imported from outside for consumption, manufacture, and retransfer ;
- (2) to remit the savings of Punjabis who are serving in various capacities all over India and in many different parts of the world ; and
- (3) to receive payment for the exports of its agricultural produce, hides, skins, wool and timber, and to a lesser extent of the products of its arts and crafts, its manufactures, newspapers, books, etc.

As there is no organization for the perfect adjustment of all these debits and credits, currency and coin have to be repeatedly transmitted to and received from the same places. To give a complete picture of this phenomenon is impossible ; but, if its main outlines are borne in mind, it will be realized that it is worth while giving careful consideration to the question of costs, which inevitably fall upon the consumer, and to study whether they can be reduced from their present level.

*Remitting Agencies.*

121. The existing remitting and transmitting agencies are the following :—

- (i) the post office, occasionally helped by its subsidiary, the telegraphic system ;
- (ii) the railway, by means of which coin can be transported ;
- (iii) the Government treasuries, which supply currency transfers and supply bills, assisted by the Imperial Bank of India, which keeps the currency chests wherever it has a branch ;
- (iv) the Imperial Bank of India ;
- (v) the joint stock banks ;
- (vi) the indigenous banks and bankers ;
- (vii) the trader and, the merchant ; and to a small extent,
- (viii) the co-operative central banks.

122. Of all these systems for remitting money the money order system of the post office is the most extensive, and operates throughout the length and breadth of India. There are in the Punjab 3,078 post offices handling this business. The smallest sum that can be remitted at one time is an anna, and the maximum, Rs. 600 ; and remittance fees are as under :—

		Annas.
Amount not exceeding Rs. 10 .. ..	2	
Amount exceeding Rs. 10, but not exceeding Rs. 25 .. ..	4	
Each complete sum of Rs. 25 .. ..	4	
The remainder, if it—		
(a) does not exceed Rs. 10.. .. ..	2	
(b) exceeds Rs. 10 .. .. ..	4	

For money remitted telegraphically, the same fees are charged *plus* ordinary telegraphic charges.

Witnesses before us represented that the fees were too high, especially for the initial sum of Rs. 10, and for larger sums than Rs. 100. We are aware that at present the post office is running at a loss. Nevertheless, we suggest that the minimum charge of 1 anna for Rs. 5 or less should be reintroduced, and that there should be a substantial reduction in the rates for sums higher than Rs. 100, for we believe that these changes will attract business, particularly from merchants, since post offices are far more widely spread over the country than any other agency. They might also reduce the volume of currency required for circulation and the use made of the insured letter.

123. Postage is payable according to the weight of the letter *plus* 2 annas for every Rs. 100 or less of insured value. The system is much used for the transmission of currency notes, which are usually sent in halves under a nominal valuation to save commission. The difficulty of recovering the value of the notes if lost militates against the popularity of the system, but merchants use it for its great convenience in sending money to places which have no other remittance facilities.

124. In this connection we should like to draw the attention of Government to the postal cheque system which is in force in Germany, and apparently also in Switzerland<sup>1</sup>, and which is described in note Q<sup>2</sup>. We think that, if it could be introduced into India, it would be of immense value to trade and commerce.

125. For long-distance journeys the actual transmission of coin is only possible by rail, but, when not properly looked after and not fully declared, this

<sup>1</sup> Ev. ii. 1003.

<sup>2</sup> P 308.

involves the sender in certain risks. Various devices are adopted to escape the payment of the proper railway charges, and it would be of assistance to trade if railways would take a larger risk at a smaller cost.<sup>1</sup>

126. Fortunately, the use of coin in business transactions is steadily on the decline in both urban and rural areas. Before the war the cultivator preferred payment in cash to payment in notes.

Replacement of Coin by Notes.

Now it is the other way round. Mr. Owen Roberts, who makes large purchases of grain on behalf of the army, states that 25 years ago he used nothing but silver, and now uses nothing but notes. Out of the very large payments that Mr. W. Roberts has to make round Khanewal less than 10 per cent is made in cash as against 25 per cent when he went there nine years ago<sup>2</sup>. The cotton-picker in this area still prefers to be paid in silver, but in the Okara tehsil, at the other end of the colony, small notes are so much in demand at harvest-time that they sell at a premium<sup>3</sup>, and in the Tarn Taran tehsil the same is the case with the large.<sup>4</sup> A consequence of the change from cash to notes is that the chief carrier of currency is no longer the railway, but the post office. This has reduced the cost of finance, and incidentally the cost of marketing. In regard to this, Mr. Owen Roberts says that up to 1908 all exporting firms allowed  $\frac{1}{2}$  per cent for local exchange, and that the allowance was reduced when currency transfers were introduced, and again when notes came into common use.

127. Under the provisions of the currency law, the Government treasuries and the Imperial Bank of India are authorized to remit money on currency account in even sums of a hundred rupees at a charge of one anna per cent for sums of Rs. 10,000 and over, and of two annas per cent for less; the minimum sum that can be sent is Rs. 1,000. Very little advantage is taken of this facility. In the three years ending 1928-29 only eight lakhs were remitted, and only 8 out of 29 treasuries made any remittance. The reasons appear to be, firstly, the existence of the facility is not generally known; and, secondly, the procedure involved in obtaining a supply bill is neither expeditious nor simple. No effort seems to have been made to make supply bills better known or to encourage their use. Potentially, with 29 treasuries and 91 sub-treasuries in the province, the possibilities are great; nor should the provision of funds present any serious difficulty since all but one of these 120 treasuries and sub-treasuries have a currency chest, and the total amount deposited in all the chests in the Punjab amounts to several crores. As to procedure, at present no supply bill can be issued without the sanction of the Currency Officer at Lahore. We doubt whether

<sup>1</sup>On the North-Western Railway, treasure can be carried either with the owner in his compartment or in the brake-van, and the usual free allowance of luggage is given according to the class of ticket held. Any weight in excess of the free allowance is charged at the rate for treasure.

<sup>2</sup>*Ev. ii.*, 936.

<sup>3</sup>*Ibid.*, p. 916.

<sup>4</sup>*Ibid.*, p. 1053.

this is necessary in every case and recommend that the question of dispensing with it in the case of surplus treasuries should be considered, subject, if necessary, to a suitable maximum limit. Considering, too, the great importance to business of cheap and abundant remittance facilities, we recommend further that the rate for supply bills be reduced. The last reduction was made in 1921.<sup>1</sup>

128. The Imperial Bank does remittance business both on its own account and as the representative of the Currency Department. The currency rules fix the remitting charges at half an anna per Rs. 100 in the case of banks, and at one anna in the case of merchants ; but this distinction is not always maintained. For its own branches, the Imperial Bank's charges have been recently increased, and facilities for its regular customers have been reduced. We received a complaint that higher rates were charged from indigenous bankers than from commercial banks. The explanation of this (given us by the Manager, Northern India Branches) is that charges are scaled to the volume of business offered, and, if commercial banks get better terms, it is because they offer more business.

129. Joint stock banks afford facilities for remittance at competitive rates, which depend on demand and supply. But, apart from what has just been said, the only facility they enjoy is that the interchange of funds between their own branches can to some extent be avoided. They have to compete in rates with the Imperial Bank, which has special facilities of its own ; and, in ports and important business centres, with the exporting and importing firms which enjoy certain facilities through the interchange of commodities. In order therefore to meet their own requirements, and adjust accounts with other banks and with their own branches, they have to resort to insured letter post, to remittances through the Imperial Bank, and to supply bills. But, as an element of risk is involved in the first, and competitive rates apply to the second, and difficulties exist in regard to the third, banks are hampered in fully developing this side of their business.

130. The indigenous banker used to render assistance for remittance, but, with his decline, which is described in Chapter XIII, the public have fewer facilities than before in places where joint stock banking has not yet made its appearance.

131. The trader and the merchant who have family connections with commission agents, or have many branches, are keen competitors of joint stock banks since they can adjust their remittance accounts by the interchange of commodities. In this way the trader can sell remittance cheaper when he requires ready cash to pay for his purchases or consignments. Joint stock banks complain of this, but, as the trader benefits, we can make no recommendation in favour of the banks.

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<sup>1</sup> *Ec. i.* 56.

132. To a very small extent the Central Co-operative Banks have entered this field, and they are now considering introducing a system to allow of one bank drawing drafts upon another.

Before we leave the subject of remittance, we may note that competition has the same effect in this sphere as in other spheres of business. If only from this point of view, it is most desirable that the remittance facilities of the province should be increased. In the Multan district, which is backward in this respect, the British Cotton Growers' Association do something to remedy the deficiency by selling demand drafts on the Imperial Bank at Karachi.\* But there are not many organisations in the province capable of doing this, and towns like Rohtak (25,240 inhabitant:) and Bhiwani (33,270) which have no commercial bank, are at a real disadvantage compared with other towns.

#### INSTRUMENTS OF CREDIT.

133. The exchange of commodities or barter is the first rung on the economic ladder; the use of money the second, and coined money the third; credit or paper money the last. As the interchange of commodities develops under the influence of improved transport, more and more money is required, and the use of the precious metals comes to be regarded as a costly and inconvenient process. Resort is then had to currency notes and credit instruments, and credits are adjusted by their interchange. These instruments have two important characteristics; their easy negotiability, which is fixed by law or custom; and their cheap production. Various safeguards and standards have to be fixed, in order to ensure their genuineness and their proper legal transfer. Credit instruments may vary with the country, the trade, and even the stage of trade. They are fully described in legal and economic treatises; and happily all we are required to do is to review certain features of the documents commonly in use in the Punjab, and to point out the changes and improvements which we consider necessary for their larger, safer, and more effective use.

134. The documents of this character in use in the Punjab, are:—

Instruments in Use.

- (i) Promissory notes;
- (ii) Cheques;
- (iii) Bank drafts;
- (iv) Hundis, and Bijaks;
- (v) Demand drafts or Hundis accompanied by railway receipts.

\*Ev. ii. 937.

The use of the debenture is rare and internal bills of exchange are practically unknown, while bills of lading are only handled in connexion with the overseas trade.

135. The promissory note is the simplest of all negotiable instruments, its language is practically fixed, and its legal formalities are few. It need not be witnessed, but may be signed in the presence of another, i.e., the manager of a bank or the drawee. It should be dated, and written on one side only of the paper. It should also be stamped with four one anna postage stamps, all of which should be cancelled at the time of execution. The document is payable on demand, and its negotiability is secured by the use of the words "or order". Though payable on demand, it can remain in circulation for three years, and can change hands without any further stamp duty having to be paid, if the words 'pay to A or his order' are endorsed on its back every-time. These words are generally written in English, but are now sometimes translated into Urdu and Hindi, 'hukum' being used for the word 'order'.

The pronote has largely replaced Hundis (both darshanis and muddati) and helps in monetary transactions between lender and borrower, between banks and their clients, and sometimes between sellers of goods and purchasers. It is rarely, if ever, endorsed; it rarely has any circulation, and it is not much used by the shopkeeper; but in wholesale business it is used with an understanding (verbal separately or written) as to when it is to be retired.

If the stamp duties on *muddati hundis* (indigenous usance bills of exchange) were the same as the stamp duty on a pronote, the distinction between the two documents would probably soon disappear, and both might come to be used alternatively to suit the circumstances of the particular case. It would be an advantage to trade if the circulation of the pronote could be increased. The chief obstacle to this is the difficulty of ascertaining whether interest has been paid or not according to the stipulated rests. If it became the custom to enter interest payments when paid on the back of pronotes, it would greatly facilitate circulation, for then their exact value, which necessarily varies with the amount of interest due, would be readily ascertainable. For this purpose pronotes would have to be sent from time to time to the drawee to have the interest payments entered.\*

136. In the Punjab cheques are coming more and more into use, because they provide evidence of payment at the hands of a third party which is generally a bank, and only very occasionally a banker. If the payments are to order, the cheques can be endorsed to another party by the drawee and so on; but their field of circulation is limited, since money which may be

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\*For specimen promissory note see Note O. (p. 273).

lying in the bank to the drawer's credit may at any moment be withdrawn by the drawer of the cheque or appropriated by the bank to some other demand, or attached by a court of law, and so forth. Banks generally allow six months for the presentation of a cheque, after which they require a fresh cheque to be drawn. If cheques are "to order," banks have to be responsible for the identification of the payee, who is the last endorsee or the drawee. They have also to satisfy themselves as to the signature of the drawer.

If a cheque is made payable to bearer, it can change hands without an endorsement, and can be presented by any person at the counter for payment. The payee's signature and address are sometimes taken on the back of the cheque by cautious cashiers, but there is no legal warrant for this. As in the case of cheques payable to order, the drawer's signature has to be compared and identified.

A bearer cheque can be used as currency for some time, but this is rarely done, as it postulates conditions of trust and a generally accepted belief in the financial position of the drawer. Unfortunately, at present this confidence is not general. The prospects of bearer cheques serving as temporary currency are not, therefore, very promising; but to encourage their use in this way, we are of opinion that cheques once drawn payable to bearer should remain so indefinitely, and that legal effect should be given to this.

Both order and bearer cheques are sometimes crossed for purposes of security. The right to do this should continue as at present.

137. Like hundis, bank drafts may be drawn either at sight or at so many days' notice. In general practice they are 'on demand.' They are worded like an order

**Bank drafts.** cheque and do not require to be stamped. They are used by bankers on their own branches or correspondents and can change hands by endorsement. Theoretically, they can be kept in circulation for some time, but in practice this is unusual. In other respects the bank draft resembles the cheque, but with this difference that the name of the branch of the bank or correspondent concerned is written below the body of the document on the left hand side, and the amount for which it is drawn is written in figures in the top right hand corner and in letters in the body of the document. With a fuller appreciation of the value of time and of economy in costs, bank drafts may come to be used as currency for some time before payment is demanded at the counter, but there are no signs of this at present.

138. In the Punjab, as in India, the hundi has been the immemorial document of credit and the principal negotiable instrument by which remittance could be most surely made and debts most satisfactorily adjusted. Having a universal currency in a country of very large area, and being

**Hundis.**

written in different characters and languages, and governed by customs arising out of various environments, it differs from place to place in regard to :—

- (i) its wording,
- (ii) the time and mode of its presentation for acceptance and payment,
- (iii) the hours during which payment can be demanded,
- (iv) days of grace,
- (v) observance of holidays,
- (vi) the procedure to be followed in the case of—
  - (a) a lost hundi,
  - (b) a dishonoured hundi.

Even in a single province the customs with regard to these points vary with the locality; and in an age in which economy of time and certainty of procedure are essential features of business life, these variations militate against the use of the hundi. The remedy is to standardize the essential features and to produce a document simple in language and terms and capable of circulating under definite and clearly defined conditions. As this affects the whole of India, the necessary legislation would have to be passed by the central legislature. We recommend that this should be considered.

Description.

139. Examples of hundis as executed and drawn in the Punjab are given below :—

(۱) سری سدا سلامتی ہووے لالہ بہاری لعل بخش رام پائے  
 لکھی گھور روچ بہاری لعل پراساد کے رام رام واچنی۔ اگے ہندوی  
 نگ یک روپیہ ۱۰۰۰ اکھری روپیہ ایک ہزار دی اوپر اچے کیتی۔ مدت  
 دن ۱۸۰ رکے۔ گھور روچ لالہ شنکر داس بدری مل جگ دیوین۔ متی  
 بہمن ۶ صمت ۱۹۸۶۔ غصخت

(۲) سری سدا سلامتی ہووے لالہ بہاری لعل بخش رام پائے  
 لکھی گھور سیتی لالہ شنکر داس بدری لعل کے رام رام واچنی اگے  
 ہندوی نگ یک تمہارے اوپر کیتی روپیہ ۱۰۰۰ اکھری روپیہ ایک ہزار  
 ہمنے روپیہ پانچ سو اگے دوئے دینے رکے پشاور روچ لالہ دیوانچند کانشی رام



پانسن متی پھگن ۴ سمت ۱۹۸۶ پہنچے سار شاہ وپاری جوگ چوکسی  
 گھگانے لگا کے روپیہ لاہور وچ دیوے۔ ہندی لکھی متی پھگن ۴  
 سمت ۱۹۸۶۔ دستخط

(۳) سری سدا سلامتی ہووے لالہ بہاری لعل بخشہی رام پاسے لکھی  
 لاہور میں لالہ شنکر داس بہاری لعل کے رام رام واچنی۔ اگے ہندی نگ  
 یک تہہارے اوپر نیتی ۵۰۰ اکھری روپے پانچ سو ہمنے روپیہ ڈھائی سو اس کے  
 دوئے دینے رکھے۔ پشاور وچ لالہ دیوان چند کانشی رام پانسن متی پھگن ۱۲  
 سمت ۱۹۸۶۔ درشنی شاہ وپاری جوگ لاہور وچ دیوے۔ ہندی لکھی  
 متی پھگن ۴ سمت ۱۹۸۶۔ دستخط

Translation :—

Written to Lala Behari Lal-Bakhshi Ram, Lahore, by Behari Lal-Prem Das ; Greetings. Hundi one for Rs. 1,000 in words Rs. one thousand, is written on you ; to be paid to Lala Shankar Das-Badri Mal, Lahore, after 180 days.

Phagan 6th, 1986.

Sign\_\_\_\_\_

Written to Lala Behari Lal-Bakhshi Ram, Lahore, by Shankar Das-Badri Lal ; greetings. Hundi one for Rs. 1,000 is written on you in words Rs. one thousand, one half Rs. 500 double of which has been deposited with us by Lala Dewan Chand-Kanshi Ram, Peshawar, on Phagan 4th, 1986. To be duly paid in cash at Lahore to the Shah Beopari (bearer) immediately on presentation.

Phagan 4th, 1986.

Sign\_\_\_\_\_

Written to Lala Behari Lal-Bakhshi Ram, Lahore, by Lala Shankar Das-Badri Lal, greetings. Hundi one for Rs. 500 is written on you in words Rs. five hundred, half Rs. 250 double of which has been deposited with us by Lala Dewan Chand-Kanshi Ram, Peshawar, on Phagan 12th, 1986. The sum to be paid on sight to the Shah Beopari at Lahore.

Phagan 4th, 1986.

Sign\_\_\_\_\_

140. As elsewhere, hundis in this province are of two kinds. *Muddati* and *darshani* hundi. One is the *muddati* hundi. This matures after a fixed period specified in the hundi itself.

and on maturity is retired on presentation after certain days of grace, which vary in number. The modes of presentation also vary. The second is the *darshani hundi*, which is payable on demand or at sight. In this case, too, custom varies in respect of presentation, days of grace, etc.

141. The stamp duties to which hundis are liable are governed by elaborate provincial rules and are the same as those payable on bills of exchange. The following are the rates for all India.

Description of Instrument.	PROPER STAMP-DUTY.		
	If drawn singly.	If drawn in set of two, for each part of the set.	If drawn in set of three, for each part of the set.
<i>Bill of Exchange.</i>			
Where payable otherwise than on demand, but not more than one year after date or sight—			
	Rs.	Rs. A. P.	Rs. A. P.
If the amount of the bill or note does not exceed ..	200	0 3 0	0 2 0
If it exceeds Rs. 200 and does not exceed ..	400	0 6 0	0 3 0
If it exceeds Rs. 400 and does not exceed ..	600	0 9 0	0 5 0
If it exceeds Rs. 600 and does not exceed ..	800	0 12 0	0 6 0
If it exceeds Rs. 800 and does not exceed ..	1,000	0 15 0	0 8 0
If it exceeds Rs. 1,000 and does not exceed ..	1,200	1 2 0	0 9 0
If it exceeds Rs. 1,200 and does not exceed ..	1,600	1 8 0	0 12 0
If it exceeds Rs. 1,600 and does not exceed ..	2,500	2 4 0	1 2 0
If it exceeds Rs. 2,500 and does not exceed ..	5,000	4 8 0	2 4 0
If it exceeds Rs. 5,000 and does not exceed ..	7,500	6 12 0	3 6 0
If it exceeds Rs. 7,500 and does not exceed ..	10,000	9 0 0	4 8 0
If it exceeds Rs. 10,000 and does not exceed ..	15,000	13 8 0	6 12 0
If it exceeds Rs. 15,000 and does not exceed ..	20,000	18 0 0	9 0 0
If it exceeds Rs. 20,000 and does not exceed ..	25,000	22 8 0	11 4 0
If it exceeds Rs. 25,000 and does not exceed ..	30,000	27 0 0	13 8 0
And for every additional Rs. 10,000 or part thereof in excess of Rs. ..	30,000	9 0 0	4 8 0
			3 0 0

Below are given figures relating to the revenue from stamp duties in the Punjab during the last ten years. They show a steady decline, which dates almost from the date of raising the duties :—

Years.				Rs. (000's).
1919-20	..	..	..	71.1
1920-21	..	..	..	77.3
1921-22	..	..	..	66.1
1922-23	..	..	..	53.3
1923-24	..	..	..	48.3
1924-25	..	..	..	50.0
1925-26	..	..	..	52.7
1926-27	..	..	..	50.1
1927-28	..	..	..	52.2
1928-29	..	..	..	45.5

The present rate works out at Rs. 4-10-0 per annum per Rs. 100. This is clearly high, and to add to the burden, its levying is accompanied with intricate formalities and an elaborate scale of rates. All of which has combined to make the hundi unpopular, though it is a most useful credit instrument and has been in vogue in this country for ages. It has been largely replaced in practice by the promissory note, a less useful instrument, but with the two great merits of a uniform stamp duty of 4 annas and great simplicity of wording. To make it an even better substitute for the hundi, various devices have been invented, such as accompanying it with a verbal promise as to the time of repayment. Almost every witness, therefore, who has spoken on the subject has urged that the stamp duty on hundis be abolished altogether or reduced to a nominal figure. We recommend the latter course, for, if the duty is abolished altogether, devices will be introduced to deprive Government of revenue in connection with other documents, unless the duty on all negotiable instruments is abolished simultaneously, and this may not be desirable from the Revenue point of view.

142. The facilities afforded by Railways for the quick transport of goods all over the country, and those given accompanied by demand drafts for correspondence by the postal and telegraphic systems make it possible to carry on internal trade in all kinds of goods without personal touch between buyer and seller. A need has, therefore, arisen for the easy and cheap transport of money from place to place by some instrument of credit to pay for the goods and produce handled. Accordingly, the practice has sprung up, and is daily growing, of presenting to a bank or a banker railway receipts representing the dispatch of goods. The receipts are accompanied by a hundi or draft on the purchaser of the goods or the consignee, and are only to be handed over to him by the bank or banker on receipt of the amount of the draft or the hundi. The banks have begun to interest themselves in these transactions, taking them in B/C.s (bills for collections) or in discounts (bills discounted), where the consignor of the goods (in other words the seller of the draft) is a known and respectable party. The method is a convenient way of transacting

business between distant places and is growing ; but it is very undefined and involves certain risks both to the banks and the consignors of the goods.

Difficulties.

143. The risks are these :—

- (1) The railways receipt is not negotiable or transferable. In some cases this difficulty is got over by making the bank or banker the consignee of the goods.
- (2) The railway receipt gives neither a full nor a necessarily correct description of the goods, and is not accompanied by any invoice or descriptive list. To remove this difficulty would require legal sanction, or an accepted commercial practice introduced by recognised Chambers of Commerce or Trade Associations. In the absence of this, banks cannot well accept responsibility for the quality, quantity, and marketable condition of the goods.
- (3) Banks and bankers run the further risk of fluctuations of markets and changes in the financial position of the parties.

144. It has been suggested by some witnesses that the railway receipt should be made negotiable ; and one experienced banker has given his opinion on the subject in these words :—

A Banker's Proposal.

“The present state of the law, from the point of view of a lender on the security of goods represented by a railway receipt is not altogether satisfactory. Section 57 of the Indian Railways Act empowers a Railway to withhold delivery of the goods, where the Railway receipt is not forthcoming, until the person entitled, in its opinion, to receive them has given an indemnity against the claims of any other person with respect to such goods. The Railway does not hold itself out to the public or to any body else that it never parts with the goods except upon the production of the railway receipt nor is it under any duty to insist upon the return of such receipt. A railway receipt is, therefore, not a good document of title and can only be accepted by a bank as collateral security in respect of drafts to which they are attached.

The result is that the Railway may in certain circumstances deliver the goods without production of the receipt to the consignee, notwithstanding that he may happen to be under an obligation in respect of a bill or draft and it was intended that he should not be entitled to receive delivery thereof from the Railway without discharging such obligations. No liability will attach to the Railway in such cases if it takes an indemnity. The indemnity which the Railway takes from the person to whom the

goods are delivered may be considered by the Railway to be sufficient, but it may turn out afterwards that such indemnity is not adequate to cover the indebtedness on the bill.

It seems to me that if the Indian Railways Act were to be amended so as to afford a greater measure of protection to the actual holder of a railway receipt, obtaining finance against such documents would be greatly simplified. I would suggest a special form of railway receipt to be issued, in duplicate or triplicate, to the consignor *on request*, a condition of the issue of such receipt being that the relative goods would not, in any circumstances, be delivered up by the Railway without production of either the original, the duplicate, or the triplicate of the receipt. The receipts would clearly show that they had been issued in duplicate (or triplicate) and would not, of course, be negotiated by a bank, etc., in the absence of the whole set. The duplicate, etc., could be posted so as to catch consecutive mails and so avoid any delay that might be occasioned by miscarriage of the original."

We would, however, go a step further and recommend that action be taken by the Chambers of Commerce, Bankers, and Trade Associations, and, if necessary, by the Legislature to remove or reduce the risks mentioned above, and to enact definite rules and regulations, in order that this interstation trade may be placed on a firm, definite, and easily ascertainable basis.

145. Debentures (bearer or negotiable by endorsement) have been issued in the province by a few advanced business concerns, to find funds at reasonable rates of interest varying from 7 to 8 per cent per annum, but they have not caught the market and are not generally understood. In the agricultural field they are almost unknown. The stamp duties to which they are liable are described in Article 27 of the Stamp Act and are very heavy. In order to encourage loans secured by debentures against agricultural land, factories, and blocks of buildings, the duties should be considerably reduced. Public attention may then be attracted to this useful form of borrowing and of investing small amounts at good rates.

146. Internal bills of exchange are practically unknown in this province except in the form of advices, bank drafts, and promissory notes, which have already been dealt with.

147. "A bill of lading is a memorandum signed by the master or captain of a ship, acknowledging the receipt of goods to be delivered by them at a certain place, subject to certain casualties for which they are not to be answerable, those being provided

for by insurance. The bill of lading is signed in three parts, one part being kept by the consignor, another being sent to the consignee, and the third is kept by the captain.<sup>1</sup> As the bill of lading confers rights of possession, if lawfully obtained, the captain is justified in delivering the goods to the person who presents it to him as the bill is transferable by endorsement, unless it is presented under suspicious circumstances. This document does not concern the local internal trade of the province but is mentioned as it is used by those who are concerned in the overseas trade. By them it is fairly well understood.

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<sup>1</sup>The Stamp Act, sect. 2 (4) (note).

## CHAPTER XI.—CO-OPERATION.

148. For reasons already explained<sup>1</sup>—no effort has been made to

Progress made in satisfy- enquire into the general working of the co-  
ing the financial needs of operative movement, but we have carefully  
(a) Agriculturists. studied the last two annual reports of the Co-  
operative Department and have examined many witnesses connected  
with the movement, wherever we went, including the local Assistant  
Registrar and a representative body of co-operators. We have there-  
fore had ample opportunity of judging the financial importance of Co-  
operation to the province. Some indication of this importance has  
been given in paragraph 19, where it was shown that the movement  
had attracted over six crores (£4,500,000) in deposits and had enabled  
500,000 members of primary credit societies to accumulate savings of  
nearly 3½ crores. This is the result of 25 years' effort. The first fifteen  
years were years of planting, experimenting, and much pruning: the  
last ten of rapid development. How rapid this development has been  
is shown by the following figures :—

	1919.	1929.
Primary credit societies (agricultural and non- agricultural) .. .. .	5,116	16,493
Members .. .. .	146,936	506,186
	Rs. (lakhs).	Rs. (lakhs)
Working capital .. .. .	154	805
Advances by primary societies to their mem- bers (individual) .. .. .	48	304
Recovered by primary societies .. .. .	39	202

Including interest and shares, the amount recovered last year in cash amounted to 330 lakhs. " With such figures in view it may well be claimed that the co-operative movement is exercising an enormous influence on the people of the Punjab."<sup>2</sup>

149. On one point we made detailed inquiry. Wishing to obtain some idea of the minimum financial needs of the cultivator and also to gauge to what extent agricultural credit societies financed their members, with the kind permission of the Registrar, we asked all Assistant Registrars to ascertain certain particulars from 20 to 25 per cent

<sup>1</sup> Paragraph 1.

<sup>2</sup> Review of the Punjab Government on the Co-operative Societies Annual Report, 1929, p. 2. Figures showing the increase in the last five years will be found in Statement 11 (p. 340).

of the societies in their circles, and, for reasons which will shortly be apparent, to distinguish between societies in classes A and B and those in class C. The results, which relate to 1928-29, are given in detail in Statement 17 and may be condensed thus:—

	Class A and B Societies.	Class C Societies.	Total.
(1) Number of societies under inquiry	1,212	2,129	3,341
(2) Number of members ..	50,723	61,635	112,358
(3) Percentage of members—			
(a) entirely free of debt ..	14	11	13
(b) who did not borrow during the year (1928-29) ..	38	52	46
(4) Average number of loans taken during the year- ..	1.5	1.4	1.4
(5) Average amount of loan taken, Rs.	97	78	88
(6) Average amount of loan outstanding at the end of the year per—			
(a) member indebted to his society, Rs. ..	193	164	177
(b) member whether indebted or not, Rs. ..	163	143	152

In the Punjab societies are divided into four classes, A, B, C, and D, of which A and B are efficient financially and more or less fully co-operative, C in varying stages of tutelage, and D in various stages of decay. The latter were ignored entirely in the inquiry, since they do little, if any, business and form, moreover, only 5 per cent of the total number of credit societies. Figures for A and B societies are given separately from those for C; for they are a good index of the finance required by the better class cultivator who both works well and deals well. Incidentally the distinction serves to bring out the fact that as a whole the figures are a little partial to the movement, for 36 per cent of the societies under inquiry belong to class A or B as against only 19 per cent for the whole province. Subject to this, the figures may be regarded as typical of agricultural co-operative finance in the Punjab, since the number of members under inquiry and the amount due from them is over 25 per cent of the whole.

The figures bring out several interesting points. In the first place only 13 per cent of the 112,355 members are free of debt. This is even less than the percentage (17) for the 43,733 co-operators for whom figures were collected in 1918-19.<sup>1</sup> Secondly, though only 13 per cent are free of debt, 46 per cent did not borrow at all during the year. This can hardly be explained by the harvests, which were below normal. A clue is afforded by another inquiry made through Assistant Registrars as to the proportion of members who deal with both society and

<sup>1</sup> *Pb. Pat.*, pp. 4, 5.



money-lender. The results are given in Statement 11 (table VII), and show that even in A and B societies a certain number, estimated by most at 20 per cent or more, deal with both, while in C societies the estimate is twice as high. Thirdly, on the average, members take about three loans each in two years and generally from Rs. 80 to Rs. 100 at a time. One more point may be mentioned. At the end of the year the amount due from each member who was still in debt to the society averaged Rs. 177.

150. For A and B societies the corresponding figure is Rs. 193, and upon it we may base some estimate of the minimum financial requirements of the cultivator. Subject to what has been said about dealings with money-lenders, Assistant Registrars are agreed that A and B societies finance their members adequately. Subject to a further qualification, we may take Rs. 193 as representing approximately the amount of borrowed capital that the more industrious and businesslike cultivators who are not financially independent require. The qualification concerns the date to which the figure relates. The date is the end of July when loan accounts are probably not at their highest point. We shall, therefore, be well within the mark if we raise our estimate to at least Rs. 200. It has been computed that there are 3½ million<sup>1</sup> true agriculturist cultivators in the province. Assuming, to be on the safe side, that 20 per cent of these are financially independent (as against 14 per cent of our inquiry), 2,600,000 cultivators have to be provided for. At Rs. 200 a head this means a minimum sum of 52, or say 50 crores.

This sum is required to finance not so much the cultivation as the cultivators of the province. The two must be distinguished, because part of the amount is required for the repayment of old debt. Long experience shows that about 20 per cent of the total amount borrowed every year from agricultural co-operative societies is taken for this purpose;<sup>2</sup> and with a total agricultural debt of more than 100 crores, much of it borrowed at 18 per cent or more, no scheme of finance that would oust the money-lender can ignore the necessity of making provision for the gradual discharge of former liabilities. On this ground then there is no need to reduce our estimate of Rs. 200 per cultivator. On one ground, indeed, it might be prudent to increase it, for it takes no account of co-operators' dealings with money-lenders. Further it must be remembered that it applies only to cultivators who both work well and deal well and who have the advantage of having their finance carefully organised and controlled by co-operation. If we were to attempt a similar estimate for all types of cultivators with no more control than

<sup>1</sup>H. Calvert. *The size and distribution of holdings in the Punjab, 1928*, p. 7. This is exclusive of 750,000, *kamins* (village servants) and other non-agriculturists who also require some finance.

<sup>2</sup>See paragraph 158.

is afforded by co-operation at present, we should have to allow at least Rs. 250 a head and raise our estimate to 65 crores.

The only value of these figures is that they show what a large sum will have to be found before the money-lender can be ousted or dethroned throughout the province. It is sometimes suggested that Government should take his place, but this could hardly be advocated by anyone who accepts our estimate. At the end of 1928-29 Government advances to agriculture, including the sum lent to co-operative mortgage banks, amounted to only 108 lakhs. To oust the money-lender this sum would have to be multiplied a fiftyfold; and even seriously to curtail his activities, it would have to be increased ten or twenty times. This government might conceivably do, using mortgage banks, for instance, as its main channel of loan, but powerful allies would be needed. As communications improve and education spreads, it may be possible for the commercial banks to take a share in rural finance; a little business is already being done here and there—for example, by the Imperial Bank in the shape of advances against ornaments. But this would only be possible with the larger holders, perhaps 5 per cent of the whole number. For the great majority the only alternative to the money-lender is co-operation. How far and by what means co-operation can be enabled to take the place of the money-lender in the next ten or twenty years will be discussed later when its organisation has been more fully described.

151. Turning now to the figures for class C societies given above, we note that they are less efficient in their dealings with money-lenders. finance. Though only 11 per cent of their members are free of debt, 52 per cent (as against 38 per cent in A and B societies) did not borrow at all from their society during the year. The explanation is to be found in the fact already mentioned, namely, that a large number of members, estimated at from 40 to 60 per cent, deal with the money-lender as well as with their society. We saw that to a lesser extent this was also the case in A and B societies. This is an obvious weakness in the co-operative movement, and we draw attention to it not because the Co-operative Department is not thoroughly alive to its existence,<sup>1</sup> but because this is the first time that it has been the subject of systematic inquiry throughout the province. There is a general concurrence of opinion amongst those qualified to judge that the evil is due not to any want of funds in the movement—capital is more than sufficient—but to the inefficiency and selfishness of many management committees, and to a lack of understanding of co-operative principles in the general body of members. Where committees are inefficient, delays occur in making loans and urgent needs have to be satisfied elsewhere. And when they are selfish, they are apt to borrow more than they should themselves and, like all who do this, to default when the time for repayment comes. Others follow their example, and money ceases to circulate

<sup>1</sup> See, for instance, *R. L.* pp. 5, 112, 325.

freely. Where members do not understand the elements of co-operation and rural finance, they make no attempt to save but borrow all they can, whether they need it or not, and only repay under pressure.

152. If experts are agreed as to the cause of the evil, they are equally agreed as to the remedy, which may briefly be summed up as teaching, more teaching, and still more teaching. "Many of the unsatisfactory features in the present condition of the movement" wrote the Townsend Committee in its report on co-operation in Madras, "are due to lack of knowledge of even the commonplaces of co-operation."<sup>1</sup> Similarly, the Linlithgow Commission observed in their report that one of the main causes of the failures that have occurred in certain provinces was 'the lack of requisite education and adequate supervision and guidance.'<sup>2</sup> It has long been the policy of the co-operative department in the Punjab to train every member in the elementary principles and practice of co-operation, but the extent to which members deal with money-lenders suggests that much remains to be done. In a country where nine out of ten villagers are illiterate<sup>3</sup> the task is one of exceptional difficulty. And it is also of exceptional importance, for without teaching there may be an elaborate organization, but there can be no movement. That co-operation in the Punjab is a movement and not a mere organization—we had ample evidence of this on tour—is an indication that much teaching must have been given. But it is possible that it has not kept pace with the very rapid development of the last ten years. We recommend, therefore, that in all schemes of future development liberal provision should be made to enable the co-operative staff to satisfy this fundamental need as fully as possible.

Though we have said that an industrious and businesslike cultivator, who requires to borrow, needs on the average a loan of about Rs. 200, it must not be supposed that this figure applies with any uniformity to the very varying conditions of tenure, holdings, and cultivation prevailing in the province. It is sufficient to glance at the figures given in the last column of statement 17 (A & B) to see how greatly requirements vary from district to district. A further point to be noted is that our minimum estimate of 65 crores is far below our estimate of total agricultural debt, which we have put at 135 crores.<sup>4</sup> The difference between the two figures largely represents the results of cultivators borrowing more than they should at high rates of interest and of their allowing the borrowings to accumulate at compound interest. These three evils—excessive borrowing, carelessness about repayment, and high rates of interest—are at the root of the great increase of debt

<sup>1</sup>Paragraph 51.

<sup>2</sup>*Op. cit.* p. 450.

<sup>3</sup>In 1921, 94 *per mille* of the males of the province, aged 20 and upwards, were literate. The percentage now is presumably higher.

<sup>4</sup>See paragraph 22.

that has taken place in the last twenty years and which has become so marked a feature of to-day. For this co-operation is the only lasting remedy. A scheme of Government or joint stock bank finance might reduce the rates of interest, but only co-operation can teach the peasant to borrow at the right time and in the right amounts and for right ends, and to repay on the right date; and only co-operation can teach him to save so that he may not have to borrow at all.

153. Though co-operation is far more strongly entrenched in the village than in the town, the town is not altogether neglected. There are 187 non-agricultural credit societies with nearly 7,000

(b) *Small traders.* members mostly urban in character,<sup>1</sup> and agricultural societies contain 50,000, "whose sole or main occupation is something other than agriculture."<sup>2</sup> Believing, however, that more should be done in this direction, the Registrar in 1927 asked Government to appoint three Inspectors for developing co-operation in towns, but so far the proposal has not been accepted though it has been repeated every year since. We regret this, for we believe that the smaller trades and crafts offer a big field for co-operative enterprise, especially in the smaller towns and townlets. In the Punjab these are particularly numerous, and they are largely unprovided with banking facilities. We have shown that 67 per cent of the 45 towns with a population of 10,000 and upwards have a commercial or a central co-operative bank, and we shall show in a moment that 40 per cent of the villages of the province have a co-operative credit society. But only 26 per cent of the towns with a population below 10,000 have any banking facilities at all beyond a possible outstation of the Imperial Bank or an occasional co-operative credit society, often designed as much to help the cultivator as the trader. This is in sharp contrast to conditions in the West. Over a large part of Europe it would be difficult to find any town or townlet, however small, without some kind of bank. In the Punjab the part played by the bank in Europe has to a large extent been filled by the indigenous banker; but, as will be shown in Chapter XIII, his business has greatly declined. The need for some kind of fresh organization is therefore increasing, and a small sign of this is the starting of the Bajwara Bank described above.<sup>3</sup>

154. It might be urged that this field should be left to the commercial bank, but a reason for not doing so is that much of the business done in the town is not of the kind to suit a commercial bank. The position bears some analogy to conditions in the village. There we have the peasant proprietor, who works with capital partly owned and partly borrowed, but on too small a scale to attract a small commercial bank. His counterpart in the town is the small shop-keeper, who may almost be described

<sup>1</sup> In July 1929 their working capital was about 19 lakhs.

<sup>2</sup> *Co-op. Rpt.*, 1929, p. 7.

<sup>3</sup> Paragraph 15.

as the peasant proprietor of the town. He, too, works partly with his own capital and partly with borrowed, and on so modest a scale that no ordinary bank can handle his business at a profit. The need and difficulty may not be as great in the town as in the village, but they exist, as indeed they once existed in Germany and Italy. This is sufficiently attested by the remarkable growth of the Schulze—Delitzsch banks in Germany and of Luzzatti's People's Banks in Italy; and it is significant that in both cases the remedy applied was co-operation. There is a special reason for trying to apply the remedy in the Punjab. In a later chapter it will be shown that the smaller towns are suffering from the decay of the indigenous banker, and that in part this decay is due to the growth of the Central Co-operative banks which are seriously tapping his source of deposits.<sup>1</sup> In the larger towns his place is being filled by the commercial banks, but in most of the smaller towns this is at present impossible. Since, therefore, co-operation has helped to displace him, it should also help to replace him. Accordingly, we recommend that three inspectors should be appointed without delay to develop urban co-operation.

155. A number of figures have already been given to illustrate the working of co-operative societies,<sup>2</sup> and not many more need be added. Statement 11 (table IV) shows that every year during the last five years agricultural credit societies have recovered from their members an average of 33 per cent of the amount on loan to them at the beginning of the year, and have repaid 40 per cent of what they borrowed from Central Banks and Unions. In other words, it takes about three years for an agricultural credit society to recover its loans and 2½ years for a central society. Theoretically, the loans should be recovered more quickly, for three years is the maximum period for which loans are made. That the average period of recovery should coincide with the maximum period of loan is mainly due to the uncertainties of the harvest, and in judging the figures just given it should be remembered that in this respect three of the last five years were unfavourable. In non-agricultural societies, which have not this difficulty to contend with, the average period of recovery is 1½ years. With few exceptions the primary credit society (other than a mortgage bank) makes no long term loans, and in agricultural societies mortgages are only taken, and that very rarely, as a collateral security to support a loan which is in danger.

156. At the end of 1928-29 6½ crores were on loan to members of agricultural credit societies, and their overdue are stated to be :—

				Rs. (lakhs).
Interest	..	..	..	52
Principal	..	..	..	50

<sup>1</sup>Paragraph 188.

<sup>2</sup>Paragraph 19.

The second figure, which is the result of "rough calculations"<sup>1</sup> represents only 7½ per cent. of the amount on loan. In regard to this, the Registrar writes:—"I feel confident that two good or normal harvests in succession would reduce the arrears of interest and principal to a very small amount."<sup>2</sup> The bad and doubtful debts of credit societies are difficult to estimate with any accuracy. Some idea may be gained by taking the total amount due from societies in Class D and from those under liquidation. This comes to 24 lakhs but we understand that most of this will probably be realised, and out of 19 Assistant Registrars 12 report that bad debts are negligible or less than one per cent. Perhaps the best indication of the financial security of the movement is that in the last 10 years central banking institutions have had to write off only Rs. 57,954 as irrecoverable, a sum which includes Rs. 21,536 of interest.

157. No less important than the loans made to co-operators are their savings. The increase in these during the last 10 years is shown in Statement 11 (table III), The figures may be summarised thus:—

	1919.	1929.
	Rs. (lakhs).	Rs. (lakhs).
<b>Deposits—</b>		
(a) Central banking institutions ..	45	550 <sup>3</sup>
(b) Agricultural Credit Societies (unlimited)	18	62
(c) Other primary credit societies (excluding mortgage banks) ..	0.08	38
(d) Shares, reserves, and profits—		
(a) Agricultural credit societies ..	99	256
(b) Other primary societies (excluding mortgage banks) ..	0.53	23

These figures are eloquent of the great development that has taken place in the last ten years, and to the figures for 1929 must be added 7 lakhs representing the accumulations of 18,315 members of 1,039 Thrift societies.

158. One further set of figures must be given in order to show why co-operators borrow. For many years it has been the custom of the Co-operative Department to analyse in its annual report, the objects for which loans have been taken during the year in a large

<sup>1</sup>Co-op. Rpt. 1929, p. 18.

<sup>2</sup>Ibid, p. 19.

<sup>3</sup>Excluding 47 lakhs deposited by societies which are included in (b) and (c).

number of societies. Inquiry shows that on the whole the results are reliable. Figures for five years are given in statement 11 (table II) and show that the main heads of borrowing are:—

	<i>Per cent.</i>
(1) Cultivation expenses (including land revenue and land improvement) .. ..	30
(2) Redemption and repayment of old debts .. ..	31
(3) Domestic purposes .. ..	12
(4) Trade .. ..	12
(5) Purchase of land .. ..	7

Less than 4 per cent is borrowed for the payment of land revenue, and less than one per cent for land improvement. Under cultivation expenses the most important item is cattle (18½ per cent). Cattle replacement is the heaviest charge that the Punjab peasant has to bear, and it is significant in this connection that in the last two years the number of cattle in the Punjab has fallen by over a million.<sup>1</sup> Thirty-one per cent is borrowed for the discharge of existing liabilities. Inquiry shows that about one-third of this is on account of liabilities more or less recently incurred. Only about 20 per cent, therefore, is for what may be called old debt. Even so the sum involved is considerable and for 1928-29 amounts, on this basis, to 48 lakhs.

159. As already explained, we made no elaborate inquiry into the working of the co-operative movement. We have, therefore, very little to say about difficulties and defects. The only defect of any importance that came to light has already been noticed, and the only difficulty to which we would draw attention is the heavy depreciation that societies have recently had to meet on account of their Government securities. The Provincial Bank and the central banking institutions hold securities to the value of 133 lakhs, and last year the Provincial Bank had to write off nearly two lakhs, and 11 other banks 1½ lakhs. Incidentally, this last figure is far more than the total amount that has had to be written off by all central banking institutions in ten years on account of their loans to societies. Commerical banks, of course, have suffered in the same way, but their loss is much less widespread. In the case of co-operative societies the loss indirectly affects half a million members. The possible reactions of this should not be overlooked.

160. The Financial Adviser to the Co-operative Department, who has over 25 years experience of joint stock banking, stated before us that the movement was developing "on very sound lines" and that if the present policy of building<sup>1</sup> up reserves, distributing moderate but regular dividends, making ample provision for bad and doubtful debts, and manning each bank with an efficient staff were maintained, and if too the development of new activities did not proceed too rapidly, the

<sup>1</sup>cf. paragraph 12.

financial security of the movement was assured and no difficulty need be anticipated in finding the necessary funds for expansion. As it is, many central banks have more money than they need and have not only lent 50 lakhs to other banks but have deposited 40 lakhs with the Provincial Bank. There is no doubt that the central banks have won the confidence of the general public, for, though in the last two years most of them have reduced their 12 months' deposit rate by one per cent. or more, their deposits have increased by 142 lakhs.

161. In their report the Linlithgow Commission remark :—

Lines of further Development.

“ Co-operative credit provides the only satisfactory means of financing agriculture on sound lines.”<sup>1</sup> This view found strong support in the evidence given before us. Witness after witness, of many different types and classes, expressed the opinion that co-operation was the only satisfactory solution of the problem of rural finance ; and nearly all agreed that other remedies, even if practicable, would be only palliatives. We recommend therefore—and this is our most important recommendation—that every effort should be made to establish co-operative credit in every village fit and willing to have a society within the shortest possible period, *compatible with safety*. In July 1929, 40 per cent of the villages of the province (13,691 out of 34,119) had a credit society. The percentage was highest in Jullundur and lowest in Muzaffargarh and Jhang, being 69 in Jullundur and 21 in the other two. The last five years have added about 1,200 a year to the number of agricultural credit societies. If this average could be maintained and each society represented a new village, in 10 years' time 75 per cent of the villages of the province would have a credit society. Experience suggests, however, that in the last five years progress has, if anything, been too rapid—the difficulty noticed in paragraph 159 is an indication of this, —and experience all over India shows that there are grave dangers in this. We doubt therefore whether it will be possible to maintain over a period of ten years a net increase of more than 1,000 societies a year, or anyhow to add more than 1,000 to the number of villages with societies. On this basis, at the end of 15 years, about 29,000 villages, or 85 per cent of the total number, would have a credit society. Probably 15 or 20 per cent will be found to be either unwilling or unfit to have a society.<sup>2</sup> Broadly, therefore, we may say, that if the number of villages with societies can be increased by 1,000 a year, every suitable villages in the province will have a society within 15 years.

162. But this cannot possibly be done without ample assistance

Government assistance.

from Government. To gauge what would be required, we asked the Registrar (Mr. R. J. S. Dodd, I.C.S.) for his proposals on the subject. These are contained

<sup>1</sup>Op. cit., p. 436.

<sup>2</sup>In the area served by the Lahnan Banking Union (Gurdaspur), which co-operatively is one the most intensively developed in the Punjab, there are 65 credit societies and 11 villages without a society. The zemindars of the area who were interviewed thought that 25 per cent of the villagers were too weak to join a society (ev. ii. 887).



in Note J,<sup>1</sup> and cover a period of four years. They are largely a logical extension of the five years' programme accepted by Government in 1925 and are based upon much the same principles. The first proposal deals with the question of Inspectors. The five years' programme contemplated one Inspector for every tehsil, but last year Government accepted the principle that when the total number of societies in a tehsil exceeds 350, a second inspector should be appointed. The Registrar now proposes that this should be done when the number exceeds 300, in order that supervision may be maintained at a sufficiently high standard to ensure the proper teaching of members and the proper discharge of their duties by committees. We have shown that there is much room for improvement in both respects, and we do not see how even the present standard can be maintained if an Inspector is required to look after more than 300 societies in however small an area. We therefore support this proposal.

The second is concerned with the appointment of three urban Inspectors. This we have already recommended.<sup>2</sup>

The third deals with an increase in the number of Assistant Registrars and follows established principles.

The fourth is concerned with education and training, and recommends that the educational staff should be strengthened by the addition of a fourth educational Inspector to assist in the training of the field staff and of an Assistant Registrar to supervise co-operative education as a whole. The third educational inspector was appointed when there were only 16,000 societies. Now that there are over 20,000 and the number is daily increasing we think it probable that a fourth is needed. The appointment of an Educational Assistant Registrar was included in the five years' programme of 1925 and was accepted by Government in principle. In view of the crucial importance attached by the Linlithgow Commission and all the recent provincial committees on co-operation to the education and training of the co-operative staff, whether official or non-official, we trust that this proposal will be most favourably considered.

Finally, the Registrar states that the appointment of a fourth Deputy Registrar will be necessary in the near future, and he recommends that when the post is sanctioned a member of the Indian Civil Service should be appointed. Existing arrangements provide for two members of the Indian Civil Service in the Co-operative Department, though for over a year there has been only one. This experiment, at least, we think should not be repeated. And bearing in mind the fact that from 1916 to 1920, when societies did not exceed 7,000 and were at first only 3,400, the department contained three members of the Indian Civil Service, we think that, if this was considered necessary then—and the results would seem to have justified the arrangement—, with 20,000 societies and 1,000 or more being added every year, there should in future be not less than this number. In this connexion we would

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<sup>1</sup>P. 239.

<sup>2</sup>Paragraph 154.

remind Government that one of the main causes of the failure of co-operation in Burma was the expansion of the movement 'beyond the capacity of the Registrar to control it.'<sup>1</sup>

163. The figures given in statement 11 (table VI)<sup>2</sup> show that the Punjab Government has given the movement the most generous assistance in the past, more so, for instance, than the Governments of Bombay, Bengal, and Madras. Last year (1929-30), the amount (exclusive of what was spent on the consolidation of holdings) was about 10½ lakhs and was equivalent to Rs. 1-8-0 a member. But something more than generosity is needed, namely, a full and vivid appreciation of the fact that the moral and material well-being of millions is involved. The best judges are agreed that in the sphere of rural finance there is nothing to take the place of co-operation, and that it is the only hope of checking the excessive borrowing and reducing the high rates of interest that now prevail from one end of the province to the other, and also of inculcating the habit of saving, without which no higher standard of living is permanently possible. They are also agreed that in the moral sphere its influence is potentially enormous. "It is impossible," said the Marquess of Linlithgow, K.T., G.C.I.E., in a recent speech, "to overstress the importance of the educative function of co-operation."<sup>3</sup> Almost all the Assistant Registrars report that the demand for new credit societies is strong but cannot be satisfied in full for want of staff. We would therefore urge most earnestly that, till co-operative credit is fully and completely established throughout the province, Government should provide all the assistance in its power, and as a first step in this direction we recommend that the Registrar's proposals should be accepted.

164. In view of the increased Government assistance just recommended we advocate no extension of existing concession, but we suggest that primary credit societies should be allowed to open current accounts with sub-post offices, and to operate the accounts by cheque. We understand that the Postmaster-General, Punjab and North-West Frontier Province, anticipates no difficulty in giving effect to this, subject to the necessary alteration in the rules of the department. The concession would be a great convenience to many villages societies and would do something to encourage the cheque habit and make money more fluid.

165. The following figures will give an idea of the present position of the Punjab Provincial Co-operative Bank :—

(i) Members	..	..	..	12,858
(ii) Paid up share capital	..	..	Rs.	10,63,411
(iii) Reserve (Sinking fund)	..	..	"	1,03,598
(iv) Working capital	..	..	"	92,95,548

<sup>1</sup>Report of the Committee and Co-operation in Burma, 1928-29, p. 8.

<sup>2</sup>P. 340.

<sup>3</sup>Speech at a meeting of the East India Association on 18th March 1930 (*Asiatic Review*, April 1930, p. 316).

The Bank deals with central banking institutions on the one hand and with mortgage banks on the other. Its relation to mortgage banks is described in paragraph 68. To central banking institutions it renders two services. It acts as a balancing centre between banks with surplus, and banks with insufficient funds; and it maintains a reserve, which in no way takes the place of the reserve kept by each individual bank but provides all with a useful additional safeguard against emergency. To this end, it has secured from the Imperial Bank an overdraft of 32 lakhs against Government securities at bank rate and a cash credit of about 21 lakhs at 6½ per cent (with monthly rests) against promotes drawn in its favour by central banking institutions and endorsed by it to the Imperial Bank.<sup>1</sup> As a balancing centre it holds 53 lakhs of surplus funds deposited by surplus banks. Of this it has lent 30 lakhs to deficit banks, and the rest it has invested in Government securities. From the middle of June to the middle of September it generally has from five to ten lakhs more than it requires to meet the demands of its clients. With the beginning of the sowing season for the spring harvest the demand strengthens and continues fairly constant till the harvest is over.<sup>2</sup> Throughout the year it pays surplus banks 5½ per cent on their 12 months' deposits and charges deficit banks 6½ on their loans. We gather from the evidence of the Financial Adviser to the Co-operative Department that central banks are inclined to deal with the Provincial Bank only when it suits them; for example, to apply to it for accommodation when money is dear and the rates of the Provincial Bank are lower than those of the Imperial Bank, and to go to the latter when money is cheap and the Bank rate low. To remedy this the Provincial Bank is considering the feasibility of making its lending rate rise and fall with the Bank rate. Meanwhile we trust that central banks and unions will not forget the great advantage of solidarity in a financial organization, and the great importance of mutual help in a co-operative.<sup>3</sup>

166. There are 48 central banks and 65 banking unions in the province. We have already given a number of figures for them, and the only one we must repeat is that their deposits last year (July 1929) amounted to 539 lakhs. This figure was made up as follows:—

			Rs. (Lakhs).
Co-operative Societies, etc.	..	..	144
Local bodies	..	..	53
Other Institutions	..	..	67
Officials and Pensioners (Civil and Military)	..	..	83

<sup>1</sup>In the case of Government securities up to 95 per cent of market value will be advanced; in the case of promotes, up to 75 per cent of face value.

<sup>2</sup>Ev. ii, 509.

<sup>3</sup>To central banks and unions the Provincial Bank lends on demand promotes subject to an understanding that no demand will be made for a year. Interest is payable half yearly. Usually it will not lend more than 12 times the amount of the borrowing bank's paid-up share capital and reserves.

	Rs. (Lakhs.)
Professional men (other than officials and pensioners)	53
Persons engaged in trade and commerce	62
Women .. .. .	45
Minors .. .. .	32

Financially, the unions are much less important than the banks; and as we made no special inquiries about them, we need only say that they mostly operate within a radius of 10 or 15 miles, their members are all societies, and none of them has a working capital of more than five lakhs. On the other hand, the biggest central bank (Lahore) has a working capital of 78 lakhs.

167. The central banks are the main financial arteries of the movement. The following figures show this clearly :—

				Rs. (Lakhs.)
Functions.	July 1929			
Working Capital	..	..	..	573
Paid-up shares	..	..	..	27
Reserve	..	..	..	21
Deposits of (a) individuals	..	..	..	449
(b) societies	..	..	..	30

The main function of central banks is to accept deposits and to lend to their member societies. Their position in this respect is illustrated by the figures below, which show in lakhs the amount on loan and the amount overdue at the end of each of the last five years :—

	On loan.	Overdue.	Percentage of Loans overdue.
1924-25 .. .. .	259	36·62	10
1925-26 .. .. .	312	42·22	13
1926-27 .. .. .	416	57·33	14
1927-28 .. .. .	504	65·79	13
1928-29 .. .. .	554	71·87	13

Though the amount on loan has more than doubled in four years, overdues have fluctuated singularly little and have not exceeded 14 per cent, which is not serious. Central banks also grant loans against fixed deposits, but, with one exception,<sup>1</sup> do not lend to individuals against any other form of security, nor do they issue drafts or do any of the other forms of banking business beyond opening current accounts for their members, and in five cases<sup>2</sup> collecting cheques, and in one case railway receipts as well.<sup>3</sup> A branch of their business that is developing

<sup>1</sup>The Lahore Central Co-operative Bank.

<sup>2</sup>The banks at Hoshiarpur, Rohtak, Gurgaon, Rewari, and Bhiwani.

<sup>3</sup>The bank at Rewari.

is the savings bank. Savings bank accounts now number over 8,000 and the Lahore Central bank alone has about 1,900 accounts with 8½ lakhs to their credit. The usual rates of interest are 4 and 4½ per cent. One pays as much as five and a few only 3 or 3½. Nearly all give Co-operative Thrift societies preferential rates. Most insist upon literacy as a qualification for opening an account, but not all; and we would recommend that the restriction should be abolished. An account can generally be opened with a minimum deposit of Rs. 5, and in some cases Rs. 2. To encourage the use of these accounts amongst persons of limited means, whom co-operation is expressly designed to help, we recommend that the limit should be reduced to one rupee. In Russia, before the Revolution, deposits of one kopek (about a pice) were accepted by the largest co-operative bank in the country.<sup>1</sup> We also recommend that depositors should be allowed to operate their accounts by cheque, subject to the rules of withdrawal. A few banks (e.g., Sargodha) already allow this, and we understand that others are thinking of following their example. In most cases the rules of withdrawal are rigidly enforced. We doubt the wisdom of this policy. Mr. H. W. Wolff, whose experience and knowledge of co-operative credit are unrivalled, after studying savings banks at home and abroad found that "the most successful were those which, whether bargaining for notice or not, as a matter of fact paid without exacting notice or cutting it as short as could be; they experienced no difficulty in paying out, because their cash box was habitually full."<sup>2</sup>

168. Central Bank finance is not only reasonably efficient, it is also cheap: their working expenses last year were less than ½ per cent of their working capital. A commercial bank likes to keep a margin of 3 per cent between its borrowing and lending rates, but a central bank is usually satisfied with 2 per cent. Yet the following figures (for 1929) suggest that the results in terms of profit are not very different:—

	A leading Indian exchange bank.	Central Banks in the Punjab.
(a) Trading capital .. .. .	£ 38·5 millions	Rs. 573 lakhs
(b) Net profit .. .. .	£511,123	Rs. 7·23 "
(c) Percentage of (b) to (a)	1·33	1·26

169. The lower cost of management of a central bank compared with a commercial bank raises the question whether it would not be possible for central  
Future development.

<sup>1</sup>This was the Moscow Narodny Bank. (Bubnoff, *The Co-operative Movement in Russia.*)

<sup>2</sup>*Co-operation in India*, p. 158.

banks to do more than they are doing at present to supply banking facilities in towns whose business is not yet sufficiently large to attract a commercial bank. Out of 48 central banks 30 are at the headquarters of districts, and only 18 in outlying towns. Many towns therefore, have no bank of any kind. We have already suggested one way of helping them, namely, to start urban banks.<sup>1</sup> Another is for central banks to open branches in them. This has been done experimentally in three places. In one the experiment proved a failure, mainly because the central bank concerned did not make adequate arrangements for the supervision of the branch staff. The branch has therefore been closed. The other two, at Naraingarh and Hafizabad, are more promising, and the former has so far been an unqualified success. To avoid unnecessary references to headquarters there is a local body of directors whose decisions are subject to the confirmation of the general committee. A senior member of the central bank's staff is placed in charge of the branch and relieved every six months. The manager also visits the branch periodically and checks all transactions from the date of the last visit. The Financial Adviser to the Co-operative Department is of opinion that more branch banks might be started, and, so far as the arrangements made at Naraingarh can be repeated, we agree with him. He has also submitted a note suggesting various ways in which a central bank might give more assistance than it does at present where no commercial bank exists.<sup>2</sup> The note reached us too late to be made the subject of inquiry. All we can do, therefore, is to recommend it to the attention of the Registrar.

170. One central bank (Rewari) undertakes the payment of land revenue to Government on behalf of its members. The scheme was initiated by Mr. F. L. Brayne, M.C., I.C.S., when he was Deputy Commissioner of Gurgaon, and as long as he was there fairly substantial payments were made, but they are now insignificant. In 1928 a general inquiry was made by Government to ascertain whether the system could be extended to:—

- (a) all central banks, or
- (b) failing that, to those which were situated in places where there was a branch of the Imperial Bank.

The first proposal was generally condemned, and there was so little support in favour of the second that it was abandoned as premature. We think that the time has come to reconsider (b). We feel that if Government wishes to encourage the banking habit amongst the rural classes, an obvious way of doing so is to allow payment of its dues through a bank, wherever this is possible. Nor should the apparent failure at Rewari discourage further experiment. Rewari was

<sup>1</sup>Paragraph 154.

<sup>2</sup>Ev. 4. 261.

not well situated for an experiment of this kind. There is no branch of the Imperial Bank there and co-operation in the tehsil is backward. One result of the latter was that a certain number of members paid their land revenue by having their accounts debited with the amount; in other words the system made borrowing easy. We propose that a further experiment should be made in an area where there is a branch of the Imperial Bank and where co-operation is well established. Jullundur tehsil is suitable in both respects.

171. We have another suggestion to make of the same character.

Payment of Military Pen- We are impressed by the fact that nearly  
sions through Central Banks. 140<sup>1</sup> lakhs a year are paid to Punjabis by  
way of military pensions and that nothing  
is directly done by the Post Office Department, through which the  
payments are made, to encourage pensioners to save any part of their  
pensions. Some years ago, again at Mr. F. L. Brayne's instance, the  
Registrar discussed with the Military authorities a proposal for the  
payment of pensions, at the option of the pensioner, through co-ope-  
rative societies. Nothing came of the discussions because it was im-  
possible to arrange for their payment through village societies, and the  
Registrar's proposal that the experiment should first be tried with  
central banks did not commend itself to the Adjutant General in India.  
We have reopened the question and have been informed that he is  
still not in favour of the proposal for three reasons. Firstly, under the  
present system pensions are paid through the Post Office Depart-  
ment and no actual disbursement of money is effected by the Mili-  
tary Accounts Department, since book adjustments are carried out  
by the two departments concerned. It is thought that, if co-operative  
banks were entrusted with the payment of pensions, they would have  
to be reimbursed by the Military Accounts Department, which would  
thereby be involved in additional labour and establishment. Secondly,  
the Postal Department carries out a number of functions on behalf of  
the Military Accounts Department, such as the investigation of arrears  
claims and the renewal of pension certificates, which could not be  
delegated to a *quasi* private body like a co-operative bank. Thirdly, the  
present system is working satisfactorily, and there seems no advantage  
in setting up a dual system, which could only be introduced in central  
banks and be of benefit to a comparatively small number of pensioners.

These objections clearly have force, but after discussing them with the Deputy Postmaster-General, Punjab, we are not convinced that they cannot be overcome. We understand that Postmasters have two functions in regard to these pensions :—

- (a) payment, and
- (b) inquiring into all cases of doubt and dispute.

It should be possible, we think, to entrust (a) to a co-operative bank without interfering with (b), and for the purpose of payment, and for that purpose only, to treat the co-operative bank as the agent of the

<sup>1</sup>See Statement 18 (p. 343).

Postal Department instead of the local postmaster. The arrangement would be optional ; that is to say, it would only be made on the written request of the pensioner, a request that might be revocable subject to proper notice. Cases of doubt and dispute would continue to be investigated by the Postal Department, and so far as the Military authorities were concerned, existing arrangements would continue. This seems to us to meet the Adjutant General's first two objections. As to the third, we do not consider that the proposal should be condemned because at first it would only benefit a comparatively small number of pensioners. If it proved to be a success, it could be extended to all central banks, and in time, no doubt, to village societies. On the other hand, if a beginning is not made with central banks, it will be long before it can be made with village societies, comparatively few of which are equal to work of this kind. At present the Postal Department admittedly does nothing to induce pensioners to save any part of their pensions. Payments are made in cash, and it is notorious that in this country cash is quickly spent. Payment through a central bank will also be in cash ; but sooner or later pensioners will discover that they can be paid with complete security, without having to leave their villages at all, by the simple process of opening a deposit account with the central bank. And having discovered this, it will not be very long before they make the further discovery that this is not a bad way of adding to their pensions.

172. With very few exceptions, co-operative banks have no direct relations with any bank except the Imperial Bank. Nearly all central institutions have been given over-draft facilities by the Imperial Bank against Government securities. This accommodation is used almost entirely for the purpose of repaying deposits and hardly at all for lending to primary societies, and as such it is an important element in the fluid resource maintained by central banks and unions.

173. The only competition that arises is in regard to deposits. This is largely a matter of rates. "If our rate of interest is more" said the ex-Honorary Secretary of a central bank, "then we get more deposits." If the Joint Stock banks temporarily increase their rates, then the deposits are withdrawn from the central bank and deposited there.<sup>1</sup> For a 12 months' fixed deposit rates vary thus :—

	Per cent.			
Imperial Bank .. ..	..	..	..	3½
Exchange Banks .. ..	..	..	..	4
Punjab National Bank ..	..	..	..	5
Peoples Bank of Northern India ..	..	..	..	5
Central Co-operative Banks—				
(a) Jullundur .. ..	..	..	..	4½ <sup>2</sup>

<sup>1</sup> Ev. ii. 642.

<sup>2</sup> It is interesting to note that the famous English Co-operative Wholesale Society also gives its depositors 4½ per cent (*Economist*, 25th January 1930).



	Per cent.
(b) Lahore, Amritsar, Sialkot, Ambala, Dharamsala, and Karnal .. .. .	5
(c) Five more .. .. .	5½
(d) Twenty-two .. .. .	6
(e) Ten .. .. .	over 6

Probably those who have suffered most from the competition with co-operative societies are the indigenous bankers. The point has already been alluded to and will be developed later. One banker said that it was not a question of rates but of security. "In our case, it is only an individual with whom depositors deal; in the other, it is a Government managed institution and people trust it more.<sup>1</sup> The idea that co-operative societies are managed by Government is, of course, erroneous. They are subject to a certain amount of supervision and control, but they are independent bodies as fully responsible for their losses as they are fully entitled to their gains.

174. We conclude this chapter with a word about the effect of co-operation on debt. A Deputy Registrar, whose service almost coincides with the existence of the Co-operative Department, Khan Bahadur Malik Fateh Khan Noon, divided co-operators into three classes, those whose debt is mainly ancestral; those who have become involved by some calamity; and those, the thriftless and the extravagant, who incur debt 'on account of their own foolishness.' The first two classes, he said, being in debt through no fault of their own, benefit at once on joining a society, because, understanding the proper use of money, they can take full advantages of the facilities offered. These, however, he estimates at only 20 per cent of the whole. The remaining 80 per cent also benefit by being able to borrow at a much lower rate of interest, but this benefit depends on their borrowings being carefully controlled. If they are not controlled, the lower rate of interest leads only to greatest borrowing. To benefit independently of this control, which necessarily varies from society to society, members must learn the proper use of money; and for this persistent teaching is necessary. But once the lesson is learnt, 'everything is done.' According to the Deputy Registrar, only about 5 per cent of the third class have so far learnt it.<sup>2</sup> This is perhaps an under-estimate, for it was found in the case of 2,748 societies when they completed ten years that on the average 43 per cent out of 82,524 members were entirely free of debt<sup>3</sup> as against only 13 per cent of the 112,358 members whose borrowings are discussed at the beginning of this chapter. But whether it is an under-estimate or not, the Deputy Registrar's evidence brings out forcibly the importance of teaching. Without it societies may multiply, but co-operators will be few.

<sup>1</sup>Ev. i. 785. cf. Ev. i. 192.

<sup>2</sup>Ev. i. 290-91, 302.

<sup>3</sup>Co-op Rpt., 1928, pp. 20-21.

## CHAPTER XII.—LEGISLATION AND LEGAL PROCEDURE.

175. We did not examine the effects of the Land Alienation Act upon rural finance, because it was impossible, within the limited time at our disposal and with so many other subjects of inquiry, to reach any conclusion upon a question of such complexity and importance. At the same time the Act was so frequently mentioned by witnesses that we cannot pass it by without a word.<sup>1</sup>

The Act has many aspects, but three points struck us forcibly:— In the first place, it is regarded by the non-agriculturist rural money-lender as the most serious obstacle to his business. Secondly, it gives the agriculturist money-lender a predominating interest in the agricultural usufructuary mortgage business of the province. Thirdly, as will be shown in Chapter XIV,<sup>2</sup> the agriculturist money-lender, being very little hampered by the Act, tends to advance a higher proportion of the value of mortgaged land than a non-agriculturist. The disadvantage of the first point is that it tends to maintain the high rates of interest; its advantage, that it restricts credit. The disadvantage of the second point is that mortgage is often made the means of expropriation; its advantage, that possession generally passes from one farmer to another. The disadvantage of the third is that it enables many to borrow more who would be the better for being obliged to borrow less; its advantage, that for the few who understand the use of money more credit is available. In the first case, we consider the advantage greater than the disadvantage; in the third the disadvantage greater than the advantage. In the second much depends upon the circumstances of each case. If possession is to pass with a mortgage—and it is one of the cheapest ways of raising money in the country—it is usually though not invariably better that it should pass to an agriculturist than to a non-agriculturist; and even if possession leads to sale, it may well mean replacing a bad farmer by a good.

<sup>1</sup>For the benefit of those who are not familiar with the provisions of the Act we reproduce the following description from the report of the Royal Commission on Agriculture (p. 420):—

“The Land Alienation Act came into force in 1901; it was amended in 1907. In accordance with its provisions, the chief ancestral cultivating classes have been notified as falling within the restrictions imposed: smaller septs are continually pressing their claims to be similarly protected while no instance has yet occurred of any class once notified seeking to be exempted. Members of the notified tribes are grouped by districts, and within such groups alienations are left subject to the ordinary customary law of the tribe; sales and mortgages by members of a group to anyone not such a member are restricted by the Act. When a mortgage in a form not permitted by the Act is made in contravention of its provisions, the Deputy Commissioner has authority to intervene. Any sale in contravention of the Act is void, and automatically takes effect as a usufructuary mortgage in the form permitted; but such sales may be sanctioned by the Deputy Commissioner.”

<sup>2</sup>Paragraph 203.

176. This Act, which was passed last year, cannot come into force till at least six months after the rules to be made under it, have been finally published. These rules have just been published for the first time.

Punjab Regulation of Accounts Act.

The Act obliges all money-lenders to use regular account books, and to furnish each debtor every six months with a legible statement of account signed by himself or his agent, showing not only the amount outstanding but also all loan transactions entered into during the past six months. It does not touch sales on credit even if interest is charged ; and as money-lenders are often shop-keepers, they will have to keep their sales accounts distinct from their money-lending accounts, and this may at first be a source of difficulty, but if the Act takes root, it should result in an improved system of account-keeping. Another difficulty will be to devise a form of account suitable to the many different types of money-lenders operating in the province, urban, rural, agriculturist, and non-agriculturist, and also to the Pathan. But perhaps the greatest difficulty will be the despatch and delivery of the six-monthly statement of account to the borrowers. When it is remembered that there are probably 55,000 money-lenders in the province,<sup>1</sup> and that the large majority of the 3½ million cultivators (to name one class only) are in debt, this may constitute a serious problem. If, however, these difficulties can be surmounted, the Act should help to make both lender and borrower more businesslike. And, though the experience of Europe is not very encouraging to those who would control or reform the money-lender by law, there is good German authority for the view that he should at least be obliged to keep his accounts in a prescribed form and submit them for inspection when required. The Punjab Act goes a little beyond this, and as such it is an experiment which should perhaps be watched before it is imitated.

177. The Royal Commission on Agriculture, believing that the Usurious Loans Act was everywhere practically a dead letter, recommended that an inquiry should be made into the cause of its failure.<sup>2</sup> The two Hon'ble Judges of the High Court of Judicature at Lahore who have expressed an opinion on the subject state that an inquiry is contemplated, but doubt whether the Act has been in operation long enough for an inquiry to be fruitful. Moreover, they consider that in this province the provisions of the Act are invariably applied in suitable cases, and they add that, with the exception of Mianwali and one or two districts in the south-west, there are few areas which produce many cases in which the loans can be called usurious.<sup>4</sup>

<sup>1</sup>See paragraph 195.

<sup>2</sup>*Pb. Pol.*, p. 231.

<sup>3</sup>*Op. cit.*, pp. 433-39.

<sup>4</sup>*Cf.* paragraph 51.

178. The number of petitions for insolvency proceedings increased from 1,131 in 1923 to 2,792 in 1928; and, of applications allowed from 384 to 1,772. The increase in petitions, say the two Hon'ble Judges referred to above, "is due to the tightening up of the execution process and the liberalising of the insolvency law."<sup>1</sup> One District Judge attributes it to fear of arrest; another to abuse of the Act by dishonest agriculturists, who "make fraudulent transfer of their lands and then apply for insolvency."<sup>2</sup> A Sub-Judge remarks that since it has been held that the land of an insolvent agriculturist can be sold,<sup>3</sup> the number of petitions has declined.<sup>4</sup> On the other hand, two Sub-Judges say that creditors, anxious to take advantage of the ruling against debtors from whom recovery is difficult, do their best to get them into the insolvency court.<sup>5</sup> It would seem, therefore, that the Act is liable to be abused by both creditor and debtor. If so, it is one more example of the demoralising effects of the present uncontrolled system of rural finance.

Record of Rights and  
Tenancy Rights.

179. No remarks.

180. The average duration of a contested civil suit was 138 days in both 1923 and 1928 and did not vary much in the intervening years, except in 1926 when it rose to 161 days. For this, however, there were special reasons.

Duration of contested  
suits.

181. A number of Income-tax Officers have given us particulars of cases that have recently come to their notice. The most interesting of these is a batch of 46 from Hissar. These were the subject of a most careful examination by S. Chanda Singh, Income-tax Officer, Hissar, who has recorded the results in a note of great interest.<sup>6</sup> He went through the books of 30 assesses chosen at random and found that 8 had not filed any suit during the last five years. The remaining 22 filed the 46 suits dealt with in his note. In each case proper accounts were kept with the result that the full amount of the principal claimed was decreed. Interest was also decreed in full in all but three cases, in two of which reduction was the result of a compromise. According to the account books the expenses incurred amounted to Rs. 3,905 as against Rs. 2,557 awarded. This means that in these 46 cases, even if the full amount decreed is recovered, one-third of the cost of the suit will remain unrealised. Thirty per cent of these suits were decided *ex-parte* and very few of

<sup>1</sup>See Statement in Evidence, Volume I, p. 70 and p. 72.

<sup>2</sup>Ev. i. 73.

<sup>3</sup>See paragraph 203.

<sup>4</sup>Ev. i. 75.

<sup>5</sup>Ev. i. 82, 94.

<sup>6</sup>Note, K. p. 244.

them were re-opened. In another 10 per cent the claims were admitted. Only 60 per cent, therefore, were really contested. The average duration of the 46 cases was 5½ months, and actual duration varied from 15 days to 20 months, four cases taking more than a year. Another interesting point is that the recoveries made outside the court amounted to Rs. 6,102 against Rs. 3,060 recovered through the court. Finally, the Income-tax Officer reports that in the twelve cases which have been finally closed the bad debts resulting from these proceedings did not exceed the amount of interest allowed. In the 46 cases the latter amounted to 33 per cent of the principal decreed.

182. The law's delays are proverbial and are sufficiently illustrated by the figures given above. To remedy them the Civil Justice Committee of 1924-25 made certain recommendations, most of which have been adopted in this province. It is perhaps too early to judge their results. The main causes of delay in the disposal of suits appear to be the following :—

- (1) The difficulty in effecting service upon defendants who are resident outside the local jurisdiction of the Court.

The plaintiff generally finds it too expensive and troublesome to accompany the process-server for the purpose of identifying the defendant. The process-server perhaps cannot find the defendant or, more often, is placated by the payment of a small tip.

- (2) Frivolous pleas are constantly advanced and not always ruled out.
- (3) Many defendants employ every possible device to have their cases adjourned.
- (4) Heavy pending files lead to further adjournments.

183. Even more serious are the delays and difficulties in the execution of decrees. The chief causes of these are :—

- (1) The process-servers and bailiffs of Civil courts find it difficult to enforce the warrants given them for execution.
- (2) If a judgment-debtor is arrested, he is apt to apply for insolvency.
- (3) If property is attached, objections of one kind or another, and sometimes declaratory suits, are filed, and much time is spent in disposing of them.

184. The difficulty in regard to execution is not simply one of delay. The Civil Justice Reports of the last six years, for which figures are available, show that of the amount decreed and sued for recovery each year not more than 26 per cent is recovered through the courts. At first sight it

might be supposed that the remaining 74 per cent (or more) has to be written off as irrecoverable ; but such is not the case, for it is generally agreed that some additional amount is recovered out of court. The question is, how much is recovered in this way. As there are no means of ascertaining this statistically, we have to rely upon estimates. The estimate of the two Hon'ble Judges whom we have already quoted is contained in the following passage<sup>1</sup> :—

“ It is not possible to make a correct estimate of the amount recovered out of Court, but this could not be very much because ordinarily a creditor does not institute a suit against his debtor except as a last resort, and in such cases the debtor is inclined to put all possible obstructions in the way of the creditor in realising the money due to him. It must also be remembered that the amount actually recovered by a decree-holder by execution does not necessarily represent the actual amount that he is able to put in his pocket, because before a creditor is able to obtain a decree and to execute it, he has to pay a good deal in the form of tips or bribes to the ministerial staff, as the existence of corruption in the ministerial staff of the subordinate courts cannot unfortunately be denied. Moreover, the fees paid to counsel generally exceed the taxed costs. It will be correct to say that about half of the amount actually recovered by the decree-holder in such cases represents out-of-pocket expenses incurred. It is, therefore, only about  $\frac{1}{4}$ th of the original claim that is recovered by execution by the decree-holder every year through courts. The whole of the balance does not necessarily represent irrecoverable debt, but a large proportion of it must be irrecoverable.

We also asked Income-tax Officers to make inquiries on the subject and report the result. Eight officers have done this, and their estimates are more optimistic. Two<sup>2</sup> say that 25 per cent is recovered out of court, and three mention 50 per cent. For rural money-lending one puts it as high as 60 per cent.<sup>4</sup> In the 46 cases described above nearly twice as much was recovered out of court as through the Court, and the Income-tax Officer (Hissar) himself puts the amount recovered out of court as 60 per cent of the whole. We may conclude, therefore, that the figures for recovery in the cases of

<sup>1</sup>Es. & 71.

<sup>2</sup>Sialkot and Multan.

<sup>3</sup>Amritsar (2) and Hissar.

<sup>4</sup>Amritsar.

successful suits are much better than the Civil Justice Reports suggest. Further, it is probable that the bulk of the amount that has eventually to be written off as irrecoverable is interest rather than principal.

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|----------------------|------------------|
| Equitable Mortgages. | 185. No remarks. |
| Titles in land.      | 186. No remarks. |

### CHAPTER XIII.—INDIGENOUS BANKERS.

187. For the purpose of this inquiry we defined an indigenous banker as an individual or firm receiving deposits or dealing in hundis, and doing this as its primary business. The indigenous banker is, therefore, distinct from the ordinary money-lender, though the dividing line between the two is often thin. We have been at some pains to ascertain how many indigenous bankers there are in the province. According to our information, mainly obtained from Income-tax Officers, they number only 66, thus:—

Amritsar	..	..	..	..	17
Ludhiana	..	..	..	..	15
Rawalpindi	..	..	..	..	6
Ambala	..	..	..	..	5
Lahore, Ferozepore, Multan and Simla				..	4 each.
Gujranwala	..	..	..	..	3
Sialkot	..	..	..	..	2
Dera Ghazi Khan	..	..	..	..	2

There may be a few more, but the number is probably less than 100, and there are, it seems, 18 districts with none at all. This was not always so. Witnesses were unanimous that they have declined in number and their business greatly in volume. The decline began in the nineties in the small towns on the banks of the Indus and Jhelum, where the advent of the Railway led to a big deflection of trade from river to rail. The bankers of Pind Dadan Khan, Bhakkar, Leiah, Dera Ghazi Khan, and Mithankot—to mention some of the towns affected—were unable to adjust themselves to the change and began to decay. In the next decade, with the spread of the commercial bank, the decline became general, and it may be said that when the war broke out the indigenous banker was doomed.<sup>1</sup>

188. The causes of this decay are not in dispute. Much the most important is the great development of commercial and co-operative banking. Broadly speaking, the indigenous banker has found it impossible to compete with the Imperial Bank in remittance, with the co-operative banks in deposits, and with the joint stock banks in advances. He still does a good deal of remittance, but like the joint stock banks he is handicapped by being obliged to charge more than the Imperial Bank, which has special facilities for the purpose. In the old days, when his volume of business was much greater, he had extensive business connexions, with branches in some places and correspondence in others, which enabled him to remit over a wide field. His charges were higher than

<sup>1</sup>*Cf. Ev. pp. 532, 867 and 905.*



those of commercial banks to-day but he was able to offer remittance facilities to places which now have to remit by hand or by post.<sup>1</sup> With deposits, it is less a matter of rates than of confidence. His rates, five to six per cent, are not very different from those of the leading co-operative banks, but he does not, and cannot, inspire as much confidence as banks which are under the ægis (though not under the management) of Government. He has felt their competition the more keenly, inasmuch as like them he draws most of his depositors from the official and professional classes. In the field of loans, he had the advantage as long as banking could be done largely on a personal basis, but the trend of the times is against this. Business has much wider ramifications, and is subject to far wider influences, than thirty years ago. Recently too—so we were told by many—the personal security of ordinary business men has deteriorated. Moreover, these are days of large-scale operations and of quick business-like despatch. In both respects the indigenous banker is at a disadvantage. He is not as prompt in his methods as a bank, and with diminishing resources the volume of his business is declining when success demands that it should increase. Accordingly, just as in England the old family bank has had to give way to the large joint stock bank, the indigenous banker is being obliged to give way to the commercial bank.

Three minor causes of decline may also be mentioned. Firstly, in the great commercial expansion after the war, believing that he might make good in trade what he was losing in banking, he began to develop his trading activities and in many cases became more of a trader than a banker.<sup>2</sup> Some, too, tempted by the glittering fortunes being made around them, speculated and paid the inevitable penalty. Secondly, the indigenous banker's chief instrument of credit, the hundi, is much less in favour than it was. Owing to the heavy stamp duty to which it is liable and to which we have already referred,<sup>3</sup> it has become much less popular with borrowers who have to pay the duty, than the pronote, upon which the duty is far less. This has led to a restriction of business, since the pronote is a much less satisfactory instrument of credit.<sup>4</sup> Thirdly, many of the large exporting firms, who export most of the produce of the province, find it cheaper to have their own branches in the mandis and no longer employ the indigenous banker as their agent.

189. Indigenous bankers generally, but not always,<sup>5</sup> combine banking with some other business.<sup>6</sup> Some

Nature of business--  
(a) Rates of interest. deal in bullion, many in produce, and a few in imports. One we heard of has a flour

<sup>1</sup>Ev. ii. 905.

<sup>2</sup>Ev. ii. 534.

<sup>3</sup>Paragraph 141.

<sup>4</sup>Ev. ii. 689.

<sup>5</sup>Ev. ii. 776.

<sup>6</sup>Ev. ii. 851.

mill, and another combines banking with dealings in sports goods, agricultural produce, and regimental contracts. Funds are raised by deposits, by drawing hundis and rediscounting them, and by loans and cash credits secured on house property or Government securities. In addition, all bankers have some funds of their own, though in most cases less than what they borrow. For instance, one at Amritsar has borrowed eight lakhs out of ten. Not all take deposits—it is not the custom at Ludhiana—,<sup>1</sup> but those who take them pay anything up to six per cent according to market conditions and the period of the deposit. On hundis and loans the rates vary with the bazaar or the bank rate, according as dealings are with the bazaar or a bank. For first class hundis the bazaar rate is generally  $\frac{1}{2}$  to 1 per cent below the bank rate,<sup>2</sup> and as in the last three years the bank rate has averaged just over six per cent,<sup>3</sup> the sound indigenous banker who takes deposits has been able to borrow all his funds at an average of 6 per cent or less. Like the central co-operative banks, the indigenous banker works on a margin of 2 to 3 per cent,<sup>4</sup> which is narrower than that of joint stock banks, and he is able to do this because his overhead charges are less. No one put his net profit from banking at over 6 per cent, and the income-tax figures in Statement No. 5 (Part II)<sup>5</sup> suggest that this is not far wrong; for as a rule lending at 8 or 9 per cent and borrowing at six and occasionally incurring bad debts, he could only make a substantial profit if he borrowed largely; but with his best source of borrowing—deposits—drying up, this is difficult, if not impossible.

190. The indigenous banker purchases and sells demand bills,

(b) *Advances.*

discounts and rediscounts usance bills, stores valuables, and advances against all the usual forms of security, but principally against house property and ornaments. On house property he advances up to 50 or 60 per cent. of value, and on ornaments up to 75 or 80 per cent. He used to advance against agricultural land, but with the passing of the Land Alienation Act discontinued doing so. From half to three-quarters of his advances are generally secured, but a few bankers still prefer to depend mainly upon personal credit. One of these, a banker of Ferozepore, who advances mostly to traders, told us that he preferred not to take any security at all, though he accepted it when offered. Feeling that the safety of his business depended upon the character and reliability of his clients, he considered that an undesirable element of risk crept in when security had to be taken. He admitted, however, that owing to the decline in confidence<sup>6</sup> it was becoming increasingly difficult to do

<sup>1</sup>*Ev. ii.* 532.

<sup>2</sup>In Amritsar the highest point touched by the bazaar rate in the last five years is 7 per cent as against 8 per cent in the case of the bank rate *Ev. ii.* 691).

<sup>3</sup>Statement 27 (p. 377).

<sup>4</sup>*Ev. ii.* 533.

<sup>5</sup>P. 331.

<sup>6</sup>Corroborated by others, cf. *Ev. ii.* 653, 825-26.

business on these lines. In his case the results had been satisfactory, for he had had only one bad debt in five years.<sup>1</sup>

The indigenous banker's main function is to finance trade. He also helps industry, and to some small extent agriculture. Advances are made for fixed periods varying from two to six months, or, in the case of agriculture, till the next harvest. In the case of good clients they are frequently renewed, or they may take the form of a cash credit duly secured or guaranteed by sureties. Sureties are seldom taken for ordinary loans. Generally the object of a loan has to be stated, and it would seem that most of the loans—the lowest percentage mentioned was 70—are for productive purposes. Businessmen are reasonably punctual in their repayments, but others have usually to be pressed. These are all points to be remembered when we come to compare the rates of interest in town and country. When a client defaults, the first step is a reminder by registered post; and the second a verbal request through a person of influence. It is only when all other remedies have failed or the period of limitation is about to expire that a suit is filed. This is the case with money-lender as well as banker, and the explanation is to be found in what was said in the last chapter about the administration of the law.

191. Amritsar, with seventeen, has more indigenous bankers than any other town in the Punjab. Eight live by banking only, and five combine it with commission agency.<sup>2</sup> In the old days bankers did more banking than business: now the tendency is the other way. The businesses are of all sizes and vary in capital from Rs. 20,000 to 20 lakhs. Only the bigger firms rediscount hundis; the others purchase them and advance against stock in trade. Not all take deposits, for a few have enough funds of their own. Deposits used to be received from outside, but now they mostly go to the banks. Similarly, ten or fifteen years ago the indigenous bankers used to take an important share in financing the piece-goods trade, but they have been largely displaced by the Exchange Banks and the Imperial Bank.<sup>3</sup>

192. Several witnesses suggested that the indigenous banker was handicapped by the unsympathetic unhelpful attitude of commercial banks, but the charge did not go beyond mere statement. In regard to the Imperial Bank, the Manager of its Northern India Branches stated that it had not in any way restricted its business with the indigenous banker, but the latter did not come to it, partly because (for reasons already explained)<sup>4</sup> his bill portfolio was full of demand promotes, which banks will not discount. The Manager added that there

<sup>1</sup> Ev. ii. 780—88.

<sup>2</sup> Ev. ii. 851.

<sup>3</sup> Ev. ii. 852.

<sup>4</sup> Paragraph 188.

was no reluctance on the part of the Bank to rediscount his bills, and it did this at  $\frac{1}{2}$  per cent or so above the bank rate. It also assisted him with remittance, and if it charged him a little more than a joint stock bank, it was because he offered much less business.<sup>1</sup> One banker said he got all the facilities that he could expect from joint stock banks, but it was a difficulty in dealing with the Imperial Bank that under the terms of the Imperial Bank of India Act it was obliged to ask for a second signature unconnected with the first before an advance could be made. In one respect he felt inconvenienced. The amount of accommodation that he could expect from a bank depended to some extent upon the credit of his clients. This might be seriously, but only temporarily, affected by trade or agricultural depression, and that rested upon his own credit.<sup>2</sup> There is evidence that of late credit has been shaken in this way, and standing alone with depleted resources, the indigenous banker is not so well placed as he was to meet the difficulty.

193. We have considered most carefully whether it would be possible to revive indigenous banking. Some witnesses were hopeful, but none laid before us any scheme that appeared to us to be practicable. It is suggested that commercial banks might discount their bills more freely, and that the Imperial Bank in its turn should rediscount them, subject to the usual precautions, when presented by a joint stock bank. But the question of discounting and rediscounting is largely a matter of security, and we have received no evidence to show that good security does not already command all the banking facilities to which it is entitled. As explained, the decline of the indigenous banker is due to the great development of commercial banking in the province, and if this development continues it is only a matter of time before the indigenous banker becomes extinct or survives only as a cautious relic of an order that has passed away. To attempt to revive him on a large scale is not, therefore, likely to succeed. His house has collapsed and would have to be almost entirely rebuilt.<sup>3</sup> But, though he appears to be doomed, there is no reason why his end should be prematurely hastened. The longer, indeed, it can be delayed, the better for business, for he has played a great part in the finance of the past, and there is still much left for him to do. If and when, therefore, a Reserve Bank comes into being, we trust that in determining its constitution, scope, and powers the indigenous banker will not be forgotten.

194. We received a complaint from several bankers that they were prejudiced by the searching scrutiny to which Income-tax Officers subjected their

<sup>1</sup> *En. n.* 687, 689-90.

<sup>2</sup> *En. n.* 737.

<sup>3</sup> *Cy En. n.* 915.

deposit accounts, and they claimed that they should be treated in the same way as joint stock banks, whose accounts, though liable to scrutiny, were rarely examined in detail.<sup>1</sup> The accounts of a joint stock bank are protected by the Bankers' Books Evidence Act. This Act has not been applied to indigenous bankers, presumably because their business is not regulated by the Indian Companies Act and is not legally subject to audit. If at any time it were found possible to bring their operations under legal control, the question of extending the Bankers' Books Evidence Act to them will no doubt be considered. Till then it is clearly impossible to protect their accounts in any way from such scrutiny as the circumstances of each case demand.

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<sup>1</sup>*Id.* ii. 739, 860.

## CHAPTER XIV.—MONEY-LENDERS.<sup>1</sup>

195. The chief problem of banking in the Punjab is the problem of the money-lender. In 1922, Mr. Calvert calculated the number of money-lenders at about 40,000.<sup>2</sup> This estimate appears to have been based upon various statistical returns, mainly relating to income-tax and none later than 1918-19. Little account can have been taken of either the agriculturist or the female money-lender, because the latter has probably never appeared in the income-tax returns, and the former has only begun to do so since 1921, when income-tax administration became more efficient. We shall see presently that agriculturist money-lenders, excluding those who advance only against mortgage, number about 19,000. It is impossible to calculate the number of women who lend, but the evidence of the Inspectress, Co-operative Societies, shows that it must be considerable, for about 5 per cent of the 2,000 members of women's co-operative societies apparently make a practice of it. The Census Report for 1921, on the other hand, states that the number of ordinary money-lenders has almost certainly declined.<sup>3</sup> If we set off the number of women who lend against this decline, we are still left with 59,000 money-lenders. Tentatively, therefore, but cautiously, we may say that in the Punjab there must be at least 55,000 who depend solely or in part upon money-lending. We are upon surer ground when we add that after agriculture money-lending is the most important industry in the province, and that in 1928-29, it paid 36 per cent of the total income-tax paid by business and industry.

### *The Urban Money-lender.*

196. Though it is often difficult to say whether a money-lender is urban or rural, since he frequently does both types of business, there is a clear difference between the money-lender who lives in the village and his cousin who lives in the town. We will describe the latter first. Just as it is sometimes difficult to distinguish between the urban and the rural money-lender, it is not always easy to distinguish between the urban money-lender and the indigenous banker. Like the banker, the urban money-lender may take deposits and deal in hundis, but neither the one nor the other will be an important part of his

<sup>1</sup>Separate information is not given for shroffs, since, so far as they do banking or money-lending, their methods do not differ from those of bankers or money-lenders. In the Punjab, the term 'shroff' (*saraf*) commonly means one who deals in bullion and ornaments, whether he lends money or not. But it is also applied to them who act as guarantee brokers for exporting firms (see paragraph 99), and occasionally, e.g., in Ludhiana, to big money-lenders who do not deal in bullion, probably because their ancestors did.

<sup>2</sup>P. 129.

<sup>3</sup>*Op. cit.*, p. 361.

business; and money-lending itself may be combined with, and even be subsidiary to, some other form of business such as commission agency. The indigenous banker, as defined in the last chapter, may also combine banking and business, but in his case banking is primary. This is largely a difference of degree, and the other differences between the two are of much the same nature. The indigenous banker finances trade and industry rather than consumption; the urban money-lender consumption rather than trade. Both banker and money-lender advance partly with, and partly without security, but the banker more often with than without, and the money-lender probably more often without than with. The banker is generally particular about the objects for which money is required: the money-lender is less careful. A further difference, and one no doubt arising from the last two, is that most of the banker's clients repay punctually, and most of the money-lender's have to be pressed. The banker, therefore, can afford to lend at 6 to 9 per cent and rarely goes beyond 12 per cent, but the money-lender commonly charges 9 to 12 per cent and goes up to 18 per cent.<sup>1</sup> The difference is a reflexion of the greater trouble and risk involved in the urban money-lender's system.

197. It is sometimes supposed that rates of interest vary with locality and that they are necessarily lower in the town than in the village. This is only true to a slight extent. The preponderating factor in both cases is the quality of the security offered, with special reference to the trouble and risk involved in the loan. In both town and village, the rates for first class security range from 6 to 9 per cent,<sup>2</sup> and for good second class security from 9 to 12 per cent,<sup>3</sup> and in both, when material security is not forthcoming, they may rise to almost any figure. The Lyallpur Colony Bank, whose 6½ lakh business closely resembles that of a large and careful urban money-lender, provides a good illustration of what is meant, for its business is as much rural as urban and its rates are not necessarily higher for the one than the other. Against ornaments and stock in trade, which after Government securities provide the best security, 9 per cent is charged: against house property, a less satisfactory but on the whole an acceptable form of security, the rates are 9 to 12 per cent, and on pronotes 10½ to 12 per cent. The maximum rate is 13½ per cent (Re. 1-2-0 per mensem), but is rarely charged since few unsecured loans are made.<sup>4</sup>

198. So far, we have been speaking of the money-lender who finances trade and commerce, and consumption in its larger and more respectable aspects. (By consumption we mean any need not directly relating to distribution or production). There is another class which hardly touches

<sup>1</sup>Ev. i. 175.

<sup>2</sup>Ev. pp. 533, 776, 778, 872, 957, 1058.

<sup>3</sup>See paragraph 47, cf., Ev. i. 200.

<sup>4</sup>Ev. ii. 863, cf. also Ev. ii. p. 827.

trade and commerce and confines itself largely to the smaller type of consumptive loans. This class is common to large cities all over the world, and from it is recruited what is known in America as the loan shark. Money-lenders of this type deal mainly with those who have little or no security to offer, beyond perhaps a fixed wage or salary or a prospective hope, and whose need for money is often too great to permit of any equality of contract, or whose personal extravagance makes them as careless in borrowing as they are reckless in spending. They dictate the terms, and in doing so take full account of the risk, trouble, and cost involved in the loan, and also of the need of the borrower, which is apt to be freely exploited. On paper the terms may appear extremely harsh, but they are not necessarily so in practice. In Lahore, under a system popularly known as *khuda ka kharuf*,<sup>1</sup> the divine displeasure is invoked to protect the punctual borrower from having to fulfil the full terms of his bond. To guard against the risk and inconveniences of default, a much larger sum is specified in the pronote than the amount advanced, sometimes indeed as much as double; but if the loan is punctually repaid with interest at 12 per cent, no more will be demanded. And the seal of this is the money-lender's 'fear of God,' a fear that is apparently sufficiently strong for the purpose. The money-lender's excuse for entering more in the pronote than is advanced is that the excess represents a pre-payment of interest, and as a rule corresponds with the amount of interest payable for the stipulated period of loan. The rate of interest may be anything from 12 to 48 per cent (or more) and varies with the security and need of the borrower. The borrowers are mostly persons in railway or Government service—clerks, guards, engine-drivers, and so forth.<sup>2</sup>

199. Finally, there is the Pathan, who is sufficiently numerous in Lahore. He is the worst type of loan shark, and his avarice is only limited by his capacity to extort. He lends small sums to those who are almost too poor to borrow at all—to clerks, peons, washermen and sweepers, and his lowest rate is a monthly charge of one anna in the rupee, *i.e.*, 75 per cent a year, and his actual rate may be twice as much. For recovery he depends mainly upon personal intimidation, in which he is greatly assisted by the reputation of his race.

200. Lala Ram Lal, Bhalla, Income-tax Officer, Lahore, who has written a useful note on the subject of money-lending in Lahore, estimates the amount invested in it at 128 lakhs. Of this amount 70 lakhs are advanced by twenty money-lenders of the exploiting type, and of the remaining 58 lakhs not more than eight are employed in financing commerce and trade. The rest is mainly applied to consumptive loans, mostly

<sup>1</sup>Literally, fear of God.

<sup>2</sup>*Ev. i.* 179.



secured against house property. A point characteristic of a large amount of the money-lending of the province and bearing upon what was said in Chapter XII about the Regulation of Accounts Act is that there is not a money-lender in Lahore who produces regular accounts based on a cash-book.<sup>1</sup>

201. All Income-tax Officers were asked to submit a return giving various particulars for the money-lenders assessed to income-tax in 1928-29. The money-lender's net profit. The results are given in Statement 5<sup>2</sup> and show that 2,292 urban money-lenders were taxed upon an income of 79 lakhs, representing a return of 8 per cent upon 9½ crores of capital invested in money-lending. The return represents the net profit after all expenses and bad debts admissible under the Income-tax Act have been deducted or taken into consideration. The Income-tax Officers were also asked to give their opinion, in the light of their general experience, as to the net income that an urban money-lender might expect to make over a course of years after deducting all expenses and bad debts. Their replies are tabulated in Statement 13,<sup>3</sup> and show rates varying from 4½ to 12 per cent. Seven mention rates of 6 per cent or less, and only two rates over 8 per cent. The highest estimate is 12 per cent for Lahore. The existing trade depression has probably coloured their estimates, as it has so much of the evidence given before us, and this requires to be discounted. We must also remember that the ordinary lending rates in the town are 9 to 12 per cent, and that with the better type of money-lender, whom alone we are considering, bad debts on any scale are uncommon. Those shown in Statement 5 represent only 0.4 per cent of the invested capital, and even allowing for the restrictions of the Income-tax Act, it is doubtful whether ordinarily they exceed one per cent. On the whole, therefore, we think it unlikely that the average return on respectable urban money-lending is less than 9 per cent. For the less reputable types it is probably more, but no estimate of any value can be attempted.

#### *The Rural Money-lender—The Sahukar.*

202. So much has been written in the last eight years about the rural money-lender in the Punjab<sup>4</sup> that we do not propose to deal with him at any length. He is even more important than the urban money-lender and in 1928-29 represented nearly 20 per cent of the income-tax assesses of the province. In that year 5,998 were taxed upon an income of 170 lakhs produced by 13 crores of capital. His stronghold is in the south-east and the south-west, and in three districts—Karnal, Rohtak, and Gurgaon—he contributes 60 per cent or more of those taxed. A note describing his position was submitted to the Royal Commission

<sup>1</sup>Fr. i. 181.

<sup>2</sup>P. 330.

<sup>3</sup>P. 349.

<sup>4</sup>Calvert, *op. cit.*, Chapter X, *Pb. Pst.*, Chapters X and XI, and *R. L.* p. 323ff.

on Agriculture in 1927,<sup>1</sup> and we circulated copies of it to all Assistant Registrars and Income-tax Officers for opinion as to how far it held good to-day. Their replies, which we have summarized in Note C<sup>2</sup> give a good general idea of the moneylender's present position.

203. All agree that the sahukar is reducing his business. For this many reasons are assigned, the most important of which are the following:—  
Decline in business, and its causes.

- (a) The legal protection given to the peasant proprietor borrower, combined with a greater tendency on his part to take full advantage of it;
- (b) the rise of the agriculturist money-lender;
- (c) the rapid growth of co-operative credit societies, and
- (d) the counter-attractions of trade.

As to (a), the agriculturist cannot now "be evicted by a civil court without the intervention of the revenue authority; his plough cattle, implements, and seed cannot be attached; if he is sued, interest charges can be examined, and, if necessary, reduced; and, when he dies, his ancestral land is not liable for the payment of his debts unless they are charged upon it."<sup>3</sup> Further, subject to what is said below, as the result of the Land Alienation Act, his land cannot be sold in execution of a money decree; and all that a decree-holder who is not a member of a notified agricultural tribe can do is to apply for a temporary alienation of it for at most twenty years.<sup>4</sup> This has been partially modified by a recent judgment of the High Court of Judicature, Lahore, in which it was held that the receiver of the property of an insolvent agriculturist was entitled to sell it to an agriculturist.<sup>5</sup>

In a comparatively poor country where there is little movable property, apart from cattle, implements, and seed, and where ornaments are generally considered to be the property of the women, land is not merely the best, but often the only, security that can be pledged by a borrower. But, if land cannot be sold, and possession can only be taken for twenty years, its value as a security is obviously much reduced. Accordingly, after the passing of the Land Alienation Act, the sahukar was obliged to rely for recovery largely upon a semi-monopolist position which made him indispensable to the cultivator.

<sup>1</sup> *Lalithjore Commission, op. cit., VIII, p. 592.*

<sup>2</sup> P. 170.

<sup>3</sup> *Pb. Pt.*, p. 207.

<sup>4</sup> This applies only to members of agricultural tribes; other people's land can be sold with the sanction of the revenue authorities, which, however, is not always given.

<sup>5</sup> *A.J.R.* 1928, Lahore 734 (*Jai Mal v. Chanan Mal*).

<sup>6</sup> In civil appeal No. 2526 of 1928, decided on the 12th July 1930, it has been held by a bench of two Judges that the view taken in the case referred to above is erroneous, and that the land of a member of a notified agricultural tribe cannot be sold as the result of proceedings under the Provincial Insolvency Act (Chairman).

worked well enough, but since then two formidable rivals have begun to menace his position—the agriculturist money-lender and the co-operative credit society. The importance of co-operation has already been emphasised, and that of the agriculturist money-lender will shortly be evident.

204. There remains the fourth factor, the attractions of trade.

Migration to Town and Market. Almost wherever we went we were informed that here and there money-lenders were leaving the village. The zemindars we met at Amritsar, Jullundur, and Rohtak all admitted it, and we heard an echo of it as far north as Rawalpindi.<sup>1</sup> The migration began to be of consequence in the great boom after the war, when many sahu-kars, who, it must be remembered, are generally shop-keepers and traders as well as money-lenders, were tempted to leave their villages and seek their fortunes in the smaller towns and the newer colony markets.<sup>2</sup> The migration would probably have been completely arrested by the present commercial depression but for two factors—the feeling of growing insecurity in certain areas, and the increasing difficulties of recovery.<sup>3</sup> The first is of minor importance, but it cannot be altogether ignored for it was mentioned by a number of witnesses, and their evidence is to some extent corroborated by the criminal statistics of the last three years, which show that serious crime is increasing.<sup>4</sup>

205. Upon the difficulties of recovery we have had more evidence tendered than on perhaps any other subject.

Recovery of Dues. Witness after witness inveighed against the Land Alienation Act, the law's delays, and the inability of the courts to execute their decrees either promptly or fully. All three points have already been dealt with,<sup>5</sup> and in regard to the two last it has to be admitted that they put a premium upon default and favour the bad borrower at the expense of the good. But, even when the Land Alienation Act does not apply, and no recourse to the courts is necessary, recovery in cash presents unusual difficulties. The recovery of land revenue, with all the force of State authority behind it, involves the issue every year of about 14,000 coercive processes,<sup>6</sup> and until the necessity of paying income-tax punctually was understood, a very large number of penalties—for instance, 5,834 in 1923-24—had to be imposed. When Government itself lends money, it constantly has bad debts. Out of the 55 lakhs advanced under the Agriculturists Loans Act in the five years ending 1928 eight per cent had to be

<sup>1</sup>Ev., pp. 163, 193, 201, 216, 389, 416, 418, 763, 869, 878, 885.

<sup>2</sup>Ev. i. 170.

<sup>3</sup>Ev., pp. 193, 201, 390.

<sup>4</sup>Criminal Justice Report, 1927 (paragraphs 22-23), and *ibid.*, 1928 (paragraphs 21-22). The 1929 figures are no better.

<sup>5</sup>See Chapter XII.

<sup>6</sup>The average for the five years ending 1929 is 13,933.

written off as irrecoverable, and under the Land Improvement Loans Act 37 per cent of the amount advanced in Gurgaon and due for recovery is in arrears. Estates under the court of wards experience even greater difficulty. On a ten-year average<sup>1</sup> 26 per cent of their cash rents are in arrears at the end of the year. Some of them do money-lending on a large scale, and in the three years ending 1929 one of them (Mamdot) earned a net return of only 2·86 per cent upon its capital of 5½ lakhs. This figure is particularly significant, since the estate deals almost entirely with big landlords, who presumably offer good security.

Of all rural credit agencies the co-operative credit societies are perhaps the most successful in recovering their dues. Yet, even in their case, though their bad debts are negligible, we estimate that the cost of management, much of which is the cost of recovery, amounts to over 2 per cent of the amount on loan.<sup>2</sup> This is largely because so few members repay their loans of their own accord. A special inquiry was made on the subject from all Assistant Registrars, and in their replies they were asked to differentiate between societies in class A and class B and those in class C, which form three-quarters of the whole. So far as class C societies are concerned, Jullundur would seem to be the only district in which more than one-third of the members repay without pressure, and in most districts the percentage is put at less than 20. Even in class A and class B societies, the percentage given is 33 or less in fourteen districts. If this is the case with the members of co-operative societies who receive some teaching on the subject, the task of recovery is not likely to be easier for the money-lender. It was, indeed, the universal complaint of those we met that the difficulties were increasing, and that this was prejudicing their business; and we were informed that in many districts they find it advisable to employ an influential zemindar friend, a lambardar or a zaildar to assist them<sup>3</sup>.

206. In a previous chapter we analysed the rates of interest

Net Profit—Estimate by commonly charged by the rural money-lender<sup>4</sup>. We must now attempt some estimate of what he actually receives by way of net profit. Unfortunately very few accurate statistical data exist for the purpose. If the rural money-lender kept proper accounts, the income-tax returns would provide an excellent basis for an estimate; but his accounts are notoriously sketchy, so much so that, with about two-thirds of the 5,998 rural money-lenders assessed in 1928-29, a flat rate had to be applied to determine their assessable income. This flat rate takes only the roughest account of bad debts and of the cost of recovery, which we have just seen may

<sup>1</sup> Based on the ten years ending 1927-28.

<sup>2</sup> See Note L. (p. 269).

<sup>3</sup> This is done for instance, in Muzaffargarh, Dera Ghazi Khan (486), Multan (221), Rawalpindi (860), Una tehsil (416) and Hissar (349).

<sup>4</sup> Paragraphs 47-50.

be considerable. In the absence of statistical information the Income-tax Officers were asked, as in the case of urban money-lenders, to estimate, in the light of their everyday experience, what not profit a rural money-lender might expect to make over a course of years after allowing for expenses and bad debts. Their replies are tabulated in statement 13;<sup>1</sup> and, though only personal estimates, they have a certain value as representing the opinions of intelligent officials, many of whom have to assess several hundred money-lenders a year. The highest estimates are 15 per cent for Karnal, 18 for Lahore, and 20 for Montgomery. Five more run from 12 to 15 per cent. The lowest are 6 per cent for Jullundur and Hoshiarpur, and 7 for Rohtak and Gujranwala.

We did not, however, confine our inquiries to Income-tax Officers, and some other estimates given us may be quoted. Mr. Conville of Convillepore (Montgomery), who speaks with experience, estimated the rural money-lender's net profit in Montgomery at 15 per cent, or "perhaps less"<sup>2</sup>, and an indigenous banker gave us the same estimate for Ferozepore.<sup>3</sup> Mr. Brayne, on the other hand, puts it at only 5 per cent for Gurgaon<sup>4</sup>. The views of money-lenders on such a subject have little positive value, but some of them are not without interest. A member of a deputation we met at Jullundur put the net profit at 12 per cent, but the others who were present said it was only 6 to 7 per cent.<sup>5</sup> A money-lender at Rohtak put it at 9 per cent, and a member of a money-lending family in Tarn Taran (Amritsar) estimated it at 15 per cent<sup>6</sup> when the capital employed was ten to fifteen thousand rupees, and at somewhat less when the capital was larger.<sup>7</sup>

207. Much the most reliable information given us on the subject

was a note by Sardar Chanda Singh, Income-tax-Officer, Hissar, written when he was Income-tax Officer at Rohtak, and subsequently amplified at our request. The note gives the results of a statistical inquiry based upon the account books of 338 Rohtak rural money-lenders assessed to income-tax.<sup>8</sup> Of their total capital of nearly 60 lakhs. 25 per cent was deposited with mahajans in towns and mandis at an average rate of 6½ per cent,<sup>9</sup> and the balance was invested in loans to agriculturists at varying rates, the most common of which were 12 and 18 per cent. The average rate was 16½ per cent, out of which, however,

<sup>1</sup> P. 349.

<sup>2</sup> *Ev. ii.* 902.

<sup>3</sup> *Ev. ii.* 789.

<sup>4</sup> *Ev. i.* 108-109

<sup>5</sup> *Ev. ii.* 778.

<sup>6</sup> *Ev. ii.* 1054.

<sup>7</sup> *Cf. also R. L., p. 112.*

<sup>8</sup> See note K (p. 244);

<sup>9</sup> Nowhere else did we hear of large deposits by rural with urban money-lenders. The contrary is not uncommon.

only 13 per cent was finally adjusted in the accounts. The difference represents the concessions made by the money-lender to his clients. The inquiry is defective in one respect: it makes no allowance for bad debts. But the Income-tax Officer stated that, after discussing the question with many rural money-lenders and examining the accounts of thirty money-lenders in Hissar for five years,<sup>1</sup> he was of opinion that the rural money-lender's net profit amounted to about 12 per cent.<sup>2</sup> He added that the whole inquiry was characteristic not only of Rohtak, but also of Hissar and a good part of Gurgaon.

208. For the southern Punjab then it may be said that over a period of five or ten years the rural money-lender earns on the average about 12 per cent net upon his capital. In districts where the unsecured loan is more usual than the secured, and where the common rate is 24 or 25 per cent, the net profit is probably as high as 15 per cent; and contrariwise, in districts like Jullundur and Hoshiarpur, where secured debt is commoner than unsecured, and where the money-lender is hard pressed by the competition of his two rivals, it probably runs from 10 to 12 per cent.<sup>3</sup> For the Punjab as a whole, taking into consideration both secured and unsecured debt, we may say that it is probably between 12 and 13 per cent. We say this with the more confidence since the return for the 5,998 money-lenders taxed in 1928-29 gives a net return of 13 per cent.<sup>4</sup>

209. Enough has been said to show that the position of the *sahukar* is not as strong as it was. With a few exceptions, most of the Income-tax Officers and Assistant Registrars agree that it is deteriorating<sup>5</sup>. In more than one district the zemindars we met admitted this themselves. In Jullundur they added that it was partly due to the difficulties of recovery,<sup>6</sup> and an agriculturist money-lender there, a Pathan, endorsing this, said that even Muhammadan money-lenders were migrating to the town.<sup>7</sup> On the other hand, in Attock and Mianwali the *sahukar* is reported to be almost as strong as ever<sup>8</sup>, and in the richer parts of Lahore<sup>9</sup> and Ferozepore still to have a tight grip over his debtors. In Rohtak, relations between him and the zemindars are said to be strained, the result, it would seem, of communalism, propaganda, and rivalry with the agriculturist money-lender.<sup>10</sup> In welcome contrast to this, the leader of the zemindars who waited upon us at Bhiwani assured us that rela-

<sup>1</sup> See paragraph 181.

<sup>2</sup> *Ev.*, pp. 660, 1054.

<sup>3</sup> The Income-tax officer, Jullundur, put it as low as 6 per cent: and, in support of this, quoted figures for 16 assesses; but this is too slender a basis for an estimate of this kind; moreover, he admitted that the figures related to seasons of poor harvests (pp. 170-71).

<sup>4</sup> See statement 6 (p. 332).

<sup>5</sup> See extracts from their replies on the subject in note C (p. 170). *Cf.* also *Ev.* i. 464.

<sup>6</sup> *Ev.* pp. 878, 885.

<sup>7</sup> *Ev.* i. 779.

<sup>8</sup> *Ev.* i. 464.

<sup>9</sup> *Ev.* i. 394.

<sup>10</sup> *Ev.*, pp. 163, 360, 969.

tions there were most friendly, and he spoke with warm gratitude of the generosity shown by local mahajans in providing their cattle with large quantities of free fodder during the present scarcity. On their side, the money-lenders who met us admitted that, owing to the scarcity, 70 to 75 per cent of the cultivators could not repay their loans for lack of funds.

#### THE AGRICULTURIST MONEY-LENDER.

210. One of the most striking features in the rural economy of this province is the growth of the agriculturist money-lender during the last twenty years. The Muhammadan. Some account of this will be found elsewhere,<sup>1</sup> and further information is given in note R,<sup>2</sup> which summarizes the results of two inquiries initiated by Mr. C. F. Strickland, I.C.S. (retired), when he was Registrar, Co-operative Societies, Punjab. The note shows that in 1928, when the second of the two inquiries was made, there were probably about 19,000 agriculturist money-lenders in the province (other than agriculturists advancing only on mortgage), and that at least 1,000 of them must be Muhammadans. The latter suggests that the Muhammadan attitude towards the taking of interest is changing. Our evidence suggests this too. At Lyallpur and Okara we were informed that Muhammadans now generally took interest on the money they advanced,<sup>3</sup> and even in so conservative a district as Multan we heard of a number who carried on a regular money-lending business on the usual lines.<sup>4</sup> Sometimes, as a concession to scruple, service or supplies in kind are taken instead of money, and in a village surveyed near Lahore it was found that those who borrowed from Muhammadan agriculturists had in return to assist in the carting, weeding, harvesting or threshing of their creditors, and from time to time to supply them with free gifts of fodder and manure.<sup>5</sup>

211. The tribe that provides the largest number of agriculturist money-lenders is the Sikh Jat, which means that the agriculturist money-lender is most numerous in the central Punjab. Every Sikh village in Amritsar is said to have one or two of them,<sup>6</sup> and the Jullundur and Nawashahr tehsils, to contain many more.<sup>7</sup> In Gurdaspur eighty (nearly all Sikhs) are assessed to income-tax out of a total of 400 assessed in the province. The only non-Sikh district, where they are strong, is Rohtak, and they are strong there because the retired soldier, generally a Hindu Jat, tends to invest his savings in money-lending. This is much less the case in the great soldiering districts of the north as they are almost entirely Muhammadan.

<sup>1</sup> *Pb. Pst.*, pp. 226-27.

<sup>2</sup> P. 309.

<sup>3</sup> *Ev. ii.* 922.

<sup>4</sup> *Ev. ii.* 866.

<sup>5</sup> *Cf. R.L.*, pp. 185-87.

<sup>6</sup> *Ev. i.* 379.

<sup>7</sup> Note C, p. 170.

212. We have so far spoken of the agriculturists who lends without, as well as with, security. If we include the agriculturist mortgagee who advances only on the security of land—and such advances are a form of money-lending—it is probable that the number of agriculturist money-lenders will greatly exceed 19,000. Statement 9 (table III)<sup>1</sup> shows that 75 per cent or more of the land mortgaged in the last 25 years has been mortgaged to agricultural tribes; and, as the total mortgage debt of the province in 1929 was about 59 crores, it follows almost certainly that three-fourths of this sum, *viz.*, about 45 crores, is due to agriculturists. In view of what is said in note S (paragraph 5),<sup>2</sup> the sum is probably greater for the agriculturist mortgagee tends to advance more proportionately than the non-agriculturist.<sup>3</sup>

213. The very large figures given in the last two paragraphs, combined with the tendency on the part of the sahkars in certain districts to migrate from the village, suggest that this question should be answered in the affirmative; and this is the way it is answered by the Assistant Registrars of most of the districts chiefly affected.<sup>4</sup> The village survey reports point in the same direction.<sup>5</sup> In the seven villages for which figures are given in Note H. (item 13)<sup>6</sup> there were found to be 89 agriculturist money-lenders as against 54 non-agriculturist. In three villages (in Lyallpur, Jullundur, and Rohtak) the number rose in twenty years from 7 to 67, the corresponding figures for non-agriculturists being 14 to 33. It is significant too that in six of these villages agriculturists hold 90 per cent or more of the total area under mortgage, and 35 per cent of the unsecured debt. In the Jullundur villages (population 2,738), there are 62 agriculturists who lend money in one form or another. Twelve of these are money-lenders in the full sense of the word, and ten of the twelve Muhammadans (Arains), who take interest like anyone else. In the Rohtak village, the number of agriculturist money-lenders is double that of all other classes of money-lenders put together. A special inquiry was made by the Assistant Registrar, Lyallpur, in 22 Sikh villages scattered over the district.<sup>7</sup> Amongst 1,173 Sikh families were found 269 money-lenders (other

<sup>1</sup> P. 337.

<sup>2</sup> Pp. 314-15.

<sup>3</sup> Interesting light is thrown upon the agriculturist mortgagee by the Board of Economic Inquiry's two inquiries into mortgages in Ferozepore and Rawalpindi in 1924-25. In the two assessment circles to which the inquiries were confined, it was found that 87 per cent of the total mortgage debt (33 lakhs) had been advanced by agriculturists, and in the Ferozepore circle that the non-agriculturist money-lender took almost no part in this form of money-lending (Rural Section Publications, *v* and *vi*, 1925).

<sup>4</sup> *E.g.*, Amritsar, Jullundur, Hoshiarpur, Ludhiana, Rohtak, Kangra and Lyallpur.

<sup>5</sup> Note H. (p. 221).

<sup>6</sup> P. 221.

<sup>7</sup> Seven were in the Toba Tek Singh tehsil, and five in each of the other three tehsils.



than mere mortgagees). Most of them were doing a very small business, but in the Toba Tek Singh tehsil 23 had advanced Rs. 90,500 or an average of nearly Rs. 4,000 each. The Assistant Registrar is one of those who think that the number of agriculturist money-lenders is increasing.<sup>1</sup> If further proof on the point is needed, it is to be found in the figures given in note S (page 313) which show that in certain areas their advances have greatly increased in the last twenty or thirty years.<sup>2</sup>

214. We made many inquiries as to whether the methods and rates of interest of the agriculturist money-lender differed materially from those of the ordinary money-lender. The evidence we received was conflicting, but the preponderating view was that, though there was no great difference in methods, his rates were, if anything, lower.<sup>3</sup> Most agree that he is avaricious and exacting, and that, being to some extent in a stronger position than the sahuکار, he recovers a larger proportion of his charges.<sup>4</sup> Many of the zemindars we met said they preferred to deal with him;<sup>5</sup> but competent judges doubted whether this was generally the case.<sup>6</sup> The probability is that the cultivator goes wherever he can find the money he wants most easily. On one point opinion is unanimous, namely, that the main, and sometimes the sole, object of the agriculturist money-lender is to get possession of the lands of his debtors.

215. The growth of the agriculturist money-lender constitutes an important change in village life. That it has been stimulated by the Land Alienation Act can scarcely be doubted,<sup>7</sup> but what its ultimate consequences will be it is impossible to foresee. A few, however, begin to be evident. The first is that he is even more of an obstacle to the spread of co-operation than the ordinary money-lender, for he is just as strongly impelled to oppose it, and, being a Jat amongst Jats can oppose it more effectively.<sup>8</sup> Secondly, the desire to get hold of other people's land cheaply makes him more of a danger to the peasant proprietor than a creditor who has no power of eviction. This is a disadvantage to the debtor, but not necessarily to the community, which may benefit by land passing out of the hands of the incompetent and resourceless into those of the competent and

<sup>1</sup> Cf. R. L., p. 206.

<sup>2</sup> See also *Ev.*, pp. 217, 294, 358.

<sup>3</sup> Cf. *Ev.*, pp. 163, 358, 440, 448, 872, 876.

<sup>4</sup> See the notes under Bhadas, Gijhi and Tehong in note H (p. 221) which deals with the village survey reports; also *Ev.*, pp. 181, 308.

<sup>5</sup> *Ev.*, pp. 294, 351, 870, 872, 877.

<sup>6</sup> S. O. Montgomery, Colonization Officer, Nili Bar, and p. 308; cf. R.L., pp. 102, 103 and *Ev.* i. 421.

<sup>7</sup> Cf. p. 307.

<sup>8</sup> *Ev.*, pp. 308, 887.

resourceful. There would perhaps be no harm in giving free play to this principle if as a rule debtor and creditor in the village were equally good judges of their own interests. But this is far from being everywhere the case, and the three Acts referred to in chapter XII—the Land Alienation Act, the Usurious Loans Act, and the Regulation of Accounts Act—are based on the assumption that in the Punjab the debtor requires some measure of protection from his creditor. So far as the agriculturist money-lender is concerned, the peasant proprietor, who is a member of an agricultural tribe, gets less protection than in dealing with the non-agriculturist.

216. Thirdly, the figures given in note S (paragraph 5)<sup>1</sup> leave little doubt that, where the agriculturist money-lender is strong, he advances a larger proportion of the value of land mortgaged to him than a non-agriculturist. This, indeed, could hardly be otherwise since land is a more valuable security to him. The importance of this is that it is likely to lead to a further increase of debt. The figures in statement 9 (table V)<sup>2</sup> show that, if the last two decades are compared, the amount advanced by way of mortgage measured in terms of land revenue has increased by 46 per cent and the sale price of land by 87 per cent. Other things being equal, this means that credit has expanded more than mortgage debt; and, as there is good reason to believe that the expansion of credit is the chief cause of the increase of debt,<sup>3</sup> any increase in the resources of the agriculturist money-lender is likely to be accompanied by an increase in mortgage debt. There are only two ways of dealing with this: either to restrict credit, or to educate the cultivator in the use of money. We have already emphasized the paramount importance of education where finance is concerned,<sup>4</sup> and, in doing so again, we would quote the dictum of the Linlithgow Commission that "education and the development of character are the sole specifics against both the wiles of the lender and the recklessness of the borrower."<sup>5</sup> The Linlithgow Commission were also in favour of some restriction of credit, and recommended that no usufructuary mortgage of agricultural land should be permitted unless provision is made for automatic redemption within not more than twenty years.<sup>6</sup> This is a far-reaching proposal which would profoundly affect the economic life of the village; and, as we took no evidence on the subject we hesitate to express an opinion as to whether it is either feasible or desirable; but we think that it requires the most careful consideration.

<sup>1</sup> Pp. 314-15.

<sup>2</sup> P. 338.

<sup>3</sup> Paragraph 28.

<sup>4</sup> Paragraph 152.

<sup>5</sup> *Op. cit.*, p. 419.

<sup>6</sup> *Ibid.*, p. 442.

217. With a view to providing cheaper credit facilities for those who are not members of co-operative societies, it has been suggested that selected money-lenders should be licensed and given special facilities for carrying on their business on condition, *inter alia*, that they should not charge more than a certain rate of interest, say 12 per cent. We have carefully considered this suggestion; and, though we realize that the co-operative thrift and credit movement has so far touched only 11 per cent of the population,<sup>1</sup> and that, even if the proposals made in chapter XI are accepted,<sup>2</sup> it must be twelve to fifteen years before every suitable village obtains a co-operative society, we are of opinion that the suggestion is not practicable. Few money-lenders, we think, would be willing to submit to any restriction in their charges unless they were given special facilities for recovering their debts from defaulters. At present, as explained in chapter XII, when they sue a client, they have two main difficulties to contend with: decrees cannot be obtained either promptly or cheaply; and, when obtained, they cannot be executed either promptly or fully. The last is much the greater difficulty of the two; and, if licensing is to make any appeal to the money-lender, it would have to be removed, or at least greatly mitigated. This could not be done without prejudicing other interests of equal, if not greater, importance; for instance, co-operative societies, which have been given no special facilities in this respect. Nor could it be done at all unless the number of money-lenders licensed were restricted to comparatively few in each district, a course to which there are obvious objections. We do not therefore support the proposal.

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<sup>1</sup> In July 1929 the number of members of thrift and credit primary societies was 530,047. According to the last census, the average family in the Punjab consists of 4.5 persons. Assuming that each member represents a family, the total number of persons affected is 2,385,211, which is 10.6 per cent of the total population (22.64 millions) as estimated in December 1929.

<sup>2</sup> Paragraph 161.

**CHAPTER XV.—MISCELLANEOUS.**

**218. No remarks.**

## CHAPTER XVI—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

219. Not long ago—it might almost be said up to the end of the war—the Punjab countryside did not differ much from sixteenth century England. “Those who save,” we read, “hoard and do not normally invest..... The savings of the mass of population apart from land and the occasional purchase of annuities, consisted, according to their various stations, of corn, cattle, stocks of raw material, furniture, plate, jewellery, and coins.”<sup>1</sup> This (except in regard to plate) is still largely true, but since the war hoarding has become uncommon. This is the view of nearly all our witnesses,<sup>2</sup> and of almost all the Assistant Registrars and Income-tax Officers, from whom special inquiries were made. The views of the latter are summarised in Note C (part 4),<sup>3</sup> which shows that it is only amongst women and village menials and the more nomadic tribes that there is now any general tendency to hoard. It might be thought that this was due to the rural classes having little to save. This is probably true of the majority, but it is certainly not the case with the privileged few who have large holdings or a second string to their bow. During the period of high prices that followed the war many of the former made small fortunes.<sup>4</sup> As to the latter, the Army pays Punjabis about 140 lakhs a year in pensions,<sup>5</sup> and emigrants from two districts alone (Jullundur and Hoshiarpur), remit about 18 lakhs a year through the Imperial Bank.<sup>6</sup> But what has made the Punjab agriculturally the most prosperous province in India is its 20,000 miles of canals. Of the effects of this, Mr. Calvert, speaking of exports, writes that, whereas in 1872 the province received only 4 lakhs for its surplus grain, in 1918-19 it received over 24 crores, and he adds that “in thirty years exports increased sevenfold in value and imports fourfold.”<sup>7</sup> Of late the stream of prosperity, which after the war was almost in spate, has experienced a severe check from the fall in prices and a number of poor harvests.<sup>8</sup> For the moment, therefore, saving in the village is at a discount.

220. There is no dispute as to what the cultivator does with his surplus after discharging all his liabilities. Modes of investment. If he is unmarried, he gets a wife, generally

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<sup>1</sup>R. H. Tawney, *A discourse upon Usury by Thomas Wilson*, 1925, p. 103.

<sup>2</sup>See, for instance, *Ev.* pp. 764, 769, 867, 936 and 959.

<sup>3</sup>P. 175.

<sup>4</sup>*Cf. Ev.* ii. 912.

<sup>5</sup>See statement 18 (p. 363).

<sup>6</sup>*Ev.* ii. 702.

<sup>7</sup>*Op. cit.*, p. 162.

<sup>8</sup>For the quality of the harvests of the last ten years see statement 9, table VI (p. 339).

a costly business, particularly if it involves purchase.<sup>1</sup> If he is already married, he builds himself a pucca house or buys land. The whole aspect of the countryside in Jullundur has been changed in the last thirty years by the building of pucca houses, and it is estimated that in Bundala alone (population about 4,000) six lakhs have been spent in this way.<sup>2</sup> With a rapidly increasing population the purchase of land is an even more popular form of investment and has become almost a mania. So great has been the demand for it that in ten years its price has doubled,<sup>3</sup> and in the last five nearly 6½ crores have been paid by Punjabis, and many more promised, for canal colony land in the Punjab, Bahawalpur and Bikaner.<sup>4</sup> When all three objects have been satisfied, or pending their satisfaction, the Sikh or Hindu commonly invests the balance in money-lending; and how large this balance has been of late may be gathered from the fact that in the ten years ending 1928-29 usufructuary mortgage debt increased by 29 crores,<sup>5</sup> over three-fourths of which was probably advanced by agriculturists.<sup>6</sup> Chapter XIV suggests that a large sum was also advanced without security. Finally, there are deposits. Deposits are made with money-lenders, commission agents, and the Post Office, and to a very small extent with commercial banks. But the most important institution in this respect is the co-operative village bank, and in ten years deposits with these societies have gone up from 18 to 62 lakhs.

221. It is an interesting subject of speculation, which of these

Return on an investment in land.	forms of investment is the most profitable. Money-lending is particularly attractive to the agriculturist who is not a Muhammadan, for he not only gets a good return upon his capital but has always the hope of ultimately getting the land of his debtor. So far as he lends on usufructuary mortgage, he may expect from 6 to 9 per cent, and if he lends without security he probably gets 13 to 15 per cent. <sup>7</sup> Compared with this the annual return on the purchase of land is negligible. A statement for 390,000 acres (148,000 cultivated) administered under the Court of Wards Act in different parts of the Punjab gives a net return of 2½ per cent. <sup>8</sup> The return may, we think, be trusted
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<sup>1</sup>E.g. Ra. 2,000 according to zamindars of Amritsar (p. 558): *Cf. Ph. Pat.*, p. 59.

<sup>2</sup>R. L. p. 172.

<sup>3</sup>See statement 28, (p. 337).

<sup>4</sup>Statement 10 (p. 339) *cf.* also Ludhiana, where between the last two settlements (1879-83 to 1908-11) 157 lakhs were spent by agricultural tribes in buying land or invested in mortgages (Settlement Report, 1912, page 21).

<sup>5</sup>Statement 9, table II (p. 335).

<sup>6</sup>*Ibid.*, table III, *cf.* paragraph 212. The report of the Ferozepore mortgage inquiry referred to in paragraph 28 (note) states (p. 17) that "the major portion of the money loaned out has been derived from agriculturists out of savings from agriculture" and that in only 68 out of over 400 cases was the amount lent "obtained from sources other than agriculture or money-lending". In a similar inquiry made in Rawalpindi, a great soldiering district, it was found that in 411 cases Ra. 80,870 had been advanced by soldiers from their savings (*An Inquiry into Mortgages of agricultural land in the Pothwar Assessment Circle of the Rawalpindi District*, 1925, p. 15.)

<sup>7</sup>In paragraph 208 we estimated the rural money-lender's net return at 12 to 13 per cent but in doing so we did not differentiate between secured and unsecured loans. For unsecured loans only, the return will probably be somewhat higher.

<sup>8</sup>See statement 19 (p. 364).

subject to three qualifications. Firstly, judging by the incidence of land revenue upon the whole area, which is somewhat less than the incidence for the whole province, the land would appear to be slightly below the average in quality. Secondly, two of the three years upon which the return is based were agriculturally below normal. Thirdly, the overhead charges of a Court of Wards administration are likely to be heavier than those of an ordinary estate. On the other hand, administration may well be more efficient. Bearing these different factors in mind, we may say broadly that in the Punjab the net return of land to a person owning but not cultivating it, is probably about three per cent.<sup>1</sup> This agrees generally with the evidence summarised in Note M. (p. 270).

Even with its low yield land has probably been as good as any other type of investment in the last ten years. There has been a steady appreciation in its value, and in 1929 the agricultural land sold was worth twice as much per acre as the land sold ten years earlier.<sup>2</sup> This means that a man who invested Rs. 1,000 in land in 1919 and sold it in 1929 would have been richer by Rs. 1,300 (assuming an annual net return of 3 per cent), and have made a profit of 13 per cent a year. He would probably have made much the same by investing his Rs. 1,000 in unsecured loans, but much less by investing it in a usufructuary mortgage, and still less by placing it on deposit in any one of the usual ways. The purchase of land has certainly been a good investment for those who bought to sell; but the agriculturist generally buys to keep, and for him its high price is a serious disadvantage. We have seen that it is a minor cause of the great increase of debt, and even for those who can buy without borrowing, it is a great drawback, since money that should go into development goes into purchase. It would materially ease the situation if the larger holders put their savings into the better and more intensive cultivation of the land they have, instead of competing with each other, and with those whose need is greater, for more. This is a strong argument for developing the facilities for land improvement, as suggested in Chapter VI.

222. So far we have only considered the village. The position

in the town is not as different as might be expected from conditions so obviously mediæval in the one and so apparently modern in the other. In the town even larger sums are spent upon marriages and buildings. The whole aspect of the civil station of Lahore has been changed in the last 25 years, and in the same period very large sums, probably amounting to crores, have been invested in the building of the mandis of the canal colonies. Upon one of the youngest, Khanewal, it is estimated that in the five years ending 1928-29, 32 lakhs were spent. Then, as in the village, much capital finds its way into money-lending, which is still a profitable form of investment. Like the peasant proprietor, too, the small

<sup>1</sup>Cf. "It may be doubted whether agricultural property (in England) pays the possessor a return of 2 per cent per annum" (W. H. R. Curtler; *A short history of English Agriculture*, 1909, p. 321).

<sup>2</sup>*Land Administration Reports*, statement 9, table V.

trader largely carries on his business with his own capital and depends upon his credit with dealers for the rest. Both peasant and trader, therefore, put their savings, in one form or another, into their family concerns. The main difference between town and village is the presence in the former of an ever-growing middle class. It is this class and the many institutions it manages, which provide banks, commercial, co-operative, and postal, with most of their deposits. We estimate that in 1929 these deposits totalled over 30 crores,<sup>1</sup> representing ten per cent or more of the total deposits of India in 1928.<sup>2</sup> Some slight idea of their distribution may be obtained from the figures for central co-operative banks given in paragraph 166. As regards deposit facilities, the townsman has greatly the advantage over the villager, though co-operative societies are doing something to redress the balance. The townsman has also a much wider range of investments. The villager has only the Postal Cash Certificate ready to hand, and that only to a limited extent; but the townsman has open to him the whole field of Government securities and stocks and shares. Whether this is an advantage to the ordinary investor may be doubted. So far as stocks and shares are concerned, the failure in the Punjab of 69 banks in 17 years suggests that the field has treacherous places; and the figures for Government securities in statement 20<sup>3</sup> show that another part of the field produces only the most moderate yield. An investment of Rs. 1,000 or thereabout in any of the Government loans issued from 1917 to 1923, if sold last December, would have produced an average of 5½ per cent a year; but the same amount invested in any of the loans subsequently issued would in three cases have yielded an average of only 1¾ per cent and in one case a loss of over 3 per cent. In spite of this Government securities appear to be bought more freely than ten years ago, and in the five years ending 1928-29 the income from them assessed to income-tax rose from 9 to 32 lakhs, as against a rise of only 70 to 81 lakhs in the case of Companies' profits.<sup>4</sup>

	Rs. (Crores).
<sup>1</sup> Commercial Banks (excluding Exchange Banks and two others for which figures could not be obtained)—	
Deposits of Punjab branches only .. .. .	14.48
Co-operative Credit Societies .. .. .	6.05
Postal Savings Bank (1927-28) .. .. .	3.96
Postal Cash Certificates .. .. .	2.98
Exchange and other Banks not included above (estimated)..	5.00
	32.47

<sup>2</sup> For the whole of India the latest available figures relate to 1927-28 and are as follows:—

	Rs. (Crores).
Imperial Bank of India .. .. .	79
Exchange Banks .. .. .	69
Indian Joint Stock Banks (with a paid up capital and reserve of one lakh and upwards)..	64
Co-operative Banks .. .. .	22

<sup>3</sup>P. 367.

<sup>4</sup>Annual reports of Income-tax Department.



223. We may now tabulate the different classes of investment open to the ordinary investor in town or village according to their yield :—

Yield of different forms of investment.	Per cent.
Net return from—	
Bural money-lending—	
(a) mortgages with possession .. .. .	6 to 9
(b) without possession .. .. .	12
(c) unsecured .. .. .	13 to 15
Government securities-loans from—	
(a) 1917-23, inclusive .. .. .	5.3
(b) 1923 to 1928 .. .. .	1.6 <sup>1</sup>
Postal Cash Certificates .. .. .	5½ (free of tax).
Post Office Savings Bank .. .. .	3
Fixed deposit for a year with—	
(a) Imperial Bank .. .. .	3½
(b) Exchange banks .. .. .	4 to 4½
(c) Indian joint stock banks .. .. .	5 to 6
(d) Central co-operative banks .. .. .	5 to 6½ <sup>2</sup>
(e) Indigenous bankers, money-lenders, commission agents, etc. .. .. .	5 to 6
Agricultural land owned, but cultivated through tenants	3

224. There is one form of investment which is common both to town and country and is perhaps the most important in the province. This is the purchase of jewellery. To obtain some idea of what was spent in this way, we had inquiries made through Assistant Registrars in 48 villages. Eight of them had co-operative better-living societies, and all but five were in the canal colonies. The inquiry was mainly confined to the colonies, for, being the most prosperous areas in the province, it was thought that they would show the evil at its worst. The other five villages belong to Gurgaon and should show it at its best, for Gurgaon is a poor district and since 1928 has been suffering acutely from drought. The results, which relate to the three years ending 1929, are given in statement 11 (table VIII),<sup>3</sup> and may be condensed thus :—

	40 villages.	8 villages with Better living Societies.
Marriages celebrated .. .. .	518	146
Amount spent on jewellery per marriage .. .. .	Ra. 416	Ra. 103

<sup>1</sup>Excluding the loss on the 4½ per cent loan of 1928.

<sup>2</sup>These are the common rates; cf. paragraph 173.

<sup>3</sup>P. 346.

The contrast is sufficiently striking and suggests that the better-living society is a good means of reducing expenditure upon jewellery.

No deduction applicable to the whole Punjab can be safely based upon 48 villages; but one guess may, perhaps, be hazarded. About 150,000 marriages take place every year in the Punjab.<sup>1</sup> It might be assumed on the basis of the 40 villages without better-living societies that an average of Rs. 400 was spent per marriage; but this would clearly be excessive, for the standard of living in the colony tracts is higher than elsewhere. At the same time the three years 1927—29 were a period of falling prices and to some extent of poor harvests, and our evidence suggests that these two factors have had a considerable influence upon this form of expenditure. The figures also include five villages in Gurgaon, whose economic condition is bad. Taking these different points into consideration, and considering further that it is rare for less than Rs. 100 to be spent on jewellery at a marriage, we think an average of Rs. 200 may reasonably be assumed. This would mean an expenditure of 3 crores a year. The special interest of this figure is that it helps to explain what happens to most of the treasure that is imported every year into the Punjab. On the basis of the figures given in statement 2<sup>2</sup>, the value of this treasure is somewhere between four and five crores. If three crores a year are spent upon jewellery at marriages, the total amount spent upon jewellery in a year will be at least 3½ crores, and probably more. In any case no very large amount will be left to go underground. The figures are, therefore, a further indication that hoarding in bullion is not as common as is sometimes supposed.

225. Whether the estimate we have just given is correct or not, it is an undisputed fact that every year large sums are invested in jewellery. A dealer in bullion put the total value of the ornaments within 20 to 30 miles of Rohtak at fifty lakhs<sup>3</sup>, and on the basis of the figures given in the last paragraph 2, Lyallpur must spend about 28 lakhs a year in jewellery, which, indeed, is the exact amount by which its mortgage debt increased in 1928<sup>4</sup>. It is probable that, if this expenditure on jewellery could cease, the increase in rural debt, which is assuming such serious proportions, could be arrested, and that gradually the whole of the existing floating debt, upon most of which high rates of interest are charged, could be converted into secured debt paying no more than 6 to 12 per cent. For proprietors the chief security would be land, and for others the jewellery they already possess. It would be difficult to conceive a greater boon to agriculture and the agriculturist if this change could be

<sup>1</sup>See Note N. (p. 271).

<sup>2</sup>P. 326.

<sup>3</sup>Es. ii 769.

<sup>4</sup>The population of Lyallpur is about 4½ per cent of the total population of the province. This gives an annual average of about 7,000 marriages. At Rs. 400 a marriage, we get 28 lakhs.

effected. And it would also, we believe, be an advantage to the money-lender, who would then, so far as security and return went, be on much the same footing as the urban money-lender—a much happier position than the one he occupies now, even though his return might be three or four per cent less.

226. From this point of view it is important to consider whether the expenditure on jewellery is decreasing. We made many inquiries on the subject and received somewhat conflicting replies.<sup>1</sup> One point is clear—that less is being spent than a few years ago; but the question is, how far is this the temporary result of commercial and agricultural depression, and how far an indication of a lasting change? The inspectress of women's co-operative societies, who naturally speaks with authority on the subject, thinks that women's love of jewellery is as strong as ever, though their taste has changed. "Instead of having ten earrings in the ears, she said, "they prefer one which costs as much or more than the ten; instead of eight bangles, they have one bracelet; and instead of three necklaces, they have one fine chain with a pendant."<sup>2</sup> On the other hand, there are many indications in a recently published book that, in villages where education has penetrated, less is being spent.<sup>3</sup> This is confirmed for both town and village by the reports of nearly all the Income-tax officers and Assistant Registrars, the gist of which is given in Note C (part 5)<sup>4</sup>. The reports show beyond hardly a doubt that the immemorial custom of putting savings, and also a proportion of borrowings, into jewellery is beginning to weaken. For the moment the change appears more marked than it really is, since much of it is due to trade and agricultural depression. But below this strong surface current may be clearly discerned an undercurrent flowing in the same direction and generated by deeper and more permanent forces. Amongst the latter are education, the rising standard of living with its greater demand for money and wider facilities for investment. The educated women wear less jewellery themselves and delight in it less in others, and men with any education at all are beginning to realize that it is more sensible to invest at 6 to 7 per cent than to buy jewellery, which is entirely unproductive and can only be sold at a heavy loss. A few are even selling the jewellery they have and investing the proceeds;<sup>5</sup> and some, it must be added, spend less upon jewellery than they may put more into money-lending. These are the prudent, though not always the wise. There are many others, neither prudent nor wise, who spend less upon jewellery and more upon the superfluities and extravagances of life. In their case the change is for the worse, for jewellery at least endures.

<sup>1</sup>*Ev.* pp. 186, 202, 319, 441-42 and 883.

<sup>2</sup>*Ev.* i 428.

<sup>3</sup>*E.L.* (see index under jewellery).

<sup>4</sup>P. 176. See also *Ev.* pp. 202, 883.

<sup>5</sup>See *Ev.* i 442; also Note C (part 5). p. 176.

Our conclusion, therefore, is that, though the present decrease is largely the result of temporary factors, some part of it, not perhaps very considerable in volume, but highly significant in tendency, is likely to last. So far as this is due to an awakening sense of waste, it is all to the good. But, so far as it is due to more improvident or extravagant habits, it is a change for the worse. The rise in the number of co-operative better-living societies from 136 in 1927 to 289 in 1929 points, in certain areas, to the beginnings of a popular movement to curtail extravagant expenditure upon marriages. If this is extended to all forms of extravagance and unnecessary expenditure, these societies will perform a real service to their members.

227. Figures for Postal cash certificates will be found in Statement 21.<sup>1</sup> At the end of 1928-29 the amount outstanding was 298 lakhs, representing about 9 per cent of the corresponding figure (32.32 crores)<sup>2</sup> for the whole of India. Figures for five years show that the amount invested averages over 60 lakhs a year, but dropped to 50 lakhs in 1928-29. Lahore stands first with an average of 9 lakhs, and amongst the five districts that follow are Rawalpindi (6½ lakhs), Jhelum (3 lakhs) and Ludhiana (2¾ lakhs). The high position of Rawalpindi and Ludhiana may be explained by the size of their headquarter towns. But the only explanation in the case of Jhelum is the large military element in its rural population, and, as this is also an important element in Rawalpindi and Ludhiana, it is probably a factor in all three districts. If so, it means that soldiering and saving are not incompatible, as was suggested by the one retired Indian officer examined.<sup>3</sup> Apart from this, the agricultural classes appear to take no interest whatever in these certificates, a fact which is sufficiently explained by what is said in paragraph 220. No increase in rates that could possibly be considered would change this. As to the town, we consider the rates sufficiently attractive. Better terms would tend to bring them into competition with co-operative credit societies and joint stock banks, and this we do not think to be in the interest of either agriculture or trade.

228. Detailed figures for post office savings banks are given in statement 8.<sup>4</sup> The more interesting are these—

		Number of accounts.	Outstanding balance at end of year.	Average deposit.
			Rs. (lakhs).	Rs.
1912-13	.. ..	118,295	156	132
1927-28	.. ..	252,339	396	157

<sup>1</sup>P. 368.

<sup>2</sup>Report of the Controller of the Currency for the year 1928-29.

<sup>3</sup>Ev. ii 1094.

<sup>4</sup>P. 333.

In fifteen years the number of accounts has more than doubled, and in 1928 the amount on deposit was nearly 4 crores. The average deposit, too, has increased, and compares favourably with the corresponding figure for the rest of India (Rs. 122). The proportion of depositors to total population is almost exactly double the proportion in the United Provinces. This is the more remarkable, since 53 per cent<sup>1</sup> of the total population consists of Muhammadans as against only 14 per cent in the United Provinces, and Muhammadans do not deposit as freely as other communities. This is shown by the fact that in 1927-28 Muhammadan depositors formed only 22 per cent of the whole number and their deposits 16 per cent. Many Muhammadans are deterred from becoming depositors by the Koranic injunction on the subject of usury (*riba*), and it is sometimes stated that many deposit without taking any interest at all. This, however, is not the case, for in 1927-28 only 237 refused to take interest as against 765 ten years earlier. Another point worth noting is that there are over 16,000 illiterate depositors with a credit balance of 14 lakhs. Their average balance (Rs. 85) is naturally much lower than that of literate depositors (Rs. 162).

229. Though the savings bank business of the Postal Department is rapidly increasing, there has not been a corresponding increase in the number of Post Offices. From statement 7<sup>2</sup> it will be seen that in 15 years the number has risen from 616 to only 792, though there are now 3,078 offices of all kinds. In this respect, the Punjab compares unfavourable with the United Provinces, where 1,754 out of 2,646 offices do savings bank work. This is attributed to the greater ease in finding sufficiently educated postmasters in the United Provinces.<sup>3</sup> But in the Punjab education has made much greater strides in the last fifteen years than these figures would suggest. In spite of the disparity between the two provinces, the total savings bank deposits of the Punjab are only 21 per cent less than those of the United Provinces, though its population is less than half as big.<sup>4</sup> If the disparity could be removed, or at least modified, there would probably be a substantial increase. We, therefore, draw the special attention of the postal authorities to the point.

230. All Superintendents of Post Offices in the Punjab were asked how the post office savings bank could be made more popular. The various measures suggested are—

How to make the Post Office Savings Bank more popular.

- (1) to increase the rate of interest;
- (2) to allow withdrawals more than once a week;

<sup>1</sup>The percentage is for the Punjab cum Punjab States.

<sup>2</sup>P. 333.

<sup>3</sup>Ev. 4 100.

	United Provinces.	Punjab.
*Savings Bank Deposits in 1927-28 (in lakhs)	.. 503	396
Population in 1921 (in millions)	.. 45.38	20.68

- (3) to allow more than Rs. 750 to be deposited in a year ;
- (4) to raise the maximum amount that may be at a depositor's credit above the present limit of Rs. 5,000 ; and
- (5) to calculate the interest from the date of deposit, and not on the lowest balance at the credit of an account between the close of the fourth and last day of the month.

Some advocate one, some another ; but the first two have most support ; and, if it is desired to make the post office savings bank more popular, we suggest that they should be considered.

We also recommend that (1) the opening of joint accounts in the name of husband and wife should be permitted ; (2) that depositors should be allowed to nominate a person to receive payment of their deposits in the event of death ; and (3) in the case of co-operative societies, that the Postmaster-General's sanction for withdrawal should not have to be obtained, and that, if funds are available, the full period of notice should not be enforced. The first follows practice in joint stock banks, and the second practice in co-operative societies.

231. There are no other savings banks  
 Other Savings Banks. in the Punjab.

232. So pressing are the needs of credit in this country that there is sometimes a danger of too much attention being paid by co-operative credit societies to borrowing and too little to saving. In Germany the village credit society is appropriately called the Savings and Credit Bank (*Spar und Darlehen Kasse*), and it has always attached a special importance to thrift. It is largely owing to this that the great German co-operative banking system has been built up ; and it is largely owing to the neglect of it that in Ireland the co-operative credit movement has never developed beyond a certain point and stagnated<sup>1</sup>. It is, therefore, vital to the success of co-operative credit that thrift should be encouraged, and it is also in the general interest, for experience in France shows that the small savings of the peasants are a powerful means of steady-ing the money market.<sup>2</sup> It is satisfactory, therefore, to find that thrift is an essential feature of co-operative credit in the Punjab. We have already mentioned the 3½ crores accumulated by the 500,000 members of primary credit societies in shares, reserve, profit and deposits, and the 5½ crores held by the central banks and banking unions. With their attractive rates of interest and their comparative security, the central banks are becoming increasingly popular with the urban middle class, and their savings bank business is rapidly developing. In the Lahore Central Co-operative Bank, savings bank accounts have increased in five years from 484 to 1,879, though the rate of interest

<sup>1</sup> See L. Smith Gordon : *Rural Reconstruction of Ireland*, chapter 9, and *Better Business*, February 1918.

<sup>2</sup> Sir Horace Plunkett : *The Rural Life Problem of the United States*.

(4½ per cent) has been the same throughout. We believe that great developments are possible, and have already made a few suggestions in this direction. Another promising development is the co-operative thrift society started only nine years ago. There were in July 1929 as many as 1,039 with 18,315 members. The latter consist mainly of schoolmasters. There are also 148 unregistered societies teaching thrift in the schools; and, even more important, there are 128 societies consisting exclusively of women. In four or five years 2,000 women have accumulated nearly a lakh of rupees.

233. All the leading commercial banks have savings bank accounts, and in five banks accounts increased from 8,908 in 1925 to 24,098 in 1929, and the amount deposited from 79 to 129 lakhs<sup>1</sup>.

Commercial Banks.

234. We have already indicated the classes that save. The post office recruits 50 to 70 per cent of its depositors from employees of Government and local bodies and from clerks<sup>2</sup>. Of the agricultural tribes the Arains of Jullundur, the Sainis and Mehtons of Hoshiarpur<sup>3</sup> and the Sikh Jats of the central Punjab are the most noted for their thrift; and in the south-west the Khakwani Pathans of Mailsi and Lodhran form an oasis of thrift in a desert of improvidence<sup>4</sup>. Everywhere, whether in town or village, the money-lender is thrifty, and it is one of the ironies and difficulties of the situation that money-lending and thrift go hand in hand. As soon as a man saves, he is tempted to become a money-lender,<sup>5</sup> which shows that it is not sufficient to teach a man to save: he must also be taught for what he should save.

Classes that save.

235. For the urban classes, we have nothing to add to the recommendations already made. For the rural, much the best method is the spread of co-operative credit societies. For military pensioners, we made a special suggestion in paragraph 171.

Methods of attracting other classes.

236. The raising of very large sums by treasury bills at over 6 per cent has inevitably introduced an element of competition between Government and banks. We think that, so far as possible, such competition should be avoided, for, in raising loan and deposit rates, it tends to prejudice both agriculture and trade.

Competition of Government with Joint Stock Banks.

<sup>1</sup>For one bank the earlier figures relate to the 30th June 1926.

<sup>2</sup>Reports of Superintendents of Post Offices.

<sup>3</sup>For an account of Jullundur Arains see *Pb. Pst.*, p. 47, and for Mehtons see *Ibid.*, p. 47, and *R. L.*, p. 30.

<sup>4</sup>*Ev. i.* 483.

<sup>5</sup>*Cf. Ev. i.* 812.

237. Till the investor in Government securities can count upon a more stable return, we think it useless to advocate any further facilities for their purchase.

Facilities for Purchase and Sale of Government Securities.

Investment Trusts, Gold Cash Certificates, Provincial Savings Associations.

238. We have no remarks to make.

239. The managers and agents of banks whom we met are unanimous that the cheque habit is growing. This is indicated by the figures for the Clearing House at Lahore. In four years the value of the cheques cleared rose from 557 to 869 lakhs (in 1928-29)<sup>1</sup>. All agree, too, that the cheque habit has been stimulated by the abolition of the stamp duty. To stimulate it further, we recommend that the feasibility of paying by cheque all employees of Government drawing more than a certain rate of pay, say Rs. 100 per mensem should be carefully considered.<sup>2</sup> We understand that the system has been introduced in the United Provinces and is working well. We received one or two complaints that Government dues were not payable by cheque. Technically all Government dues can be paid by cheque on banks which have clearing accounts with the Imperial Bank, subject to the necessary *chalan* being obtained and the cheque being crossed. But, in the case of colony land purchases, the permission of the Colonization Officer is required, and instructions have been issued that this permission "should only be granted in special cases," as it leads to much correspondence with the Accountant-General and to delay in the completion of colony accounts.<sup>3</sup> We recommend that these instructions should be reviewed. Land revenue, also, can only be paid by cheque with the permission of the Collector, and we think that, in this case, too, permission should be freely and readily given.

240. It is a sign of the times that the use of cheques is spreading amongst the depositors of central banks. In the last twelve months the Lahore Central Bank issued 420 cheque books, each containing 16 cheques, and even a few banking unions, e.g., Madar and Palwal, are introducing their use. If the suggestion we made in paragraph 136 is adopted, the cheque habit should still further spread. The same applies to another of our recommendations, that co-operative societies should be allowed to open current accounts at sub-post offices and operate them by cheque<sup>4</sup>.

Methods of stimulating Cheque Habit.

<sup>1</sup>Report of the Controller of Currency, 1928-29, Statement XIX.

<sup>2</sup>Cf. Ev. ii 693-94.

<sup>3</sup>Punjab Colony Manual, paragraph 565, vol. 1.

<sup>4</sup>See paragraph 164.



241. We understand that with varying safeguards all the leading banks accept cheques drawn in the vernacular. The Imperial Bank accepts them drawn in Urdu, Hindi, Gurmukhi, and Nagri,<sup>1</sup> but they have to be passed by the bank's treasurer before acceptance. The Punjab National Bank requires from a client habitually signing in the vernacular a printed undertaking that he will not hold the bank responsible for any fraud that may occur on this account.<sup>2</sup> A well-known English bank does the same and insists further, so far as it can, that vernacular cheques are signed in the presence of one of its employees.

242. As noted in chapter III, the Punjab is better supplied with banking facilities than many other provinces. It cannot, therefore, complain perhaps that the Imperial Bank holds out no hope of being able to open any new branches or sub-agencies in the near future. But out-stations are being opened<sup>3</sup> and these are better than nothing. Other banks have given us no indication of their policy, except the People's Bank of Northern India, which proposes to open a branch at Rohtak. After what has been said about the decay of the indigenous banker it is obvious that a further extension of banking facilities is most desirable. The central co-operative banks are considering whether they can do something to fill the gap in the smaller towns which have no branch of a commercial bank, and we have no doubt that other banks will start new branches wherever they can be run at a profit. In this connexion it would be well if banks could agree amongst themselves not to compete with each other in a new field for a certain length of time and not to open branches in old fields which are already sufficiently supplied with banks. It is curious, for instance, that Bhiwani with 33,270 inhabitants should have no branch of a commercial bank, while Ludhiana with 51,880 inhabitants should have four.

243. Figures for these are given in paragraphs 13 and 19.

244. This has already been considered.

245. We received very little evidence regarding the creation of a reserve bank, but, so far as it went, it was favourable, and we are also in favour of the proposal; provided, firstly, that the bank's complete independence can not only be assured, but placed above suspicion; and, secondly, that all the weightier financial interests, including co-operative banks, are suitably represented in the constitution and control of the bank. In our inquiries we became aware of a strong feeling on the part of

<sup>1</sup> Ev. ii 637-88.

<sup>2</sup> Ev. ii 622, 634.

<sup>3</sup> Ev. ii 635.

the Indian joint stock banks that they were prejudiced by the privileged position of the Imperial Bank of India under its charter. This arises from its dual capacity. As the financial agent of Government and custodian of its balances, it performs many of the functions of a central bank; and as a commercial bank it carries on (subject to certain restrictions) all ordinary banking business. Rightly or wrongly, it is felt that the facilities it enjoys in its first capacity give it an unfair advantage in its second. It is a strong argument in favour of a reserve bank that with its creation this dual capacity would presumably cease and all ground for soreness be removed. A number of complaints were made to us about the working of the Imperial Bank, but none was substantiated.

As regards greater co-ordination between banks, we doubt whether there is much scope for improvement, except on the one point indicated above,<sup>1</sup> and in any case we think it will be difficult to secure without a reserve bank.

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<sup>1</sup>Paragraph 242.

## CHAPTER XVII.

246. (1) The cash balances of Indian Joint Stock Banks should not be less than 15 per cent of their deposits (paragraph 14).  
Summary of Recommendations.

(2) The Registrar, Co-operative Societies, should consider the possibility of making further experiments in liquidating the debt of members of approved co-operative credit societies, subject to certain safeguards (paragraph 34).

(3) *The Agriculturists Loans Act of 1884—*

(a) Loans under this Act should be restricted to times or cases of emergency and stress, and, so far as possible, all advances should be made under the personal supervision of an officer of the Indian or Provincial Civil Service (paragraph 44).

(b) No loan should be made to co-operative societies as long as sufficient funds are available within the movement; nor should any loan be made by the Revenue staff to co-operators without the knowledge and consent of their society, and this consent should not be given if co-operative funds are available (paragraph 45).

(4) The experiment made by co-operative credit societies in 1929 of giving their members special loans at favourable rates in a time of emergency due to floods should be repeated (paragraph 46).

(5) Co-operative credit should be developed to the utmost possible extent (paragraph 55).

(6) *Co-operative Mortgage Banks—*

(a) There should be no departure from the present policy of cautious advance until the experimental stage is passed (paragraph 65).

(b) Loans to Directors should be restricted (paragraph 66).

(c) In the experimental stage the period of loan should not exceed ten years; after that stage is passed, it might be extended to 15 years, subject to special precautions being taken to ensure regular repayment (paragraph 67).

(d) The Committee endorses the recommendation of the Royal Commission on Agriculture that the debentures of co-operative land mortgage banks, the interest on which is guaranteed by the Local Government, should be added to the list of trustee securities (paragraph 68).

(7) *The Land Improvement Loans Act of 1883—*

(a) In certain areas the facilities available under this Act are not sufficiently known and might be made more widely known through the co-operative staff (paragraph 71).

- (b) In certain districts delays in granting loans occur : so far as possible this should be avoided (paragraph 71).
- (c) Special rules should be framed authorising the grant of loans for fruit growing (paragraph 72).
- (8) The system of colony auctions should be revised so as to discourage the speculative purchases of land by peasants with borrowed money (paragraph 73).
- (9) The "echelon" system of payment of land revenue should be extended from the Multan and Rawalpindi Divisions to the whole province, and, if possible, six weeks should be allowed for payment (paragraph 84).
- (10) The recommendation of the Royal Commission on Agriculture that regulated markets should be established on the Berar system, as modified by legislation in Bombay, is endorsed (paragraph 86).
- (11) As the best single remedy for the grower's marketing difficulties is Co-operation, co-operative marketing should be steadily developed ; but it will probably be many years before anything of the nature of a pool can be organised on co-operative lines (paragraph 89).
- (12) Licensed warehouses are at present premature, but may be needed in time (paragraph 92).
- (13) Before any attempt is made to introduce the Egyptian warehouse scheme, a deputation including an official, an agriculturist, and a grain-dealer should be sent to Egypt to examine and report on the system (paragraph 93).
- (14) Co-operation is the only possible solution or mitigation of the financial difficulties which beset cottage industries. While all technical teaching and training required by the members of co-operative societies should be provided, directly or indirectly, by the Industries Department, the societies should remain under the undivided control of the Registrar (paragraph 117).
- (15) *The Punjab Industrial Loans Act—*
- (a) The minimum loan of Rs. 500 should be reduced.
- (b) The following recommendation made by the Indian Industrial Commission in their report of 1917 is endorsed :—  
 " All schemes for Government loans to industries should be worked with the object of handing over the business to a suitable agency in due course," and the interest on these loans should be fixed accordingly (paragraph 119).
- (16) *Postal facilities for remittance—*
- (a) The minimum charge of one anna for money orders of Rs. 5 or less should be re-introduced, and there should be a substantial reduction in the money order rates for sums higher than Rs. 100 (paragraph 122).

- (b) If the postal cheque system in force in Germany and Switzerland could be introduced, it would be of great value to trade and commerce (paragraph 124).
- (17) Railways should consider lowering their charges for the transmission of coin (paragraph 125).
- (18) *Supply Bills*—
- (a) Efforts should be made to make Supply Bills better known and to encourage their use (paragraph 127).
- (b) The possibility of dispensing with the sanction of the Currency Officer, Lahore, to the issue of supply bills in the case of surplus Treasuries should be considered, subject, if necessary, to a suitable maximum limit (paragraph 127).
- (c) The charges for the issue of supply bills should be reduced (paragraph 127).
- (19) Cheques once drawn payable to bearer should remain so indefinitely, and legal effect should be given to this, but in doing so, the right to cross a cheque should continue as at present (paragraph 136).
- (20) *Hundis*—
- (a) The essential features of a *hundi* should be standardised so as to produce a document simple in language and terms, and this should be done by law (paragraph 138).
- (b) The stamp duty on *hundis* should be reduced to a nominal figure (paragraph 141).
- (21) Railway receipts should be made negotiable, and action should be taken by the Chambers of Commerce and Trade Associations and, if necessary, by the Legislature to remove or reduce the risks involved in this (paragraph 144).
- (22) The stamp duties on debentures should be considerably reduced in order to popularise this form of borrowing (paragraph 145).
- (23) *Co-operation*—
- (a) In all schemes of future development liberal provision should be made to enable the co-operative staff to satisfy as fully as possible the fundamental need of training every member in the elementary principles and practice of co-operation (paragraph 152).
- (24) Three Inspectors should be appointed without delay to develop urban co-operation (paragraph 154).
- (25) Every effort should be made to establish a co-operative society in every suitable village within the shortest possible period, *compatible with safety*, and for this purpose assistance should be given by Government as recommended in paragraph 161.
- (26) Primary credit societies should be allowed to open current accounts with Sub-Post Offices and to operate the accounts by cheque (paragraph 164).

(27) *Savings Banks accounts of Co-operative Central Banking Institutions* (paragraph 167).—

- (a) Illiterates should be allowed to open an account.
- (b) The minimum sum for opening a deposit account should be reduced to one rupee.
- (c) Depositors should be allowed to operate their accounts by cheque, subject to the rules of withdrawal.

(28) *Central Co-operative Banks*—

- (a) Subject to the necessary safeguards, the experiment of opening branches should be extended to towns which at present have no commercial bank (paragraph 169).
- (b) A further experiment should be made with payments of land revenue through central banks, where (i) there is a branch of the Imperial Bank, and (ii) co-operation is well established (paragraph 170).
- (c) The experiment of paying military pensions through central banks should be tried (paragraph 171).

(29) If and when a Reserve Bank comes into being, the indigenous banker should not be forgotten in determining its constitution, scope and powers (paragraph 193).

(30) The licensing of money-lenders is not recommended (paragraph 217).

(31) *Post Office Savings Bank* (paragraphs 229 and 230)—

- (a) Various methods of making these banks more popular are suggested : the most important is to increase the number of Savings Bank Post Offices.
- (b) The opening of joint accounts in the names of husband and wife should be permitted.
- (c) Depositors should be allowed to nominate a person to receive payment of their deposits in the event of death.
- (d) In the case of co-operative societies the Postmaster-General's sanction for withdrawal should not have to be obtained, and if funds are available, the full period of notice should not be enforced.

(32) The issue of treasury bills at over 6 per cent has led to competition for money between Government and Joint Stock Banks : this should be avoided as prejudicial to both agriculture and trade (paragraph 236).

(33) *Use of Cheques* (paragraph 239)—

- (a) The feasibility of paying salaries by cheque in the case of Government employees drawing more than Rs. 100 per mensem should be carefully considered.
- (b) The payment by cheque of the purchase price of colony lands should be freely allowed, and the instructions issued on the subject should be reviewed.
- (c) Permission to pay land revenue by cheque should also be freely given.

(34) The Committee is in favour of the creation of a Reserve Bank ; provided, firstly, the Bank's complete independence is placed above suspicion, and secondly, all the weightier financial interests, including co-operative banks, are suitably represented in the constitution and control of the Bank.

247. We have already placed on record our appreciation of the invaluable assistance rendered us by the officers of various departments, who have undertaken special inquiries for us. Our report is sufficient testimony of what we owe them, and in particular to the members of the Co-operative and Income-tax Departments. We also desire to thank the Director of Land Records for the large amount of statistical information placed at our disposal, the Controller, Military Accounts, Lahore, for giving us figure for military pensions, Mr. H. Calvert, C.I.E., I.C.S., Financial Commissioner, Punjab, and Mr. B. A. C. Neville, Manager, Northern India Branches, Imperial Bank of India, for advice and assistance upon many points, Professor Brij Narain, M.A., Professor, Sanatan Dharm College, Lahore, for preparing tables of prices, and Mr. C. P. K. Fazal, M.A., Assistant Secretary to the Board of Economic Inquiry, Punjab, for collating much unpublished material of the Board. And, finally, we cordially acknowledge the services rendered us by our Secretary, Misr Dwarka Nath, M.A., P.C.S., and the indefatigable way in which the whole office has worked, often at high pressure.

(1) M. L. DARLING, I.C.S.,  
*Chairman.*

(2) HARKISHEN LAL,  
(3) NIAMATULLAH,  
(4) POHAP SINGH, RAO,  
(5) KISHAN LAL,  
(6) SULTAN AHMAD,  
*Members.*

The 28th June 1930.

## NOTE A.

### Agricultural Debt in the Punjab.

The amount of proprietors' debt secured by mortgages with possession may be calculated thus :—

	Crores.
(a) In 1921 it was ascertained to be .. .. .	184½
(b) Net increase for the eight years ending 1929* ..	24½
(c) Total mortgage debt in 1929 .. .. .	59½

2. The question is—can total agricultural debt be determined from mortgage debt? In the *Punjab Peasant in Prosperity and Debt* it was determined by assuming that proprietors' debt secured by mortgages with possession was 45 per cent of their total debt.<sup>3</sup> The reasons for taking this ratio are given on page 7 of the book. Very little fresh evidence on the subject is available. Figures for unsecured debt were obtained for three tehsils in the Attock district during the recent settlement (1924—27), but in each case the Settlement Officer expresses a doubt as to their reliability. It is therefore useless for our purpose to compare them with the figures for mortgage debt. Much more reliable are the figures given in eight village survey reports, but they are far too slender a basis for a provincial estimate. The only other figure that can be quoted is 52 per cent for 21 villages in Gurgaon, in which special enquiries were made for the committee by the local co-operative staff. The figure is probably inflated by the prolonged drought that has occurred in this district. This has contracted credit to such an extent that many have had to mortgage their land to raise any money at all. Our evidence suggests that to a much lesser degree this tendency has been at work throughout the province owing to poor harvests and falling prices. Further, there is some evidence that the tendency noted in the *Punjab Peasant* to prefer mortgage to unsecured

<sup>1</sup>*Land Revenue Administration Report, 1922, p. 28.*

<sup>2</sup>This has been calculated by deducting the amount paid for redemption from the amount raised every year by mortgage—see *Land Revenue Administration Report, statement XXIV.*

The experts consulted agree that statement XXIV is reliable for this purpose. If anything, the method of calculation probably results in an under-estimate. This view is based upon the following :—

In 1891 the total mortgage debt of the province, which then included the present North-West Frontier and Delhi Provinces, was found to be 7·83 crores. The corresponding figure in 1921 for the Punjab, excluding the two provinces just mentioned, is 36·40. [The figure given above (34½ crores) does not include occupancy tenants.]

The net increase in mortgage debt (excluding the Frontier and Delhi Districts) from 1892 to 1921 (both years inclusive) was 26·20 crores. If this is added to the figure for 1891, and if allowance is made for the inclusion in the latter figures of the present North-West Frontier Province, the total mortgage debt in 1921 would be less than 33 crores, whereas it was ascertained to be 36·40 crores.

<sup>3</sup>*Op. cit., p. 9.*



debt on account of its lower interest charges is probably strengthening in the more advanced districts such as Jullundur, Hoshiarpur and Ludhiana;<sup>1</sup> and it is precisely in these districts that mortgage debt is increasing most rapidly. We think it probable therefore that in the last eight years the ratio of mortgage debt to total debt has been greater than 45 per cent and may be even as much as 60 per cent. Taking a 60 per cent ratio for the debt incurred since 1921, we get an increase of 40½<sup>2</sup> crores; and, adding this to the 1921 estimate of 77 crores,<sup>3</sup> we get a total debt in 1929 (for proprietors) of 117½ crores.

3. Another way of calculating total debt is to assume that the ratio for the *whole* mortgage debt is 50 per cent. Curiously, this gives exactly the same total. We may therefore estimate the total debt of the proprietors in 1929 at 117 crores.

4. It remains to estimate the debt of tenants and farm servants. In the *Punjab Peasant* this was taken at Rs. 150 per family,<sup>4</sup> and their debt was estimated at 15 crores. The last census shows that in 1921 there were 1,103,200 families.<sup>5</sup> As the population is estimated to have increased since then by 9 per cent,<sup>6</sup> the number of families will now be about 1,200,000.

5. The estimate of Rs. 150 a family includes occupancy tenants as well as tenants at will, and was based on figures for 12,000 tenants, etc. We can check this by three sets of figures. The first is the average debt of 3,179 tenants on court of wards estates in 15 districts. This was kindly ascertained for the committee by the managers of the estates, and was found to be Rs. 147 as against an average of Rs. 135 for the 7,500 tenants at will considered in the *Punjab Peasant*.<sup>7</sup> But the court of wards figures are dominated by 1,554 tenants on the Mamdot estate, whose holdings are large and whose debt is correspondingly high. If they are excluded, average debt is only Rs. 103 and, the average holding 15½, instead of 27, acres. The second set of figures is that given by the Cotton Inquiry which was made in 84 villages in 1927-28. The indebtedness of 600 tenants was ascertained, and was found to average Rs. 234 (or Rs. 412 for indebted tenants only).<sup>8</sup> The third relates to an enquiry recently made by the local Assistant Registrar in five villages in Jyallpur. The tenants who were in debt in these villages owed from Rs. 212 to Rs. 387 each. An estimate of Rs. 150

<sup>1</sup>Evidence, pp. 309, 350 Cf. evidence 294, 376.

<sup>2</sup>*Punjab Peasant*, p. 16 (note).

<sup>3</sup>This was the actual figure arrived at on the 45 per cent basis, but 75 crores were taken to be on the safe side (*ibid.*, p. 10).

<sup>4</sup>*Ibid.*, p. 16.

<sup>5</sup>*Punjab Peasant*, p. 16 (2nd note).

<sup>6</sup>Statement 9, table 2 (p. 335).

<sup>7</sup>*Op. cit.*, p. 14.

<sup>8</sup>*Op. cit.*, p. vii.

was taken in the *Punjab Peasant* because occupancy as well as tenants at will were considered, and figures for 4,500 occupancy tenants showed that their debt averaged Rs. 290. There seems no reason then to reduce the estimate. It would indeed be more reasonable to raise it, for, if proprietors' debt has increased since 1921, it is probable that tenants' debt has also increased, though no doubt not in the same proportion. The mortgage debt incurred by occupancy tenants has, in fact, increased by 2·31 crores.<sup>1</sup> Making no change, however, and basing our calculation on 1,200,000 families and an average debt of Rs. 150 per family, we get a total debt of 18 crores.

6. Total agricultural debt in 1929 may therefore be estimated thus :—

				Crores.
Proprietors' debt	..	..	..	117
Tenants and farm servants	..	..	..	<u>18</u>
Total debt (a) 1929	..	..	..	135
(b) 1921	..	..	..	90
Increase of debt since 1921	..	..	..	45

<sup>1</sup>Land Revenue Administration Report statement XXIV.

## NOTE B.

### Punjab Food-grain Prices, 1890—1929, by Professor Brij Narain.

*Price Statistics.*—Prices from 1890 to 1899 have been taken from *Prices and Wages*, 24th issue. Prices are given in this report in seers per rupee, and had to be converted into rupees per maund.

Prices from 1900 to 1921 have been taken from the 37th issue of the same report. In both cases the prices are annual averages for the Punjab and North-West Frontier Province. The exclusion of non-Punjab districts made a very insignificant difference to the annual average, and therefore it was decided to use the annual averages as given in *Prices and Wages*.

Prices for 1922 to 1929 were supplied by the Land Records Department.

*Basic Period.*—The quinquennium 1890—94 was used as the basic period. On account of severe famine in 1896-97 (apart from scarcity in 1891-92), the decennium 1890—99 was not normal. The same reasons led the Prices Enquiry Committee of 1910 to use the quinquennium 1890—94 as the basic period (*Datta's Report on Prices*, p. 14).

*Course of Prices.*—The general average for the quinquennium 1895—99 was 28 per cent higher as compared with the basic period. It fell in 1900—04, but then rose continuously until in 1920—24 the index number stood at 251. In the last quinquennium the general average fell to 246, or, as compared with the basic period, prices were 146 per cent higher. •

#### PUNJAB FOOD-GRAIN PRICES, RETAIL, RUPEES PER MAUND.

Years.	Wheat.	Barley.	Jowar.	Bajra.	Maize.	Gram.
1890 ..	2.200	1.451	1.652	1.867	1.649	1.779
1 ..	2.683	1.779	2.254	2.451	2.309	2.020
2 ..	2.948	1.933	2.050	2.513	2.194	1.976
3 ..	2.436	1.517	1.639	2.019	2.007	1.556
4 ..	1.652	1.025	1.274	1.693	1.279	1.159
1895 ..	2.095	1.395	1.639	1.946	1.667	1.589
6 ..	3.167	2.420	2.250	3.155	2.572	2.562
7 ..	3.839	2.958	3.401	3.850	3.364	3.817
8 ..	2.441	1.571	1.818	2.041	1.712	2.090
9 ..	2.538	1.801	2.025	2.341	1.807	2.305
1900 ..	3.349	2.660	3.238	3.375	2.888	3.465
1 ..	2.648	1.699	1.848	2.004	1.908	2.206
2 ..	2.523	1.805	1.867	2.265	1.779	2.120
3 ..	2.451	1.765	1.835	2.143	1.801	1.912
4 ..	2.264	1.467	1.396	1.733	1.419	1.539

## PUNJAB FOOD-GRAINS PRICES, RETAIL, RUPEES PER MAUND.

Years.	Wheat.	Barley.	Jowar.	Bajra.	Maize.	Gram.
1905 ..	2.666	1.698	1.873	2.183	1.799-	1.949
6 ..	2.730	1.968	2.507	2.849	2.351	2.358
7 ..	2.903	1.965	2.143	2.338	2.103	2.447
8 ..	4.189	2.987	3.515	3.790	3.183	3.888
9 ..	3.942	2.401	2.588	2.801	2.707	2.950
1910 ..	3.118	1.878	2.288	2.486	2.093	2.201
1 ..	2.882	1.942	2.240	2.542	2.039	2.134
2 ..	3.283	2.507	2.984	3.228	2.879	2.608
3 ..	3.514	2.512	2.593	3.173	2.606	2.782
4 ..	3.820	2.731	3.264	3.579	3.104	3.416
1915 ..	4.545	2.904	3.754	3.915	3.724	3.418
6 ..	3.895	2.962	3.136	3.676	2.788	3.301
7 ..	4.193	2.899	3.175	3.068	3.019	3.432
8 ..	5.068	3.546	5.561	4.785	4.161	4.055
9 ..	6.136	4.463	6.100	7.141	4.743	5.696
1920 ..	5.620	3.836	4.630	5.490	4.470	5.560
1 ..	7.637	5.337	7.032	7.471	6.258	7.028
2 ..	6.038	4.211	5.161	5.614	5.470	5.079
3 ..	3.951	2.490	3.265	3.404	2.936	3.005
4 ..	4.354	2.977	3.536	3.657	3.441	3.265
1925 ..	5.565	3.844	4.384	4.604	4.267	3.879
6 ..	5.333	3.926	5.120	5.565	5.289	4.604
7 ..	4.885	3.657	4.672	4.414	4.211	4.476
8 ..	5.079	3.844	3.975	4.507	4.051	4.638
9 ..	5.161	4.000	4.923	5.614	4.812	5.517

## PUNJAB FOOD-GRAIN PRICES. INDEX NUMBERS.

AVERAGE OF PRICES IN 1890-94=100.

Years.	Wheat.	Barley.	Jowar.	Bajra.	Maize.	Gram.	Average.
1890 ..	92	94	93	89	87	105	94
1 ..	113	115	127	116	122	119	119
2 ..	124	125	116	119	116	116	119
3 ..	102	99	92	96	106	92	98
4 ..	69	67	72	80	68	68	71
Average 1890-94 ..	100	100	100	100	100	100	100
1895 ..	88	91	92	92	89	94	91
6 ..	133	157	127	150	136	151	142
7 ..	161	192	192	183	178	225	189
8 ..	102	102	102	97	91	123	103
9 ..	106	117	114	111	96	136	113
Average 1895-99 ..	118	132	125	127	118	146	122
1900 ..	141	173	183	160	153	204	169
1 ..	112	110	104	95	101	130	109
2 ..	106	117	105	107	94	125	109
3 ..	103	115	103	102	95	113	105
4 ..	95	95	79	82	75	91	86
Average 1900-04 ..	111	122	115	109	104	133	116
1905 ..	112	110	106	104	95	115	107
6 ..	114	128	141	135	125	139	130
7 ..	122	128	121	111	111	144	123
8 ..	176	194	198	180	169	229	191
9 ..	165	156	146	133	143	174	153
Average 1905-09 ..	138	143	142	133	129	160	141
1910 ..	131	122	129	118	111	130	124
1 ..	121	126	126	121	108	126	121
2 ..	139	163	168	153	131	142	149
3 ..	152	163	146	150	138	164	152
4 ..	160	177	184	170	164	200	176
Average 1910-14 ..	140	150	151	142	130	150	144
1915 ..	191	124	212	186	197	201	185
6 ..	164	192	177	174	148	194	175
7 ..	176	188	179	147	160	202	175
8 ..	213	230	313	222	220	239	240
9 ..	258	290	344	339	251	335	234
Average 1915-19 ..	200	205	245	214	195	234	216
1920 ..	236	249	261	260	237	327	262
1 ..	326	346	396	354	337	414	361
2 ..	253	273	291	266	290	299	279
3 ..	166	161	184	161	156	177	168
4 ..	183	193	199	173	182	192	187
Average 1920-24 ..	233	244	266	243	239	282	251
1925 ..	234	249	247	218	226	228	234
6 ..	224	255	289	264	280	271	266
7 ..	205	237	263	209	223	264	234
8 ..	213	249	224	214	215	273	231
9 ..	217	260	278	266	255	325	267
Average 1925-29 ..	219	250	261	234	240	272	246

*Punjab Food-grain Prices, 1918-19 to 1927-28.*

The following table shows the fluctuations in the Punjab food-grain prices between 1918-19 and 1927-28 :—

HARVEST PRICES, IN RUPEES AND ANNAS PER MAUND, DURING THE YEAR ENDING 15TH JUNE. DISTRICT AVERAGES.

(SEASON AND CROP REPORT, PUNJAB.)

Years.	Wheat.	Barley.	Jowar.	Bajra.	Gram.
	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.
1918-19 .. ..	5 9	4 3	7 4	6 14	5 9
1919-20 .. ..	4 15	3 11	5 0	5 6	4 13
1920-21 .. ..	6 10	4 15	5 1	6 2	6 5
1921-22 .. ..	5 12	4 0	5 11	6 10	4 14
1922-23 .. ..	3 12	2 4	3 3	3 5	2 13
1923-24 .. ..	3 11	2 5	2 11	3 0	2 12
1924-25 .. ..	4 3	3 5	3 5	3 10	3 11
1925-26 .. ..	4 15	3 9	4 9	4 12	4 2
1926-27 .. ..	4 8	3 4	3 13	3 14	3 14
1927-28 .. ..	4 6	3 3	3 8	3 13	3 13

INDEX NUMBERS.

(AVERAGE OF 1918-19 TO 1920-21=100).

Years.	Wheat.	Barley.	Jowar.	Bajra.	Gram.	Average.
1918-19 ..	98	99	126	112	100	107
1919-20 ..	87	87	87	88	87	87
1920-21 ..	116	116	88	100	113	107
1921-22 ..	101	94	99	108	88	98
1922-23 ..	66	53	55	54	51	56
1923-24 ..	65	54	47	49	49	53
1924-25 ..	74	78	58	59	66	67
1925-26 ..	87	84	79	78	74	80
1926-27 ..	79	76	66	63	70	71
1927-28 ..	77	75	61	62	69	69

As compared with the average of the three years 1918-19 to 1920-21, the fall of prices in 1927-28 amounted to 31 per cent., while the average for 1925-26 to 1927-28 shows a fall of about 27 per cent.

(The years 1918-19 and 1920-21 were years of abnormally high prices.)

## NOTE C.

### Replies of Assistant Registrars, Co-operative Societies, and Income-tax Officers to the Supplementary Questionnaires.

Very full replies were received from many Assistant Registrars and Income-tax Officers to the supplementary questionnaires addressed to them. The gist of these replies is given below, and deals with the following subjects :—

1. Credit in Times of Scarcity.
2. Land Improvement.
3. Composition of Old Debt.
4. Hoarding in Cash.
5. Jewellery.
6. Pawnbroking.
7. Mortgage Banks.
8. Dealings between Landlords and Tenants.
9. *Taccavi*—The Agriculturists Loans Act.
10. Present Position of the Rural money-lender (*Sahukar*).

#### PART 1.—CREDIT IN TIMES OF SCARCITY.

Speaking with much experience of the central Punjab and the canal colonies, the Assistant Registrar, Am-bala, considers that a zemindar is never compelled in times of scarcity to leave his farm. He can just pull on by cutting down his expenses and borrowing at ex-orbitant rates. The Assistant Registrar, Gujranwala, who is also an officer of much experience, states that in such times rates of interest rise to 100 per cent and in numerous cases cultivators are compelled for want of capital to go in for cheap crops. Specific enquiries in flood-stricken villages gave the following results :—

Does it often happen that in times of scarcity cultivators who are normally able to borrow are refused credit by their money-lenders, and so are unable to cultivate part or the whole of their lands? If so, state what course is usually taken by the cultivators concerned—do they, for instance, lease their land to others and seek work elsewhere?

- (a) *Jhelum*—In three villages it was found that even badly affected zemindars could borrow, though at a high rate of interest, *i.e.*, from 37 to 75 per cent.
- (b) *Mianwali*—In nine villages no land was left unsown for want of credit.
- (c) *Shahpur*—In eight of the worst affected villages not a single zemindar had to lease out his land because he could not cultivate it.
- (d) *Multan*—In three villages three tenants, after preparing their land for sowing wheat, were unable to sow it for want of seed. Two were replaced by other tenants, and the third sowed barley and other inferior crops instead.

(e) *Muzaffargarh and Dera Ghazi Khan*—A particularly detailed enquiry was made by the Assistant Registrar and his staff. The results are shown in the following table :—

	Muzaffargarh.	Dera Ghazi Khan.
(a) Number of villages under enquiry ..	6	6
(b) Approximate number of cultivators ..	921	7,000
(c) Number of cases enquired into ..	654	869
(d) Number who—		
(i) could borrow before the floods ..	557	767
(ii) could not borrow after the floods ..	50	83
(e) Number of the latter who—		
(i) left the whole of their land fallow ..	4	21
(ii) left part of it fallow ..	22	55
(iii) gave the whole of it out on lease ..	5	5
(iv) gave part of it on lease and cultivated part themselves.	6	2

It will be seen that 133, or 10 per cent, were unable to borrow after the floods, and that of these 133 cases, 35, or one in four, left his land fallow or gave it out on lease, and the rest did one or the other in part.

Most of the 35 became farm labourers or worked as coolies on road or canal. In Dera Ghazi Khan 15 or 16 went off to live on well-to-do relatives.

Those who were still able to borrow, and who did not get taccavi from Government, had to pay 25 to 50 per cent for their loans according to their credit. The Assistant Registrar says he came across cases where credit was so poor that they could only get advances by agreeing to pay the sahukar 1-3rd of their crop. In one village of 150 houses five cultivators could not get seed and had to give up cultivation. One became a watchman to guard the village crops, another earned his living by selling his cows' milk in a neighbouring town, and the others became goat-herds.

2. Careful enquiries were also made in the south of the province, which has been suffering from prolonged drought. The results may be summed up thus :—

- (a) *Rohtak*—In three villages ten cultivators were found unable to cultivate their land at one or other harvest during the year owing to their inability to borrow and were obliged to go out as labourers.
- (b) *Gurgaon*—No one was found in either Gurgaon or Ballabgarh tehsil who had been obliged to lease his land and leave the village. In Rewari, enquiry was made from forty persons in three villages containing 275 agriculturist



families. Four were found not to require any loan at all during the drought, and 32 to be unable to get one. But of the 275 families only five leased their land to others and left the village. Others raised money by mortgaging their land, selling stock or jewellery or obtaining free loans from relatives. Fifty-five families, i.e., 20 per cent, were free of debt.

In Palwal enquiries were also made in three villages. It was found that four cultivators had leased their land for want of capital and gone off to work as labourers elsewhere. Forty cultivators said they had been able to raise money by mortgage and other forms of security, e.g., by pledging cattle and jewellery; and 29 said that for want of money they could not buy good seed, but obtained small loans by pledging their jewellery. With these they purchased cheap seed.

In six villages in Ferozpur-Jhirka only one instance could be found of cultivation being affected, and that was the case of a cultivator who could only procure seed for seven out of his twelve bighas. In three very badly affected villages in the Nuh tehsil the written statements of 62, out of 154 cultivators were taken. They were asked whether in any year of scarcity they could remember land remaining uncultivated for want of capital. All said "No." The oldest was 71.

#### PART 2—LAND IMPROVEMENT.

(i) No instance has come to notice in the districts noted in the

margin of a person wishing to improve his land and being unable to do so for want of the necessary capital. In Amritsar, the desire to improve hardly exists. In Sialkot, the bigger and more intelligent zemindars find no difficulty in financing such improvements as they wish to make. In the case of the small cultivators, holdings are too scattered for improvements to be profitable.

Do you ever come across persons who wish to improve their land, e.g., by sinking a well or making a bind, and being unable to do so owing to their having been unable to obtain the necessary capital?

Amritsar, Lyallpur, Rawalpindi, Jhelum, Hissar, Campbellpur, Attock, Mianwali, Kangra and Sialkot.

In the districts noted in the margin there are said to be cases of persons unable to improve their lands for want of capital. They are numerous in Ludhiana and Jullundur, where holdings have been consolidated, and also in Gurgaon, where prolonged drought, and possibly also the "Gurgaon Experiment," has stimulated the demand for wells.

(ii) Most Assistant Registrars state that the object of a loan is of no consideration to the money-lender, and that all he wants is good security. His rates of interest, however, are often prohibitive. Four Assistant Registrars (Gujranwala, Jullundur, Muzaffargarh and Gurgaon)

think that he does not like advancing big sums for the long periods necessitated by improvements.

Have you any reason to suppose that the village money-lender does not advance freely for land improvement when asked to do so?

(iii) Assistant Registrars speak of the high rates of interest, fragmentation, ignorance, inertia, and the low standard of living as the chief obstacles to land improvement. In some areas the heavy cost of sinking a well—Rs. 3,000 or more—is a further bar. Many, if they can raise money, prefer to spend it in liquidating old debt; and in Amritsar it is said that zemindars employ in this way loans taken for land improvement. Here and there, e.g., in the *barani* tracts of Lahore, economic pressure is leading to the sinking of wells.

(iv) No Assistant Registrar has anything to add to what is said in paragraph 359 of the Agricultural Commission Report regarding the working of the Land Improvement Act.

#### PART 3—COMPOSITION OF OLD DEBT.

Have societies in your circle ever tried to effect a composition of old debt between their members and the money-lenders concerned? If so—

(i) what form did it take?

(ii) have the results been satisfactory?

Lyallpur.

In Lyallpur there have been several cases of composition of old debt, but as a rule the money-lender compounds in bad cases only. Repayment has been made in one of the following ways:—

- (a) the borrower was advanced a loan by the society, and the money-lender was paid in cash;
- (b) the amount to be paid was shown in the society's books as a debit against the debtor, and as a deposit in favour of the money-lender. The deposit was only liable to withdrawal as the debtor repaid the society;
- (c) the debtor paid off part of the loan in cash either from savings or by borrowing from the society, and instalments were fixed for payment of the balance; and
- (d) part of the loan was settled by giving cattle, and the balance by instalments.

The results have only been satisfactory in the small number of cases in which the right type of person was selected for composition.

Some years ago in the Lahore district large advances were made by certain societies and composition effected on the basis of a 4 or 5 per cent reduction of claim by the money-lenders. In one case the members promised in future to deal only with the society, but enquiry some years later showed that they had incurred fresh liabilities almost equal in amount to their old ones.

Lahore.

There have been cases of composition here and there in Rohtak, and reductions of 30 to 50 per cent have been secured. On the whole results have been satisfactory.

Rohtak.

widows and village menials, are the classes that hoard most. In Dera Ghazi Khan an Inspector made a special enquiry in three villages. He found that hoarding was not common amongst agriculturists, only 5 per cent of whom normally save, but it was common enough amongst other classes, 95 per cent of whom save.

#### PART 5—JEWELLERY.

*Assistant Registrars.*—The purchase of jewellery is decreasing greatly in the rural areas of Amritsar, and goldsmiths are leaving the village for the town. Their number is also decreasing in some parts of Hoshiarpur and in Muzaffargarh apart from Alipur. In the districts of Lyallpur, Rohtak, Sialkot, and Multan it is decreasing, and goldsmiths are giving up their

Do you think that the purchase of jewellery is decreasing?

If so, (i) on what grounds do you think this?

profession or are faring badly. At marriages and other ceremonies old jewellery is being used, and it is worn less in public. Reform movements for reducing unnecessary expenditure are having their effect upon the purchase of jewellery in the Lahore district, particularly amongst Akalis. The Akali movement is having a similar effect in Gurdaspur and Jullundur. In the latter there is a tendency to have a few gold ornaments, instead of many silver ones. Public opinion too is strengthening against jewellery, and Rs. 15,000 have been deposited in societies from the sale of ornaments. The Assistant Registrar, Gūjranwala, ascribes the decrease in the use of jewellery to western civilization in the case of the higher classes and to economic pressure in the case of the lower, though in the case of the latter the tendency is less marked. He thinks that the co-operative better-living societies facilitate the discarding of jewellery as they enable people to do collectively what they fear to do separately. In Gurgaon, owing to famine conditions, no fresh jewellery is being purchased, and in Ferozpur-Jhirka and Nuh tehsils it has considerably declined. Three goldsmiths in Nuh tehsil have supplied the following figures to show the weight of the jewellery prepared by them during the last four years :—

					Tolas. <sup>1</sup>
1926 ..	..	..	..	..	5,260
1927 ..	..	..	..	..	4,955
1928 ..	..	..	..	..	3,405
1929 ..	..	..	..	..	645

No perceptible decrease is reported from the districts north of the Jhelum, nor from Mianwali, Shahpur, and Kangra. In Anbala prosperity and the rise in the standard of living have led to an increase.

<sup>1</sup> 80 tolas make one seer (82.28 lbs.).

*Income-tax Officers.*—The purchase of jewellery is decreasing in Gurdaspur, Gujrat, Ludhiana, Sialkot, and in the rural areas of Amritsar. A large number of goldsmiths' shops have been closed in Gurdaspur. In Sialkot the books of almost all *sarafs* show a fall in sales, and in Amritsar it is the same with the *sarafs*, whose clients are mainly rural. The demand for jewellery is increasing in Hissar and in the rural areas of Karnal, and, instead of silver, people purchase gold. In Jullundur it is increasing with certain classes, *e.g.*, Hindus, Arains, Sheikhs, Khojas, Pathans, and Sayyeds, and decreasing among Kambohs and Jats. The increase is ascribed to the large sums earned during the war, combined with custom and a false sense of respectability. The decrease is due to bad harvests.

*Assistant Registrars.*—In Lyallpur the reasons given are bad harvests, low prices, scarcity of money, spread of education, and expenditure on better clothes. Ornaments are also sold for the purchase of land. In Jullundur co-operative teaching, facilities for investment and depreciation in the value of gold and silver have contributed to the decrease.

*Income-tax Officers.*—The reasons for the decrease are said to be the spread of education, the reform movements, the influence of western civilization, and a rise in the standard of living, without a corresponding increase in income.

*Assistant Registrars.*—The rise in the standard of living and the purchase of land appear to be absorbing a large amount of the available money in Lyallpur, Lahore, Rohtak, Gujranwala, and Multan. More money is being spent everywhere on education and building decent houses, and is being invested in money-lending and trade.

*Income-tax Officers.*—People now spend more on clothes, education and conveyances, and they invest their savings more freely in land, banks and other profitable concerns.

#### Part 6—Pawnbroking and Miscellaneous Forms of Security.

Broadly, it may be said that all classes of money-lenders, except the agriculturist, lend on the security of jewellery, and that women lend in no other way. In Lahore, it is usually done by goldsmiths and *sarafs*, and by others when a borrower's credit is uncertain or when a client wishes to borrow at a cheaper rate or in secret. In Amritsar, it is commonest among women, but popular with every type of money-lender. Loans against jewellery are generally small, and in rural areas made to those who find it difficult to get money on personal security, *e.g.*, village menials and members of the depressed classes. Occasionally larger

The money-lender does the valuation himself; in doubtful cases he consults, in rural areas, a goldsmith, and in urban, a *saraf*. In Lahore the services of a professional valuer known as "Dharam Kantawala" are sometimes used. He charges *sarafs* five annas and others from half to one anna. In Jullundur the usual charge is one pice per weighing. Otherwise no charge is usually made.

(iv) Does the money-lender himself do the valuation, or does he get this done for him? If so, what is generally charged for valuation?

The goods pawned are usually redeemed within one year in Karnal, two years in Hissar, and three years in Gurdaspur and Simla. In Multan ornaments may remain pledged for five years. If, as commonly happens, no period is fixed, the general principle is that goods must be redeemed before interest and principal equal their value. But, if interest is paid regularly, they may remain on pawn indefinitely.

(v) Within what period must the goods usually be redeemed?

(vi) Do money-lenders ever maintain or hire special godowns for the storage of goods pawned?

Only in Ludhiana is this said to be done. Elsewhere money-lenders keep jewellery in iron safes.

Other things being equal, rates of interest are somewhat lower when goods are pawned, urban rates 2 or 3 per cent less, and rural 5 or 6. Several districts report that for secured loans the common rate is 18½, as against 25 per cent or more for unsecured. In Ferozepore it seldom exceeds 15 per cent, and in Rawalpindi and Karnal it may be as low as 12 per cent. But, where goods are pawned by persons of low credit, there is little, if any, difference. Much indeed depends upon the financial position of the borrower.

(vii) How far do interest charges vary according as goods are pawned or only personal security is offered?

In Gurdaspur, Multan, Hissar, Rohtak, Jullundur, Simla, and Sialkot the rates vary very little, and the same applies to Amritsar if the financial position of the borrower is good or jewellery is pawned. A large amount, however, will not be advanced without good security; and, if the security is good, the rate of interest will be lower. Contrariwise, the rate will be higher on smaller amounts since they imply less credit.

(viii) Do interest rates vary with the amount and duration of the loan?

Losses are comparatively rare. In the case of jewellery, the margin of 20 to 30 per cent commonly allowed covers interest for about three years, and goods can be sold when the margin is about to be exhausted. Losses sometimes arise if ornaments turn out to have an unexpected amount of alloy, or to be stolen property, or if there is a sudden fall in value, as has recently occurred with silver. Sometimes, too, cattle die,

(ix) Do money-lenders ever complain of losses in connection with their pawn broking business? If so, how do they arise?

grain is damaged by insects and goods are stolen ; they may even be misappropriated by a dishonest employee. But none of these dangers, except possibly the first, is dangerous. One Income-tax Officer notes as an advantage of pawnbroking to the money-lender that no litigation is possible, since receipts are not given by the money-lender.

All agree that goods are rarely pledged to secure more favourable terms, the main reason being that it is considered derogatory to do so. Here and there, however, in the central Punjab, *e.g.*, in Amritsar and Jullundur, this feeling shows signs of weakening amongst the more intelligent zemindars, who are beginning to realize the advantage of a lower rate of interest. A further difficulty is that jewellery generally belongs to the women of a household, and they are naturally reluctant to part with it. It appears, therefore, that in only about 10 per cent of the cases is jewellery pledged to secure a lower rate of interest. Five put the percentage higher than this, and the Assistant Registrar, Ambala, alone puts it above 20 per cent. In the large majority of cases jewellery is pledged solely to support a tottering credit or to obtain a loan where otherwise none would be given. This applies particularly to rural areas in times of scarcity when credit is exhausted, of which Rohtak and Gurgaon are at present good examples. It applies too to towns where market conditions become very insecure. In Ferozepore, for instance, advances against jewellery are said to be increasing.

For want of definite statistical information, only the broadest estimates have been attempted. Most Assistant Registrars put the amount at 5 per cent or less, and only five at over 10 per cent. The lower estimate is corroborated by figures which have been obtained for 3,179 tenants on 15 estates under the court of wards. The figures show that out of a total debt of about  $4\frac{1}{2}$  lacs only 4.7 per cent is secured by jewellery (statement 14).<sup>1</sup> To some extent, no doubt, the percentage varies from district to district ; for instance, the local Assistant Registrar says it is much higher in Attock than in the neighbouring district of Mianwali.

#### PART 7.—MORTGAGE BANKS.

Owing to a succession of poor harvests in the last three years, and to the low prices of agricultural produce, the number of defaulters in the bank in Jhang and in the three in Lyallpur is increasing, and progress is unsatisfactory. It is also slow in

(i) If there is a land mortgage bank in your circle ? If so, are you satisfied with its progress ?

the banks at Gujranwala and Sheikhpura. Directors are not above showing favouritism in making loans, and official control is essential. The Land Alienation Act stands in the way of attachment and the sale of mortgaged land, and makes recovery difficult.

The bank at Gurgaon is suffering from famine conditions. Nearly all debtors are defaulters; and, in spite of the postponement of the last three instalments in full or in part, heavy arrears of interest are accumulating.

The banks at Shahpur, Naraingarh, and Mianwali are doing satisfactory work.

The extension of such banks must be very slow and cautious. The people are illiterate, and care more for borrowing than for repayment. The rate of interest is high, and often it does not pay to borrow at 9 per cent for the redemption of land. One Assistant Registrar thinks that in the central Punjab the redemption of mortgages with 9 per cent loans would not pay.

The Deputy Registrar, Jullundur, and the Assistant Registrars, Lyallpur and Sargodha, specify certain conditions as necessary to success; e.g., official control, a good managing committee, more than ten years as the maximum period of loan, a lower rate of interest and special facilities for recoveries; also the area should be secure and co-operatively advanced.

(ii) Do you think it will be possible to extend such banks? If not, why?

Three main weaknesses are mentioned—

- (1) The partiality and favouritism shown by many directors: their preliminary enquiries on loan applications are generally unreliable;
- (2) the tendency of borrowers to default, and the difficulty in effecting recoveries: taking possession of mortgaged land is a long process;
- (3) the want of competent and trained staff.

Of the three weaknesses, the first is the most serious.

(v) How can these weaknesses best be remedied?

Various remedies are suggested—

- (a) preliminary enquiries regarding loan applications should be made by a special Sub-Inspector independently of the directors;
- (b) Inspectors should have the power of veto on all loans;
- (c) recoveries from defaulters should be made as if they were arrears of land revenue;
- (d) mortgage banks should be exempted from the operation of the Land Alienation Act;
- (e) a more efficient and better-paid staff should be engaged.

## PART 8.—DEALINGS BETWEEN LANDLORDS AND TENANTS.

It is rare for landlords to make advances to their tenants in Lyallpur, Hoshiarpur, Ambala, Rohtak and most of Gurgaon. But in Attock, Mianwali, Multan, Shahpur, Gujranwala, and Sheikhpura they advance for the purchase of bullocks, seed and food-stuffs; also in rare cases in Sargodha for liquidation of debt.

Is it the practice for landlords to make advances to their tenants? If so, (i) are such advances made for all purposes?

Loans are made in the *barani* tracts of Lahore, but usually only for the purchase of bullocks and seed. In Ferozepore landlords, especially Hindus and Sikhs, advance in cash or kind for all "necessary" purposes, or stand as surety if they cannot afford to advance themselves. The same is done in Gurgaon and Palwal tehsils. In Muzaffargarh and Dera Ghazi Khan advances are made in grain for agricultural purposes, and sometimes even for marriages. In Hissar they are made in kind, but only in times of scarcity.

If interest is taken, somewhat less than the customary rates of the area are usually charged.

(ii) What are the customary terms?

The terms do not differ in Rohtak, Kangra, and Sialkot, in Shahpur, Attock, Mianwali, Muzaffargarh, Dera Ghazi Khan, Multan, Lyallpur, Gujranwala, Sheikhpura, Lahore, and Hissar

(iii) Do the terms differ in the case of a Muhammadan landlord?

Muhammadan landlords charge no interest, while a Hindu landlord generally charges less than the *sahukar*. In Shahpur advances are made thus:—

In the case of Muhammadan landlords, the advances are made without charging any interest and without taking a pro-note. The signatures of the tenants are taken on a private register maintained for the purpose. Advances for seed and fodder are made in kind; and valued at the market rate; repayment is also accepted in kind, and valued at the rate prevalent at that time. No security is taken. Loans have to be repaid in full on the next harvest. In the case of Hindu landlords, the terms vary thus:—

The advances are made for all purposes, without considering whether they are productive or unproductive. Interest is charged, generally at 18½ per cent, which is a little less than the rate of interest charged from other borrowers. Pro-notes are taken. In the case of tenants cultivating ordinary *banjar* land or land of poor quality, no interest is charged.

In the Lyallpur colony and in Ferozepore, tenants sometimes advance loans to their landlords free of interest to ensure security of tenure. Where there is no fear of eviction, the tenant recovers his dues out of the landlord's share of produce. In one village in Lyallpur advances are made at the rate of Rs. 500 per

Is it anywhere the practice for tenants to make advances to their landlords? If so, what are the usual terms?



square, and retained by the landlord as a deposit free of interest till the lease expires. Some of the Hindu money-lenders in this village, instead of taking Rs. 500 a square, charge Rs. 60 a square per annum, the amount representing interest on Rs. 500 at 12 per cent.<sup>1</sup>

In the Palampur tehsil of Kangra tenants make advances to their landlords for very short periods without interest. A few cases are also reported from Gujranwala. In Palwal loans free of interest are given by tenants to landlords in consideration of easier rent, and in Rewari the case is mentioned of a tenant who has advanced Rs. 100 to his landlord at 18½ per cent and proposes recovering it from the rent.

#### PART 9.—TACCAVI—THE AGRICULTURISTS LOANS ACT.

No Assistant Registrar has anything to add to what is said in

Have you anything to add to what is said in paragraph 362 of the Report of the Royal Commission on Agriculture. Commission on Agriculture. paragraph 362 of the Report of the Royal Commission on Agriculture.

Most Assistant Registrars would confine its operation to times of

If you have any experience of the working of this Act please state whether you would confine its use to times of emergency, or whether you advocate its use in normal times as well? emergency for otherwise cheap credit will be misused.

Most would apply it to members of co-operative societies, but one Assistant Registrar (Campbellpur) would only do this when societies are short of funds.

Would you apply it to members of co-operative societies? If so, how?

One Assistant Registrar puts the effective rate at 7 to 8 per cent

and one more at 9 to 12 for intelligent borrowers, but no one else puts it at less than 10, and few at less than 12. For the smaller loans it is generally put at 12 or more. -

It is said that, when all the charges incidental to the operation of the Act are taken into consideration, the cost of a loan under it to the borrower much exceeds the official rate of interest (6 per cent)<sup>2</sup>. Do you agree in this? If so, at what rate per cent per annum would you estimate the effective cost of a loan under the Act?

<sup>1</sup> See the Assistant Registrar, Lahore's evidence, volume I, p. 392.

<sup>2</sup> Since raised to 6½ per cent.

PART 10.—PRESENT POSITION OF THE RURAL MONEY-LENDER  
(*Sahukar*).

(a) *Replies of Assistant Registrars.*

The memo. is correct, subject to the following :—

Do you regard the attached memo.<sup>1</sup> on the position of the village money-lender which was written three years ago as correctly representing present conditions so far as your circle is concerned? If not, what modifications do you consider necessary?

In *Lyallpur* he is becoming more cautious and raising his rate of interest on advances. In the colony he combines the business of a *sahukar* with that of a commission agent.

In *Rawalpindi* a cause of the decline of the money-lender is said to be the increasing tendency of the rural classes to reduce their expenditure on ceremonial occasions, e.g., marriage, deaths, etc.

In *Ferozepore* he still holds a very strong position, except in the *barani* tract of the district, which, however, he is not leaving as he has much capital locked up in it and business is dull in the mandis.

In *Hissar* he is erecting fine pucca buildings in the villages, and is trying to strengthen his position by becoming an honorary magistrate, a title-holder, a sub-judge or a member of the district board.

In *Mianwali* and *Attock* money-lending is still a good paying business, and there is little migration to the town.

Similarly in the districts of *Lahore*, *Muzaffargarh* and *Dera Ghazi Khan* he is still dominant, but in *Lahore* the number of dacoities in past years is leading many to leave the village.

In *Jullundur*, owing to the success of the co-operative movement, the village *sahukar* is fast disappearing.

Finally, in *Sialkot* the zemindars no longer supply the money-lender with free fodder, vegetables, sugarcane, bhusa, fuel, etc., and are daily trying to have less and less to do with him. The money-lender, on the other hand, dealing with a smaller number of clients, charges a higher rate of interest from members of co-operative societies.

(b) *Replies of Income-tax Officers.*

Income-tax Officers of ten circles<sup>2</sup> state that the memo. correctly represents the present position. The replies of the other Income-tax Officers are given below :—

Gujranwala Sheikhupura).	(includes	whereas ten years ago he was afraid of being sued, he now "cherishes" the idea as it
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<sup>1</sup>This is the memo. submitted to the Royal Commission on Agriculture (volume viii, p. 592).

<sup>2</sup>Lahore, Lyallpur, Montgomery, Multan (includes Muzaffargarh and Dera Ghazi Khan), Ferozepore, Hissar, Karnal, Ambala, Gujrat (includes Jhelum) and Sialkot.

saves him from continual harassment. He knows now that a civil suit is a very lengthy affair, which tires out the suer rather than the respondent. The *sahukar* too knows the weakness of his position, and will do his utmost to have matters settled out of court. The result is he is often satisfied if the borrower merely executes a fresh bond and agrees to pay the amount due by instalments bearing no interest. In several income-tax cases loans have had to be classified in two parts, one carrying interest, and the other payable by instalments with no interest.

The Income-tax Officer has also noticed in this district that many peasants liquidate their debts by giving their lands to the *sahukar* on the Mustajri system. They lease out their land for a number of years, and the lease money is appropriated towards their debts, which then cease to carry interest. A consequence of this is that a number of *sahukars* are turning to the plough instead of extending their money-lending.

To assist him in recovery, the *sahukar* often seeks the help of a well-to-do zemindar. Trusting the latter, he persuades him to get the land of the *sahukar's* debtor alienated in his own name, and he himself executes a bond in favour of the *sahukar* for the amount of the loan in question. The zemindar remains the nominal owner of the land, but the man who arranges for its cultivation and tenancy is the *sahukar* himself.<sup>1</sup>

While there is every justification for saying that the village *sahukar* is gradually reducing his business as he is finding great difficulty in recovery, it is not correct, so far as Gurdaspur is concerned, that he is "fast approaching the verge of extinction."

The Income-tax Officer says that as a class the rural money-lender is going from bad to worse, and is being gradually replaced by the agriculturist money-lender. He has been told by rural money-lenders that they were prepared to accept even one-third in cash for their total investments, which they find extremely difficult to recover.

The Income-tax Officer writes: "The money-lender in the Amritsar district is fast losing his supremacy in the rural area. His position is going from bad to worse, and times are shortly coming when he might be reduced to the verge of extinction." The Income-tax Officer adds that insecurity of life and property in rural areas is leading him to migrate from the village.

This tendency is accentuated by the rise in the standard of living. This is acting as a spur to village money-lenders, hitherto indolently contented with their petty earnings, to seek their fortunes in the towns.

<sup>1</sup>In the two mortgage enquiries conducted by the Board of Economic Inquiry, similar cases were discovered to the extent of 3 per cent of all mortgages in Ferozepore and 1½ per cent in Rawalpindi.

The village *sahukar* is gradually reducing his business in the village because of (a) the rapid growth of co-operative credit societies ; (b) the legal protection given to the peasant borrower ; (c) the rise of the agriculturist money-lender ; and (d) insecurity of life and property in the village owing to his strictly exacting high rates of interest. Difficulties of recovery have in some cases led him to migrate to cities and mandis where he can find new avenues for income. Some too have invested their money in the purchase of land in Bikaner, etc., but they have not found it as remunerative as they expected from their experience of the Lyallpur and Montgomery colonies. Though the tide has definitely turned against the *sahukar*, it has not ebbed very far and his end is not yet imminent, and rural money-lending is still the most important industry. In his small circle he still commands respect. When the peasant's borrowing limit with co-operative credit societies is exhausted, he turns again to the money-lender ; and tenants and village menials, being too weak to fight him successfully in the courts, are still under his grip.

The Income-tax Officer writes : " When I wrote last on the subject I was at Gurdaspur. I have found the conditions in Kangra and Gurdaspur to be prevailing with even greater force in my present charge. In the remoter parts of Kangra and Gurdaspur the village money-lender still continued to reign supreme, and reaped the benefit of the illiteracy of the debtors and their consequent ignorance of the law. But conditions are different in Ludhiana, where the average debtor knows, and understands well, the provisions of the law. Here he can afford to, and actually does, dupe the primitive *sahukar*.

"The place of the indigenous *sahukar* is being gradually usurped by the agriculturist money-lender and the retired soldier. In Kangra many military pensioners squander their money, but in Ludhiana they invest it in loans. For the peasant debtor the agriculturist money-lender is more formidable to deal with than the village money-lender. The latter has got his hands tied by the Land Alienation Act and other similar enactments, but the former is free to lay his hands on the agricultural land of the peasant debtor."

Debtors in rural areas are increasingly applying to be declared insolvent. This is partly due to unfavourable harvests. Owing, too, to the new canal colonies in Bikaner and Bahawalpur, a large number of rural debtors is leaving the Shahpur colony for the new colonies. This is making the position of the village money-lender still worse.

The growth of co-operative credit societies has undoubtedly affected the money-lender adversely, but only to a limited extent because the improvident borrower finds the money-lenders much more accommodating than a society which is governed by fixed rules. The Income-tax

Officer adds that the life and property of a village *sahukar* are less-secure than they used to be, and that there is a tendency in consequence to migrate to the town.

In conclusion, the Income-tax Officer states that "though rural money-lending appears to be one of the very few businesses in which a man with a small capital can earn on an average about 15 per cent yet, in view of the facts stated above, and also because capital once invested is sunk for ever and bad debts are very frequent, and all that a *sahukar* can hope for, is to get interest every now and then, his profession is becoming less and less attractive every day, and even the old uneducated *sahukar* has become sick of it, and would fain give it up if he could possibly recover a reasonable proportion of the capital invested. For the educated it has no attraction whatever if only because of the delays, the expense and the humiliation involved in the recovery of debts through the doubtful help of civil courts."

The Income-tax Officer thinks that the growth of co-operative societies as a rival institution is possibly overemphasized, and that the money-lender is holding his own. He adds that he has not come across any agriculturist money-lender, and that, if there are any, they must be few.

For the Income-tax Officers' views see Evidence, volume 1, p. 161, and volume I, p. 170, respectively.

Rohtak and Jullundur.

## NOTE D.

### A Note on the Flood Relief Loans of 1929 by the Deputy Registrar, Co-operative Societies, Sargodha.

The following few lines with the help of the various tables showing the relevant figures collected from the various flood stricken districts will, I hope, satisfy the query made by the Chairman of the Punjab Banking Inquiry Committee.

The idea before me while suggesting the scheme of flood relief loans, was to render timely help to the miserable flood-stricken members of our societies and thus to save them from falling a victim to the usurers.

*Rate of interest.*—A suggestion was also made to advance these loans on as low a rate of interest as possible. The Registrar very kindly moved the Provincial Bank to make loans to the Central Banks at six per cent wherefrom the societies should get at 6½ per cent and thus the members may be able to borrow from their respective societies at seven per cent. These rates were universal all over the flood-stricken area of my division, with the solitary exception of the Mianwali tehsil, where the societies borrowed from the Central Bank and lent to their members at the ordinary rates; these loans were made in the very beginning of the flood relief works and the concession rate was not charged under some misapprehension. The total amount advanced to this tehsil was about Rs. 75,000, which having been treated as ordinary loans, has not been included in the following figures of the flood relief loans.

*Terms.*—The loans having been made on a reduced rate of interest, it was a condition of the Provincial Bank loans to Central Banks, that all repayments by Central Banks to Provincial Bank should first be taken to the credit of this Special Relief Loan. Similarly the societies' repayment to their Central Banks and those of the individual members to their societies should first be credited to this special relief loan account.

The following figures show the number of borrowers along with the amount lent to them both by the societies and the Government (taccavi loans).

District.	NUMBER OF PERSONS TO WHOM THE LOANS HAVE BEEN GIVEN.		AMOUNT ADVANCED.	
	Flood relief loans.	Taccavi loans.	Flood relief loans.	Taccavi loan.
1	2	3	4	5
	Rs.	Rs.	Rs.	Rs.
Mianwali .. ..	1,366	3,832	73,878	99,875
Jhelum .. ..	1,080	4,023	1,07,000	1,18,680

District.	NUMBER OF PERSONS TO WHOM THE LOANS HAVE BEEN GIVEN.		AMOUNT ADVANCED.	
	Flood relief loans.	Taccavi loans.	Flood relief loans.	Taccavi loans.
1	2	3	4	5
Muzaffargarh ..	904	*16,901	Rs. 40,965	Rs. 2,74,642
Dera Ghazi Khan ..	1,776	45,400	77,315	4,80,884
Shahpur ..	3,346	3,927	2,50,019	1,70,000
Gujrat ..	58	..	6,760	..
Total ..	8,530	74,083	5,55,937	11,44,081

\*1. Number of persons of the Muzaffargarh district is only approximate, as accurate information could not be had from the Muzaffargarh tehsil.

2. Figures relating to taccavi loans could not be secured for the Gujrat district.

3. Twenty-five thousand, four hundred and sixty maunds of seed were supplied in Muzaffargarh district. The figures have been converted† into rupees. In Mianwali district too the co-operative societies distributed seed worth Rs. 2,500 out of the flood relief loans.

Columns No. 3 and 5 of the above statement show the taccavi loan figures collected through the Revenue Authorities. Generally no loans were given by the societies to the persons who got the taccavi loans.

The following table will show the total number of the affected societies, their members, and the number of those who suffered losses, and those who were offered relief in the form of Flood Relief Loans :—

District.	SOCIETIES.		MEMBERS.			Percent- age of members helped.
	Affected.	Helped.	Total number of members in the affected societies.	Those who suffered loss.	Those who got relief loans.	
Mianwali ..	117	89	2,382	1,548	1,366	88
Jhelum ..	51	46	1,706	1,407	1,080	77
Muzaffargarh ..	61	54	1,560	1,052	904	86
Dera Ghazi Khan.	117	100	2,562	2,144	1,776	83
Shahpur ..	222	178	7,147	4,174	3,346	80
Gujrat ..	9	2	225	58	58	100
Total ..	577	489	15,582	10,383	8,530	82

Seven out of the nine Gujrat societies did not deserve help for various reasons.

†At Rs. 5 per maund.

The figures show that from 12 to 23 per cent of the sufferers were not advanced any loans. This was due to various reasons. Defaulters, absentees, and those who had no capacity to borrow any more, were excluded. In some cases the members themselves managed to meet their requirements and refused to incur any further liability. The help, was, however, rendered to all those who really deserved it and whom the societies could safely trust their money.

The average loan per person advanced by the societies and that given in the form of taccavi by the Revenue Authorities are compared in the following table:—

District.	SOCIETIES' LOANS.		TACCAVI LOANS.	
	Number of members who got loans.	Average per member.	Number of persons who got loans.	Average of person.
		Rs.		Rs.
Mianwali .. ..	1,366	54	3,832	26
Jhelum .. ..	1,080	99	4,023	29
Muzaffargarh .. ..	904	45	16,901	16
Dera Ghazi Khan .. ..	1,776	43	45,400	10
Shahpur .. ..	3,346	75	3,927	43
Gujrat .. ..	58	116	..	..
Total .. ..	8,530	65	74,083	15

The above figures show that the average of taccavi loans was much less than that of the societies' loans. This difference was, I think, due to the following reasons:—

- (a) The limited amount of the taccavi loans was to be distributed over a large area and among a large number of persons.
- (b) There were certain limits fixed for various loans to be advanced for various purposes. For instance, in certain districts a maximum loan limit for seed was Rs. 50, which in the case of an average cultivator was inadequate.
- (c) The Revenue staff could hardly make as close a study of the requirements of the sufferers, as the managing committees of our societies, which decided each case with full consideration of the genuine requirements of the members.



*Preliminary inquiries and revision of maximum credit limits.*— I made a long tour to examine the condition of the floodstricken areas and to see what could best be done for the people thereof. Meetings of co-operators were called at various important centres in the circles of Assistant Registrars in my division, necessary information was gathered as to ways and means for help, and situation discussed with all Inspectors, Circle Registrars, and leading co-operators of the flood-stricken areas as to the details of work to be taken in hand.

A very careful inquiry was to be made before taking in hand the actual advance of money, in order to ensure the safety of relief loans and also to ensure their falling into the hands of the deserving persons only. The flood had naturally caused an immense change in the capacity of the members to repay. The revision of the Maximum Credit Limit register in all the affected societies and consequent revision of the M. C. L. of societies concerned was most necessary before the advance of further money, in order to pick out the deserving persons for relief loans at reduced rate of interest and to scrutinize the amount of loan needed. It was also necessary to gauge the extent and nature of losses in each individual case as well as the loan required for each object. I therefore issued a circular letter to all Circle Registrars in my division to have the M. C. L. register re-examined and revised in the case of all the members of affected societies, to have enquiries conducted in each individual case in respect of their losses in standing crops, cattle, fodder, grain, houses, and wells, and of the corresponding requirements of members for seed, bullock, fodder, food, houses and wells. This work was very important before advancing money to escape haphazard, risky, and unsystematic issue of loans, and was most difficult. On the other hand, the critical condition of the people demanded immediate help, but, thanks to the zealous efforts of the staff, it was finished promptly and we were able to render help in time.

The work did not end with the compilation of the above mentioned statements. The Sub-Inspectors submitted the same in detail to Inspectors, who after checking on the spot at least 25 per cent entries consolidated the same for each society and submitted them to Circle Registrars, who in their turn after satisfying themselves in as many cases as possible submitted the Inspectors' totals to me to arrange the money required. The distribution of loans was not let off and these were advanced by committees of societies concerned to members under as close supervision as possible. The Circle Registrars remained fully engaged in the work. I myself saw the actual distribution of loans at various places and verified the same at others. The number of affected societies to be attended to in all was 577 which itself speaks of the work done by the staff.

The method of revision of M. C. L. of the societies and that of members was not in any way different from the ordinary procedure

except that, in most cases the Circle Registrars approved the revised M. C. L. on the spot simply to avoid unnecessary delay and render prompt help. The by-law requiring loans not to be made within the first month of a new member's admission was, however, relaxed under the Registrar's suggestion.

There was an increase in the M. C. L. of the societies concerned from 40 to 50 per cent; but nearly all the circle reports agree that this increase was not in any way abnormal, and in several cases it was due to admission of new members. The Circle Registrar, Campbellpur, collected figures for the flood-stricken societies of the Mianwali district. He remarks that the 92 societies have 2,382 members and the M. C. L. of these 92 societies before the flood was Rs. 1,77,800 and after the flood it was raised to Rs. 2,14,050, thus resulting in a net increase in the M. C. L. of these societies of Rs. 36,250. This gives an average increase of M. C. L. for each of the affected societies of Rs. 394. And if Rs. 36,250, the increase of the M. C. L. of the above mentioned 92 societies, is spread over the total number of members (2,382) in these 92 societies, it gives an average increase in societies' M. C. L. of Rs. 15 per member.

These figures speak for themselves and lead one to believe that the loans advanced were in no way abnormal or excessive. The M. C. L. of the members fixed by the societies was carefully checked by the staff.

Full care was taken in respect to issue of loans too. The members as per statements prepared after the flood and before the actual advance of money, needed loans to the extent of Rs. 8,80,997, but in certain cases it was not deemed advisable and safe, after full scrutiny into condition and past dealings of the members and societies concerned, to advance the whole amount; and relief loans amounting to Rs. 5,55,937 were therefore advanced, which shows the care taken not only in meeting the needs of the members, but also in seeing to the safety of money. No loans were given to D class societies or to defaulters. Moreover, the preliminary estimate was made only in consideration of the members' requirements, and this estimate was liable to be reduced at the time of scrutiny, when the members' borrowing capacity and their previous dealings with the society were to be given due regard. After the first two stages, viz., (1) judging the condition and needs of members, and (2) advance of money and supervision over the advancing of money, the third stage was to see that loans were applied to the purposes for which they were issued. This work also received our best attention. It is gratifying to note that in such a large distribution made in so short a time, the cases of misapplication were negligible. The members, I think, could not possibly afford to misuse the money.

*Distribution and checking of loans.*—Preparation of the preliminary lists, to estimate the losses suffered and help required, was done mainly

to facilitate the distribution and checking of loans. These lists, which were duly checked by the staff, left little room for the undue distribution of loans. Circle Registrars and I myself had in several cases checked these lists before or after distribution, and little, if any, departure was made from them.

*Security.*—No special security was demanded for any of these loans by any of the institutions concerned. The members got loans on the system of ordinary personal securities, already in vogue in primary credit societies.

*Any difficulties that arose.*—The only difficulty was the very heavy work required from the staff at each stage, i.e., preparation of the preliminary lists, distribution of loans in time, supervision of their applications and completion of registers. It was rendered more difficult, as everything had to be done within a very limited time. To meet this, the staff of other districts was imported for help, but as a sequel to the flood, the malaria raged furiously during all these busy days in the affected areas, and in most cases our staff too could not escape repeated attacks of fever, since they had to pass days and nights in the flood-ruined villages, the residents of which had little or nothing for their own accommodation. In spite of all this the staff carried out their task with zeal and energy, and it was thanks to their efforts that the work was completed in time.

The experiment suggests that the system can be freely adopted in case of future emergencies of this type. What it really needs is extra staff to meet the increased volume of work and very close and vigilant supervision over the distribution and application of loans.

## NOTE E.

### Marketing in Villages and Mandi<sup>1</sup> by M.L. Darling, I.C.S.

The Report of the Linlithgow Commission appeared in 1928 and drew attention to the paucity of information in regard to marketing conditions in India. Introductory. In view of this, I decided to have certain aspects of marketing examined in two districts. The two districts selected were Shahpur and Montgomery, each of which contains an important canal colony, the one irrigated by the Lower Jhelum Canal and the other by the Lower Bari Doab. The inquiries were conducted by the local Assistant Registrars, both gazetted officers of considerable experience. In Shahpur, Sardar Gopal Singh was directed to inquire into the conditions under which agricultural produce was transported from the village to the market, and in Montgomery Chaudhri Nawab Ali was directed to examine the conditions under which business was conducted in a typical colony market. The market selected was Chichawatni, but to give a wider perspective to his inquiry he obtained information from five other markets as well. Questionnaires were drawn up for both officers and carefully adhered to. The results, which so far as possible have been brought up to date, are given in the following note.

#### PART I.—From Village to Market.

2. The Shahpur inquiry embraced 11 villages selected so as to be collectively typical of the district. Five were taken from Khushab, and two from each of the other tehsils. Five depend for their cultivation upon rain, four upon a perennial canal, and two upon inundation canals. Two are comparatively new colony villages, and two are situated in the semi-desert tract of the Thal. Three more belonging to a single owner were chosen, since the landlord is an important element in the district. In all 130 persons were examined, and they may be classified as follows :—

(a) Small holders <sup>2</sup>	..	..	..	82
(b) More substantial holders	..	..	..	35
(c) Middlemen	..	..	..	13
(d) Landlord ..	..	..	..	1
(e) Landlord's munshi	..	..	..	1

3. The distance to the local market varies from 5 to 27 miles with an average of 12½. The colony villages are naturally the best served in this respect. Roads. The total length of the connecting roads is 138 miles, of which 49, or a little more than one-third, were metalled in 1928. Of the remaining 89 miles 15 were good, 15 indifferent, and 59 bad. In the Thal there

<sup>1</sup>Market.

<sup>2</sup>i.e., those owning or cultivating less than (a) 25 acres in villages with a perennial canal, (b) 50 acres in villages with an inundated canal, and (c) 75 acres in *barani* villages.

are only tracks, and what may have been clear enough in the morning may, after a sandstorm, have completely disappeared by the evening.

4. In the tract between the Jhelum and the Chenab, which water the district, cart, donkey, and camel are all in use, but in Khushab only pack transport is possible and carts are not found at all, and in the sandy Thal the only means of transport is the camel. Donkey and cart cost about the same, but the camel is cheaper, and when in competition with donkey and cart tends to reduce their cost. He is cheaper because he costs so little to feed. He earns gold, says a Multan proverb,<sup>1</sup> and eats *jal*<sup>2</sup>. But he has one disadvantage. He cannot be used during the rains, since dry ground is essential to his stability. Consequently he has to be given a holiday from the middle of July to the middle of September. All the three methods of transport are used for grain, but only cart and camel are possible for cotton owing to its bulk, and the camel, too, is not popular for this. Cotton brought in a cart arrives in better condition and fetches a higher price. On a camel it has to be bagged and is liable to be roughly handled.

5. The cost of transporting a maund of produce from eight of these 11 villages to their nearest market is as follows :—

	Distance from the market (miles).	Wheat.	Cotton.	Rape <sup>3</sup> ( <i>toria</i> ).	Condition of road.
		Rs. A. P.	Rs. A. P.	Rs. A. P.	
Sodhi Jaiwali ..	27	0 7 6	..	..	Bad and hilly.
Muzaffarabad ..	20	..	0 4 0	..	19 miles metalled.
Kaira ..	19	0 3 0	0 8 0	..	Good, 16 miles metalled.
Chak 78-S. B. ..	12	0 2 6	0 4 0	0 2 6	Poor, unmetalled.
Chak 101-B. ..	11	0 4 0	0 5 0	0 3 0	Poor, 7½ miles metalled.
Fatihpur ..	8	0 1 6	..	..	Unmetalled, but fair.
Laliani ..	6	0 1 6	0 3 0	0 1 7	Good, metalled.
Deowal ..	5	0 1 6	0 3 0	0 1 6	Bad, unmetalled.

The distance is the most important, but not the only, factor; the state of the road has to be reckoned with, also the variety of transport available. Thus, in the case of Deowal, it costs 1½ annas to transport a maund of wheat along five miles of bad unmetalled road, but only three annas to transport it the 19 miles from Kaira.<sup>4</sup>

<sup>1</sup>*Uthh e ganga mal khatie sona to khave jal.*

<sup>2</sup>*Sulvadona oleoides.*

<sup>3</sup>*Brassica campestris.*

<sup>4</sup>At Multan ginning factory owners stated that, the roads being bad, it costs four annas a maund to cart cotton five or six miles (*Ev.*, ii, 1116), and from H.R. Stewart: *Farm Accounts in the Punjab*, 1928 (p. 24) it appears that, in Lyallpur it costs 2 annas to cart a maund of cotton 1½ miles along an unmetalled road and 2½ annas a maund of wheat.

6. An effort was made to compare village and market prices, but without much success, since the cultivator did not know the difference and the middleman was unwilling to disclose it. The figures obtained, therefore, are not given, except those for Chak 108-B, which alone could be checked. The difference in this case was—

				Rs. A. P.
Wheat	..	..	..	0 12 9
Cotton	..	..	..	1 0 0
Toria	..	..	..	1 2 11

In this village, at each harvest, the prices for all produce from time to time received by the shopkeeper are fixed on a given date. These were compared by the Assistant Registrar with the corresponding prices in the local market. The information obtained in the other villages suggests that the village dealer keeps a margin of two annas a maund net profit in the case of grain and from four to eight annas in the case of cotton.

7. Out of 117 producers only 12, i.e., 10 per cent, were found to market their produce themselves. All but one of these were substantial holders, and two were landlords. It may be said, therefore, that the small holder sells his produce in the village, and about one-third of the others in the market. In the case of the latter the proportion would have been less but for Hindu and Muhammadan tension, which in one village led six farmers to market their produce themselves. Three reasons are given to explain why the ordinary cultivator sells his produce in the village. Firstly, he is in debt to the village shopkeeper and is required to market his produce through him. In one village the shopkeeper refused to lend to those who did not do this unless they pledged their jewellery; secondly, the cultivator dislikes the botheration involved in selling in a market, whose ways he does not understand and where he is treated as an alien; and, thirdly, he is afraid of being cheated. Of these factors the Assistant Registrar considers the first the most important. Like the farmer elsewhere in the Punjab, most of the cultivators are in debt and never expect to be free of it. They borrow from the local shopkeeper, who is also the village money-lender, and often purchase their modest necessities from him on credit. In his turn, the shopkeeper is financed by a commission agent in the market and is obliged to sell his produce through him. The only cultivators who have broken away from established custom are the six, who were led to do so by communalism. Of the other six who also marketed their produce, only two, both landlords, were not in debt. The other four were in debt to commission agents and consequently sold through them.

The second factor will be considered at length in Part II of this note, and only one point need be mentioned here. It was found that

those who marketed their produce generally visited the market 12 times a year. Occasionally two days are spent on a visit, but usually only one. The time is easily spared, and only one farmer complained that his cultivation suffered. The third factor will also be dealt with in Part II, and here only one illustration need be given. A tenant took his cotton to Sargodha and spent three days there before he could sell it to his satisfaction. It was then taken to the mill to be weighed. When the weighing was in progress, the mill-owner insisted upon a deduction from the agreed price on the ground that the produce was not of uniform quality. The tenant's only remedy was to load up his cart and go elsewhere, but his patience was exhausted and he conceded the claim.

One of the landlords sells his produce direct to an exporting firm, thereby eliminating the commission agent. He sells his cotton by sample and delivers it at Sargodha. His wheat he generally auctions and delivers in his village; but sometimes he sells it, too, by sample.

Four of the eleven villages are within the area of operations of a co-operative commission shop, and out of the eight who in these villages market their produce themselves, six do it through the shop. The other two are landlords, one of whom, as we have just seen, employs no commission agent.

A small advantage claimed for sale in the market is that shopping can be done there more economically than in the village.

There is a general complaint amongst the cultivators that they do not get a fair price for their produce, but the complaint is common to farmers all over the world and in this case there is nothing to substantiate it, except in regard to weighing.

8. Many complained that the shopkeeper used false weights and measures, and that those he used for buying differed from those for selling.

Weighment.

Note G<sup>1</sup> shows that there is ample justification for the complaint. Cheating is facilitated by the substitution of an iron *topa* or measure for the wooden vessel always employed in the past. The bottom of an iron *topa* can easily be pushed in or out, and the Assistant Registrar relates that, when he pressed one inwards, its contents weighed one *chhatak*<sup>2</sup> less than before. Choosing at random a number of *topas* of apparently the same measure, he found their contents varied from two *seers*<sup>3</sup> to three *seers* and two *chhataks*. To add to the confusion, the *topa* varies from village to village.

9. Loss was only alleged in two villages, and that by middlemen only. They put it at one *seer* per *maund* in the case of cotton and at 13 *chhataks* in the case of grain. They attributed it to theft.

Loss in transit from village to market.

The probability is that it seldom occurs.

<sup>1</sup>P. 217.

<sup>2</sup>About 2 oz.

<sup>3</sup>One *seer* weighs about 2 lbs.

10. In the villages owned by single landlords the shopkeepers are obliged to use stamped wooden *topas*, and to market the cotton of the village—wheat is not often sold—for a profit of not more than four annas a maund plus the cost of transport. The landlord fixes the price for his tenants by taking the average price of his own sales over the whole season. The rate of interest is fixed at 18½ per cent (*paisa rupaiya*) and no one is allowed to charge more. Nor may a money-lender sue a debtor without permission. The money-lender's *quid pro quo* is that the landlord gives him a house free of rent and, if necessary, puts pressure on debtors who will not pay, when the division of the produce takes place, handing over a part of it to the money-lender. Disputes are settled by arbitration; and when a tenant wishes to clear his account, he is allowed to pay half in cash and half in cattle, the value of the latter being fixed by an arbitrator.

11. In one of the Khushab villages it was said that owing to repeated crop failure nothing material had been sold for seven years. The Assistant Registrar visited some of the houses and found that they had very little furniture, utensils, or clothes, and that the stock of the local shopkeepers was worth barely Rs. 20 each. The shopkeepers said that their capital was locked up in loans which, for the time being, could not be repaid. In better case were the military pensioners, whose pensions gave them a second string to their bow.

#### PART II.—*Colony Markets in the Punjab.*

12. In recommending that regulated markets should be established in India the Linlithgow Commission remarked: "No systematic survey of the conditions under which agricultural produce is marketed has yet been made in any province."<sup>1</sup> This explains the present inquiry. As already stated, Chichawatni, a typical canal colony market in the Montgomery district, was the centre of it, and four other colony markets were included in its scope—Okara, Toba Tek Singh, Gojra, and Lyallpur. Okara, like Chichawatni, is in Montgomery, and the other three are in the district of Lyallpur. A certain amount of information was also obtained about Sonapat, a market town 27 miles north of Delhi. The three Lyallpur markets were founded between 1896 and 1900, and the others in 1916.

13. In the Punjab a twelve-mile radius "represents the limits within which agricultural produce flows easily to a market centre."<sup>2</sup> Beyond this, difficulties of transport virtually compel the grower to sell his produce in his own village. Three of the six markets—Chichawatni, Okara, and Sonapat—operate within a sufficiently narrow radius. Chichawatni

<sup>1</sup>Linlithgow Commission, p. 385.

<sup>2</sup>Ibid, p. 380.



has three markets within 30 miles,<sup>1</sup> Okara two,<sup>2</sup> and Sonepat two within 12 miles.<sup>3</sup> Lyallpur is also sufficiently well placed with two markets within 22 miles.<sup>4</sup> But Gojra and Toba Tek Singh have to serve a larger area than is convenient. Southwards, Toba Tek Singh has no market within 45 miles, and new markets would seem to be required at Pir Mahal and Manun Khanjan.<sup>5</sup>

14. The area that can be properly served by a market depends upon the number and condition of its roads.

Roads and transport. The importance of this in regard to transport was noted in the Shahpur inquiry. The indigenous and once nomad Jangli is happy enough with camel and donkey, which he has used for generations, and the village shopkeeper and grain dealer like them, too, for grain, since they are an anna a maund cheaper. But the colonist from the central Punjab prefers his native cart, and for a cart there is a world of difference between a good road and a bad. Montgomery, too, is the biggest cotton area in the Punjab, and for cotton, as has been noted,<sup>6</sup> the donkey is impossible and the camel not very serviceable. Then there is the motor lorry, which ginning factory owners in Chichawatni and Arifwala, another colony market in the district, are beginning to use for cotton. The range of a lorry naturally depends, though much less than would be expected, upon the state of the roads. In this respect Chichawatni is not very well off, for though six roads converge there, only two are metalled, each for eight miles. Of the 86 miles of roadway in the area served by the market 70 are unmetalled and in bad condition. For all six markets only 95 miles out of 598 are metalled: in other words, one mile in six. Lyallpur stands first with 41 miles out of 85 metalled, and Toba Tek Singh last with all its 136 miles unmetalled, and, so it is said, in a deplorable condition. Of all the unmetalled roads only one (leading to Sonepat) was reported in 1928 to be even in fair condition.

15. The markets themselves consist of shops built round three or four sides of a rectangle, with a wide brick

The markets and their shops.

pavement "for unloading, examining, cleaning, weighing, and bagging the grain."<sup>7</sup>

There is a large open space in the middle for parking carts, a well for water, and a tree or two—far too few indeed—for shade. The goods station and the cotton ginneries are not far away, and close by are bazars to tempt the cultivator to buy what he cannot get in his own village, purchases which raise his standard of living, but not always his level of comfort or happiness. The number of

<sup>1</sup>Mian Channu 25, Burewala 23, and Montgomery 28.

<sup>2</sup>Montgomery 25, and Pattoki 29.

<sup>3</sup>Narela 8, and Samalkha 12.

<sup>4</sup>Chak Jhumra 12, and Jaranwala 22.

<sup>5</sup>A site has been chosen for a market there.

<sup>6</sup>Paragraph 4.

<sup>7</sup>*Litching Commission*, p. 384.

shops in each of the six markets varies from 40 in Sonapat to 91 in Lyallpur. Chichawatni has 50. All have a co-operative commission shop, and all but one (Sonapat) run by agriculturists. The latter, however, total only 11 out of 408, and nowhere exceed four (Lyallpur). The 408 shops are owned as follows:—

Aroras	..	..	..	..	225
Khatris	..	..	..	..	68
Banias	..	..	..	..	65
					(including 39 in Sonapat)
Sheikhs	..	..	..	..	12
Brahmins	..	..	..	..	3
Companies	..	..	..	..	2
Commission shops, non-agriculturist	..	..	..	..	6
Sikhs	..	..	..	..	16
Sikh Jats	..	..	..	..	7
Arains	..	..	..	..	3
Rajputs	..	..	..	..	1

The members of the last three tribes are agriculturists.

These figures are important because they show that the grower is barely represented in the markets, which primarily should exist for his benefit.

16. Normally the produce passes through the hands of four middlemen. The village shopkeeper brings it to the market and sells it there, through a commission agent and a broker,<sup>1</sup> to a mandi merchant, a port buyer, or a mill. Cotton has to pass through the hands of a ginning factory owner as well. There are two kinds of commission agents. The agent with limited resources usually acts as an agent for the seller and does not buy on his own account, and does little, if any, storage. But the agent with ample resources acts as an agent for the buyer, often buys for himself, and stores freely. The business done by the first type is called *kachhi arhat*, and that by the second *pucci arhat*. Of the 408 shops, 231 confine themselves to the former, and 48 to the latter; the rest to both, and in Sonapat this applies to all but three. Sonapat is the only one of the six markets in which none of the well-known exporting firms is represented. At Chichawatni, five Karachi, and two Bombay, firms have their agents. So, too, at Lyallpur, where there is also the agent of a Calcutta firm. The other three markets have representatives of Karachi firms, and also of six European, and two Japanese, firms. Sonapat alone, therefore, is not in direct touch with foreign markets.

<sup>1</sup>Brokers are not employed at Sonapat—see paragraph below.

17. The produce handled embraces nearly everything grown in the Punjab including (at Chichawatni) even wool. Cotton and wheat are much the most important, and in 1927-28, 268,000 maunds of wheat and 100,000 maunds of cotton were despatched from Chichawatni station alone.<sup>1</sup>

The total volume of produce despatched by rail from each market during the same period and its estimated value are as follows<sup>2</sup> :—

		<i>Maunds,</i> <i>(000's omitted).</i>	<i>Rs. (lakhs.)</i>
Chichawatni .. ..	.. ..	589	61
Okara .. ..	.. ..	668	1,01
Gojra .. ..	.. ..	1,567	1,81
Toba Tek Singh .. ..	.. ..	818	55

18. None of these markets is in any sense an industrial centre, but there are 12 ginning factories, 3 flour mills, and 4 oil presses within two miles of Lyallpur. On the other hand, there is only one ginning factory within two miles of Sonepat.

19. All six markets, except Sonepat, have some kind of local body for their control, either a municipal committee as at Lyallpur, or a small town or notified area committee. The Lyallpur Municipal Committee consists of 16 members, and the others of seven or eight. No committee has more than three agriculturist members.<sup>3</sup>

<sup>1</sup>The corresponding figures for the other markets are as follows :—

	<i>Wheat.</i> <i>(000's omitted.)</i>	<i>Cotton, Maunds.</i> <i>(000's omitted.)</i>
Okara .. ..	325	231
Gojra .. ..	1237	330
Toba Tek Singh .. ..	437	45

The figures for Chichawatni and Toba Tek Singh were obtained from the records of the local railway station, those for Gojra from an official report of the municipalities, and those for Okara by inquiry from local dealers.

Representative commission agents at Okara stated that the maximum output of cotton of the three most important Punjab colonies was very roughly as follows (evidence volume II, p. 1103) :—

	<i>Bales.</i>
Lyallpur .. ..	100,000
Shahpur .. ..	50,000
Montgomery .. ..	100,000

<sup>2</sup>Produce per maund has been valued as follows :—

<i>Cotton.</i>	<i>Kapas.</i>	<i>Wheat.</i>	<i>Toria.</i>	<i>Gur.</i>	<i>Miscellaneous.</i>
<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
38	13	4	6	5	5

<sup>3</sup>The number of agriculturist members is as follows :—

Lyallpur .. ..	.. ..	3
Chichawatni .. ..	.. ..	2
Gojra .. ..	.. ..	1
Toba Tek Singh and Okara .. ..	.. ..	Nil

at the same time, no single caste is in a majority. In both Chichawatni and Okara three out of the seven members are Aroras, and in Lyallpur five out of sixteen are Khattris. Lyallpur and Gojra have non-official presidents; and Chichawatni, Okara, and Toba Tek Singh are presided over by the revenue assistant, the colony assistant, and the tehsildar, respectively. The number of meetings in 1927-28 varied from 7 in Toba Tek Singh to 34 in Lyallpur. No committee has made any special effort to supervise or regulate its market in the interest of the grower. The contrary could hardly have been expected, seeing that the non-agriculturist is predominant in every committee, as he is in every market.

In the absence of a committee, Sonapat has a panchayat of market-chaudharies which is entirely informal and has neither bye-laws nor records. Nor is it very active. In 1927-28 it dealt with only two cases; one ended in the erring party being fined a sack of gram, which was made over to the local *gaushala*;<sup>1</sup> the other is an amicable settlement. Decisions are enforced by boycott, which involves all the shopkeepers of the market ceasing to do business with the recalcitrant party. Chichawatni also used to have a panchayat, which in 1927-28 decided three cases. The first was the question whether the local ginning factories should be allowed to pool their business. This was decided in the negative, and the decision accepted. In the second case firm A persuaded the creditors of firm B, which was insolvent, to accept 10 annas in the rupee on the private understanding that its own claims would be paid in full. On hearing of the arrangement the panchayat fined firm A Rs. 25. The amount was given to the local *gaushala*. In the third case it was discovered that certain firms were using full-sized bags in buying and smaller ones in selling. The panchayats took no penal action, but decided, somewhat lamely, that any proved defect in weight should be deducted from the price. Soon after this the person who organized the panchayat died, and as so often happens, his work died with him and the panchayat was dissolved. Now the commission agents occasionally meet to decide a dispute, generally in vain, for party feeling is rampant.

20. Lyallpur has been more ambitious than either Sonapat or Chichawatni. Some years ago a regular association called the Lyallpur Indian Merchants' Association was organized to promote trade, settle disputes, and control business.

Association of commission agents.

At one time, 95 per cent of the commission agents were members. As an inducement to join, members were allowed to pay only Re. 0-1-3 brokerage instead of the usual Re. 0-2-6 paid by non-members, and brokers were forbidden to practice until they had paid Rs. 2. There was an admission fee of Rs. 18, and out of the proceeds of this and other fees a staff of sweepers, water-carriers, and chaukidars was maintained

<sup>1</sup>Alms house for cattle.

for the benefit of the market; also an office establishment consisting of a head clerk, two assistant clerks, and a peon. All the weights used in the market were stamped with the association's seal, but this was of little value as their accuracy was never checked. The market rates of business were fixed by the association, and a rule made that if any one who was in debt to a commission agent sold through another, the latter must either pay the debt or refuse the proffered custom. Had this rule been strictly enforced, it would have added greatly to the difficulties of the local co-operative commission shop. As it was, the shop was more than once threatened with boycott for charging less than the prescribed rates. An important function of the association was the settlement of business disputes. Under the by-laws members were required to refer all such to the managing committee, a body of twenty, who appointed arbitrators to settle them. No fees were levied, but the unsuccessful party had to pay costs, half of which went to the arbitrators and half to the association. Till 1927 decisions were loyally accepted, but in that year one was repudiated by a merchant who was too important to be successfully boycotted; and with that the association ceased to function. Its place has now been taken by the Lyallpur Commission Agent's Association founded in July 1929. All, but two out of 53 commission agents have joined it, and its objects and rules are much the same as those of the earlier association. No seller or dealer may employ a fresh commission agent until he has paid all his dues to his former agent; competitive rates are not allowed, nor may a bid once made be cancelled in the absence of a higher bid. These rules are reported to be carefully observed. It is also intended to settle disputes, but so far none has arisen. Funds are raised by a monthly charge of Re. 1 per member.

The case of Chak Jhumra, a market 12 miles from Lyallpur, may also be mentioned. Last October nearly all the commission agents there, 25 in number, formed themselves into an association, the objects of which were—

- (i) to oblige the ginning factories to pay for cotton bought by them within two days of purchase.
- (ii) to stop them making any deduction on the plea of inferior quality if the total weight of the cotton purchased was less than 25 maunds, and
- (iii) to prevent commission agents competing with each other for custom.

The association proved to be short-lived and was dissolved in February.

The cases of Lyallpur, Chichawatni, and Chak Jhumra are interesting, as they indicate a need for some kind of organization to control the affairs of a market. The Linlithgow Commission recommend that there should be legislation for the purpose, and it is difficult to see how anything effective can be done without it.

The usual commission is Re. 1 per cent and is never less than 12 annas, except in co-operative commission shops which charge only eight annas. The charges in kind are made up of small payments of a few ounces per bag to weighman, water-carriers, sweepers, cooks and coolies, who all perform some customary service in the market. For instance, two men remove the sacks of grain from the cart; another arranges the grain in a heap on the platform, a fourth hands it to the weighman, and a fifth weighs it. Division of labour does not always make for efficiency or economy, and with better organization fewer men could doubtless be employed and costs reduced.

25. The last two charges given in the list above are levied in the name of charity and are characteristic of the way religion and business in India often join hands. The rates for *Dharmas* are fixed by the market panchayat, but the income is spent according to individual discretion, and as no account has to be given to any controlling authority, this discretion is freely exercised. The more scrupulous devote the amount to schools, orphanages, and other charitable institutions in which they are interested, but others, the majority it is said, spend it upon religious ceremonies, gatherings for the singing of hymns, the feasting of Brahmins, pilgrimages to Hardwar and Benares, and bathing in the sacred waters of the Ganges; and some, it is alleged, upon objects of more mundane advantage.<sup>1</sup> The *gaushala* charge is on a more regular footing and is subject to some kind of control. It is devoted to the maintenance of the local alms house for aged or infirm cattle and is levied in all six markets, except Okara. The annual income runs from Rs. 3,000 in Chichawatni to Rs. 25,000 in Lyallpur, of which at least Rs. 15,000 is contributed by commission agents;<sup>2</sup> and the number of animals supported from less than twenty in the former to about 250 in the latter.<sup>3</sup> *Gaushalas* are controlled by trusts, which differ greatly in the extent of their supervision. In one case, accounts are not checked at all; in another (Lyallpur), they are regularly scrutinized, money is paid in and withdrawn under the signatures of the president, secretary and manager, and all expenditure is supported by receipts.

26. "The services of the middleman" remark the Linlithgow Commission "must be paid for and, on the whole, it cannot be said that the remuneration the distributor receives is an unduly heavy one."<sup>4</sup> Subject to what has been said above, this is true of these markets, and the following figures, which are based on the amount of produce despatched by rail from each market during

<sup>1</sup>*Ibid.*, p. 37.

<sup>2</sup>Income has been as follows:—

	Rs.
1927-28	22,153
1928-29	24,972

<sup>3</sup>In 1928-29 the number went up to 526. There are now (June 1930) 225.

<sup>4</sup>*Op. cit.*, p. 383

the twelve months preceding the inquiry, do not suggest that the profits of the commission agent from this branch of his business are excessive.<sup>1</sup>

Market.				Annual income from commission business.	Average income per commission agent.
				Rs.	Rs.
Gojra	..	..	..	2,29,189	2,165
Toba Tek Singh	..	..	..	69,000	1,100
Okara	..	..	..	1,11,248	1,325
Chichawatni	..	..	..	82,356	1,647
Total			..	4,91,793	

It has been shown that in the case of grain, charges ordinarily vary from Rs. 2-5-9 to Rs. 2-14-6 per cent and that co-operative commission shops charge from about Re. 1 to Rs. 1-4-0 less. If an average of Rs. 2-8-0 is taken for the former, it may be said that at least two-fifths of the charges can be saved by dealing with the latter. Were the whole business handled co-operatively, the saving would probably be about two lakhs, and it would be Rs. 40,000 more were there no charges for religion or charity. These figures, it must be remembered, take no account of interest on loans—the relation between the commission agent and his clients is generally that of creditor and debtor—nor of inaccurate weights; which dealers are freely accused of manipulating to their own advantage.

27. An important additional charge, which, however, falls on the buyer, is one called *dami*. It is intended, firstly, to compensate the commission agent for the loss of interest on his money during the few days of grace<sup>2</sup> allowed for the settlement of accounts, the seller generally being paid at once; <sup>3</sup> and secondly, to cover the risk of accounts not being settled at all. If one may judge by Chichawatni, this risk is not great. The market was created in 1916, and in the twelve years that followed, losses totalled only Rs. 30,000, which is less than the annual receipts. At the same time, it is only fair to the commission agent to state that if payment is not made within the period of grace, and this is said to occur in nine cases out of ten, no interest is charged, except in Sonapat where six per cent must be paid. The *dami* rate in the colony markets

<sup>1</sup>This is also the view of the Income-tax Officer, Sargodha, after special inquiry. Note F. (p. 215).

<sup>2</sup>Four days in Sonapat and Chichawatni, and three elsewhere.

<sup>3</sup>Practice on this point varies in different parts of the province. In the Colony market the seller is generally paid at once, but sometimes in Lyallpur not until the produce has been disposed of, and according to the Tehong village survey report this would so seem to be the case in Jullundur. It used, too, to be the case at Okara, but competition has led to a change in favour of the seller.

is 8 annas per cent for cotton—not long ago it was 12 annas—and varies from Re. 0-1-3 to Re. 0-3-9 per cent for grain. In many markets, says the Cotton Inquiry Report, the commission agent is paid a commission by both sides, generally 8 annas per cent in the case of the buyer. In the Shahpur markets it is as much as ten annas for grain and Re. 0-13-9 for cotton.<sup>1</sup>

28. A small charge for cooking has been mentioned. This is due to the fact that sellers commonly have to spend some hours in the market and require refreshment. Most of them, as was shown in the case of Shahpur,<sup>2</sup> return home in the evening, but in Okara and Sonapat many stay till their produce is sold, and this is apt to involve spending the night in the market. To facilitate this, commission agents supply bed, bedding, and *hugga* gratis and meals at the rate of five to eight annas a day. The last can be avoided by bringing one's own food, and this is commonly done at Sonapat.

29. In cotton sales there is a charge that is much disliked by the cultivator, since in unscrupulous hands it lends itself to extortion and fraud. After the price is fixed in the market or outside the gates of the ginning factory, the cotton is taken into the factory to be weighed. If the cotton below proves not to be up to the quality of the cotton above, a deduction called *watta*<sup>3</sup> is made to cover the difference. When cotton has been damped, or adulterated with earth or sand or even leaves or country cotton (*desi*) has been too freely mixed with American, it is a perfectly legitimate charge and serves no doubt to keep these malpractices in check. But it is freely alleged that buyers offer high rates in the market and subsequently reduce them on the ground that the cotton in the centre of the cart is dirty or inferior in quality to that displayed above. If the cultivator disputes this, all he can do is to reload his cart and take it off to some other factory; or what is even more troublesome, journey back to his village with, no doubt, weary bullocks along a heavily rutted *kachha* road. As sales often take place in the afternoon, it may even be too late to do this. Caught between the devil and the deep sea, he is virtually forced to concede the claim. Of this an example has already been given,<sup>4</sup> and a worse may be found in the Cotton Inquiry Report.<sup>5</sup> The Assistant Registrar estimates that it is levied in one sale out of five without tangible reason, and that there is some foundation for this is suggested by figures for four shops in Chichawatni. In the cotton season of 1927-28 *watta* was deducted in 40 per cent of the sales at rates varying from one to twenty annas a maund,

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<sup>1</sup>Income-tax Officers.

<sup>2</sup>Paragraph 7.

<sup>3</sup>Also called *batta*.

<sup>4</sup>Paragraph 7.

<sup>5</sup>*Op. cit.*, p. 34.



while in the co-operative commission shop in was deducted in only 12 per cent and at one to eight annas a maund. The difference is probably due to more straightforward dealings on both sides, and it is a marked advantage of all truly co-operative enterprises that it encourages men to deal fairly with each other.<sup>1</sup>

The inferences and conclusions to be drawn from these two inquiries are given in Chapter VII of the Report.

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<sup>1</sup>The credit of the Okara Zemindars' Co-operative sales society is said to be so good that no *watta* is levied on the cotton sold through the society.

## NOTE F.

### Brief Notes on the Marketing of Wool, Potatoes, Fruit, and Gur, and on Marketing in the Shahpur District.<sup>1</sup>

THE MARKETING OF WOOL AT FAZILKA AND ABOHAR (INQUIRY  
MADE BY LALA SANGAT RAI, BAHL, B.A., INCOME-TAX  
OFFICER, FEROEZEPURE).

*Dealers*—There are two wool markets in the Ferozepore district, Fazilka and Abohar. Both are situated on the borders of Bikaner, which is the most important wool-growing area in northern India. In addition to what is grown in the tract adjoining these markets, a large quantity of wool is attracted to them, particularly to Fazilka, from other districts and also from outside the province. The wool arrives in a raw state and is made more marketable by wool burring and wool pressing machinery, which has been installed in both markets. Of the two markets, Fazilka is much the larger.

The wool is brought to market by—

- (1) traders from other districts both within and without the province, and
- (2) by a class of people known as butchers, who go about the villages buying wool from the shop-keepers.

The latter get advances from the local Mahajans, some of whom in their turn are financed by the joint stock companies, seven of which are working at Fazilka<sup>2</sup>. These companies have no regular offices at Fazilka but operate through guarantee brokers, who advance money on their behalf, first depositing a cash security of Rs. 15,000 to Rs. 20,000, upon which they get interest at 6 per cent.

*Market Charges*—The wool is sold raw, half of it to American Companies, who purchase through their agents at Karachi and Amritsar, and the other half to the local Mahajans who purchase either on their own account or for customers elsewhere. Sales are made through local commission agents, whose charges vary from twelve to sixteen annas per cent. Owing to the volume of their business the agents

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<sup>1</sup> The notes have been compiled from reports of inquiries made by Income-tax Officers.

<sup>2</sup> { (1) David Sassoon and Co.  
(2) William Jacks and Co.  
(3) Anglo-Siam Corporation.  
(4) Indo-Persian Trading Co.  
(5) Graham Trading Co.  
(6) Forber Forbs and Campbell and Co.  
(7) Bombay Company.

of the American companies usually pay only eight annas. It is estimated that, including refining and pressing, charges come to ten or twelve annas a bale.

After purchase the wool is first refined and then pressed into bales weighing about  $3\frac{1}{2}$  maunds each. About 5 maunds of raw wool go to a bale. Wool purchased for America is sent there direct, and most of the rest is despatched to Liverpool. Export charges to Liverpool are said to be between £ 2-10-0 and £ 3 per bale. This covers freight, insurance expenses, and commission which is said to be not less than 5 per cent. These charges are considered excessive, but appear to be unavoidable. The Indian wool exporters are in the hands of the exporting companies and are unable to hold up their goods for a rise in price, for the companies in their anxiety to recover their advances insist upon immediate disposal of the goods. It is admitted, however, that the cost of holding is so great that it rarely pays.

*Capital Invested.*—It is estimated that every year about 35,000 bales pass through Fazilka, and 2,000 through Abohar. If the value of a bale is put at Rs. 200—an average price—74 lakhs of capital must be sunk in the wool business of the district. About half of this is supplied by the American companies, and the other half by the local Mahajans and joint stock companies in approximately equal shares. It is further estimated that the equivalent of at least 3,000 bales is always in stock at Fazilka and Abohar, which means that about six lakhs always remains locked up in the business.

*Interest Charges.*—The money advanced by the Mahajans to the butchers who bring them wool is lent without interest and on practically no security. In any case no interest is charged for the first 30 days, but if no wool is brought in within that period, the Mahajan is entitled to charge interest at 6 to 9 per cent, but owing to the keen competition between the commission agents at Fazilka this is rarely done. As regards security the butcher has none to give. Theoretically, therefore, the Mahajan is thus at the mercy of his debtor, but in actual fact the arrangement works well enough, for both parties trust each other, having had long dealings with each other. This happy relationship was recently imperilled by Hindu-Muhammadan tension at Fazilka, and was only maintained by the exercise of great tact.

The loans made by companies are advanced on the security of goods possession of which is delivered. No interest is charged for three months. It is then payable at 6 to 12 per cent as in other business. Though the general money market is tight, the wool trade cannot be said to be particularly hampered by want of capital. The local wool merchants have practically no dealings with commercial banks, and the entire capital invested in the business belongs either to individuals or to the companies mentioned.

**THE MARKETING OF POTATOES AT SIMLA (INQUIRY MADE BY  
MR. E. C. WEBB, INCOME-TAX OFFICER, SIMLA).**

Potatoes are the chief crop of the Simla Hills and are mainly grown for export. The export trade is in the hands of about 25 commission agents. The latter begin their operations by supplying seed potatoes. For this they charge no interest but impose the condition that the crop shall be sold through them. On sale, the grower pays a commission of two pice in the rupee, and the purchaser one pice. The grower sends his potatoes to Simla by mule or sometimes carries them in himself on his head. Two rates are fixed in Simla, one for first class (*phul*) and the other for second class (*rason*) potatoes; and these rates, subject to the necessary deduction on account of transport charges, regulate the prices throughout the hills.

The produce grown between Kalka and Simla is brought to the nearest railway station where loading facilities are available, e.g., Jutogh, Kathlighât, Kandaghât, Solon, and Kumarhatti, and there again the selling price is fixed with reference to Simla rates after allowing for the lower freight charges by rail.

The bulk of the produce goes first to Calcutta and then to Burma, where it is used mainly for sowing. The export trade has to be timed so as to fit in with the sowing season in Burma. This season largely depends on the autumn rainfall, and as the rain comes sometimes early, sometimes late, and sometimes not at all, not infrequently the export trade is seriously affected. It also has occasionally to contend with transport difficulties by road, rail, or ship. The fact that it coincides with the annual exodus from Simla to Delhi does not tend to lessen these difficulties. Prices, therefore, are liable to sudden fluctuations, and on the whole the trade has not been a profitable one, and to some commission agents it has brought disaster. The year 1928, however, was a good one after many bad years, and commission agents did well.

An examination of the Railway registers at Simla shows the following quantities exported in the last four years. Approximate values have been added :—

				Export in maunds.	Value (lakhs).	Value per maund.
				Rs. A. P.		
1926	..	..	..	172,878	6.05	3 8 0
1927	..	..	..	195,754	5.87	3 0 0
1928	..	..	..	327,100	16.35	5 0 0
1929	..	..	..	322,243	13.70	4 4 0

It is estimated that the total exports from other stations on the Kalka-Simla Railway do not exceed one-fourth of the Simla exports.

The value of these exports depends upon the average annual rate per maund and may be expressed as follows :—

			Rs.
1926	.. 172,878 maunds at	Rs. 3-3-0	
	per maund ..	..	6,05,073
1927	.. 195,754 maunds at	Rs. 3 per	
	maund ..	..	5,87,262
1928	.. 327,100 maunds at	Rs. 5 per	
	maund ..	..	16,35,500
1929	.. 322,243 maunds at	Rs. 4-4-0	
	per maund ..	..	13,69,533

**THE MARKETING OF FRUIT AT RAWALPINDI (INQUIRY MADE BY  
LALA KRISHNA CHANDRA, KHANNA, M.A., INCOME-TAX  
OFFICER, RAWALPINDI).**

Rawalpindi is an important distributing centre for the fruit grown in Kashmir. Owners and contractors of fruit gardens there sell through commission agents at Baramula and Srinagar, who charge so many annas a basket. The fruit is then consigned to commission agents in Rawalpindi who auction it to the highest bidder. The latter pays the commission agent a commission fee of Rs. 3-2-0 per cent and settles accounts every Tuesday, paying from 20 to 25 per cent of the balance outstanding against him. No interest is charged, and as the purchaser generally sells the fruit sooner than he has to pay for it, he usually has no difficulty about funds. And *mutatis mutandis* the same applies to the seller, for the commission agent does not wait to pay him till he is paid himself.

The purchaser is occasionally a commission agent, but generally a fruit merchant. If he is a commission agent, he despatches the fruit to the outstation customers for whom he has bought it and charges them a commission of Re. 1-9-0 per cent. If a fruit merchant, he either sells the fruit locally or sends it to outstations, where it is sold by auction to the highest bidder through commission agents, who charge Rs. 3-2-0 per cent from the purchasers. The general rule, therefore, appears to be that commission fees are paid by purchasers and no interest is charged.

If a purchaser's credit is weak, he buys through one of the big commission agents, who stands as surety on his behalf. For this service he has to pay him 1 per cent on the turnover.

Sometimes, when the bidding is not sufficiently brisk, the commission agent buys the fruit himself in order to maintain the good will of his client, and sells it locally or at outstations.

Fruit is not only received from Kashmir. Mangoes come from Saharanpur and oranges from Nagpur. These are dealt with in the same way. But if the bidder happens to be a commission agent who has purchased the fruit for another dealer, the commission will be Re. 1-9-0 instead of Rs. 3-2-0; and if, as generally happens, the fruit is sent by motor lorry, the owner of the lorry allows the agent a rebate of Rs. 3-2-0 per cent on the freight.

The total capital invested in the trade is 3 or 4 lakhs, most of which belongs to the commission agents. Losses in transit never fall on the commission agent but are borne by the party to which the fruit belongs while in transit. On the other hand, bad debts fall on the commission agent concerned.

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THE MARKETING OF GUR AT SONEPAT (INQUIRY MADE BY JALA KUNDAN LAL, MITTAL, B.A., LL.B., INCOME-TAX OFFICER, ROHTAK).

Sugarcane is one of the most important agricultural products of the Sonapat tehsil, and in 1927-28 it was grown on 11,384 acres. The total output of gur is estimated at 200,000 maunds. About half of this is exported to Ajmer-Merwara; 15,000 maunds go to different parts of Punjab and Sind, and 5,000 maunds to the United Provinces.

Out of a total output, about 125,000 maunds are brought at once to the mandi at Sonapat and sold; about 45,000 maunds are made over to creditors in payment of debt; another 20,000 maunds are held for a rise in price, and the remaining 10,000 maunds are kept for domestic use. These figures, which are only rough estimates, are the result of local inquiries from the leading commission agents of the mandi.

Of the 125,000 maunds brought to the mandi, about 100,000 maunds are despatched at once to different centres and the balance is held for a rise in price fluctuations. At Rs. 5 a maund, the total capital invested in gur would be about ten lakhs. Most of this is borrowed from Mahajans for an indefinite period at rates varying from 6 to 12 per cent. There is nothing to suggest that the trade is in any way hampered by insufficiency of capital, high interest charges, or the absence of banking facilities.

The gur is mostly brought to the mandi by villagers in their own bullock carts. Purchasers of gur have to pay Re. 1-9-0 per cent as commission (called *dami*), and another Re. 1-9-0 per cent if the gur is to be despatched by rail. These charges cover the cost of packing, sewing of gunnybags, labour, weighing, cartage, loading, and other expenses at the Railway station. The net saving to the commission agent after paying brokerage and meeting his general kitchen and cartage expenses is put at one rupee. The charges are normal and appear to be reasonable.

MARKETING IN SHAHPUR (INQUIRY MADE BY LALA KIDAR NATH,  
B.A., INCOME-TAX OFFICER, SARGODHA).

In this district there are four important markets. In order of importance they are :—

- |                 |   |                 |
|-----------------|---|-----------------|
| (1) Sargodha.   | } | (3) Bhalwal.    |
| (2) Phullarwan. |   | (4) Sillanwali. |

Commission and other charges differ not only in different markets but in the same market. They even differ with the financial status of the seller. The following table shows the common deductions made at Sargodha by a commission agent :—

1. From the sellers :—

- (a) Commission Re. 0-12-0 per cent.
- (b) *Tulai* or weighing charges, Re. 0-10-0 per cent, out of which four or six annas per Rs. 100 is refunded to the sellers according to their financial status.
- (c) *Dharmao* (or charity) and *gaushala*, nine to fifteen pies per Rs. 100.
- (d) *Paltai* and *rulai* (wages), six pies per bag.

2. From the buyers :—

- (a) Commission :—
  - (i) In the case of wheat, toria and gram, Re. 0-10-0 per cent.
  - (ii) In the case of raw cotton, Re. 0-13-9 per cent.

Out of this three pies per Rs. 100 is given to charity by the commission agent.

On the other hand, the commission agent has to pay the sale-proceeds to the seller on the same day, while he himself is paid by the buyer on the 5th day without any interest. In addition to this, he has to feed the seller at his shop and incur the risks of bad debts. Finally, he has to make payments to the labourers employed at his shop and to the other employees such as the *munim* and the sales-man, &c. Taking all these facts into consideration, the charges of a commission agent are not excessive. The zemindar does not mind paying such charges, because he is provided with facilities and comforts, which he values.

As far as Sargodha is concerned, broadly speaking,  $\frac{1}{3}$ rd of the produce is brought to the market direct by the zemindars, while the remaining  $\frac{2}{3}$ rd is sold by them to the village shop-keepers, partly in payment of their debts and partly otherwise, at rates which are settled for the whole village in the light of the market conditions. Without taking into consideration the abnormal circumstances of a particular trade, the margin of profit allowed to the village shop-keepers is about 5 per cent. At favourable times the village shop-keeper may make higher profits. For instance, in 1928-29 he made good profits in wheat but incurred heavy losses in raw cotton owing to a sudden fall in price.

Experience shows that the village shop-keeper would not care to purchase the produce from zemindars at the rates fixed by them if there were no question of realising his debts from the parties concerned.

**NOTE G.**  
**Weights and Scales.**

In 1928 the Board of Economic Inquiry undertook a detailed investigation into the accuracy of weights and scales in 11 different districts. In four of them (Montgomery, Multan, Shahpur and Gujrat) the investigator worked under the control of the local Assistant Registrar. A full report of the whole inquiry will in due course be published by the Board. Meanwhile, by their courtesy, it is possible to give the results of the inquiries made in Shahpur and Montgomery. These are embodied in the following note. The note also includes a brief summary of the information available about weighments in the reports of six village surveys conducted by the Board.

The Montgomery inquiry was confined to Chichawatni and its neighbourhood, and that in Shahpur to Sar-godha and its neighbourhood. The results in terms of shops may be tabulated thus :—

	Montgomery.	Shahpur.
Number of shops whose weights were checked in—		
(a) the market .. .. .	40 (out of 50)	41
(b) the adjoining bazaars .. .. .	14 (out of 16)	208
(c) in neighbouring villages .. .. .	20	56
(d) Total .. .. .	74	305
Shops with—		
(a) all their weights correct .. .. .	2	70
(b) more than half correct .. .. .	44	135
(c) half correct .. .. .	14	37
(d) none correct .. .. .	1	24

In the case of Shahpur the 41 commission agents concerned had only two weights each (of 20 and 5 seers), and as only 19 had even one weight correct, their inclusion exercises a disproportionate effect upon the figures. If they are excluded, the results would be :—

Shops with—	<i>Percentage of total number.</i>	
(a) all weights correct .. .. .	70	26
(b) more than half correct .. .. .	135	51
(c) half .. .. .	18	7
(d) none correct .. .. .	2	1



The condition of the weights is shown in the following table :—

	Montgomery.	Shahpur.
Number of weights—		
(a) checked .. .. .	572	2,555
(b) found correct .. .. .	248	1,742
(c) found under-weight .. .. .	144	724
(d) found over-weight .. .. .	180	89

that is, nearly a third were wrong, 28 per cent being below and 4 per cent over-weight.

In both districts was found a tendency for the higher weights (*i.e.*, those of from 5 to 40 seers) to be over weight and for the smaller to be under-weight. Taking only the weights that are wrong, the percentages are as follows :—

	Montgomery.	Shahpur.
(a) Higher weights—		
Over-weight .. .. .	78	35
Under-weight .. .. .	22	65
(b) Lower weights—		
Over-weight .. .. .	36	5
Under-weight .. .. .	64	95

In both cases the deviation is considerable, thus :—

	Montgomery. Tolas. <sup>1</sup>	Shahpur. Tolas.
Weights of :—		
40 seers .. .. .	..	37½
20 seers .. .. .	From minus 4½ to plus 25.	From minus 25 to plus 10.
5 seers .. .. .	From minus 3 to plus 10.	From minus 5 to plus 4.

<sup>1</sup> Eighty tolas make one seer (about 2 lbs.).

Scales. Hand scales were checked with the following results:—

	Montgomery.	Shahpur.
Number—		
(i) checked .. .. .	139	494
(ii) Belonging to—		
(a) village banias .. .. .	45	113
(b) city banias .. .. .	20	340
(c) commission agents .. .. .	74	41
(iii) Found correct whether loaded or un loaded.	16	146 (None of them be- longed to com- mission agents).
(iv) Found correct when loaded (excluding (iii) above).	26	33

In Montgomery five beam scales were also examined—three belonging to factories and two to city banias. None was found correct, the average inaccuracy being 4.1 tolas when the scales were empty, and 2.04 tolas when equal weights were placed in each pan.

Finally, six platform scales were examined in Montgomery. All showed error when a maund weight was placed in each pan, five a deficiency of from 5 to 25 tolas, and one an excess of 9 tolas.

The inquiries held in the remaining nine districts are reported to give very similar results. For example, of Amritsar, Gujrat and Muzaffargarh. 2,777 weights checked in Amritsar (Tarn Taran), Gujrat (Bah-ud-din and Dinga), and Muzaffargarh (Leiah) 1,164, or 42 per cent, were found to be incorrect, making 39 per cent for the five districts treated in this note. Error was least amongst the lightest weights. For instance, the half chhatak or one oz. weights were all correct, but 75 per cent of the 2½ seer weights were wrong, and in the categories above this the percentage of inaccurate weights was never less than 36. The effect upon retail transactions is obvious, and is aggravated by the fact that one seer and two seer weights are often used to make up heavier weights. Scales are even more inaccurate. Of 763 tested nearly two-thirds (65 per cent) were found to be in error when unloaded, and nearly half (49 per cent) when loaded. The maximum error was 17½ tolas. Of the 1,407 scales checked in the five districts 69 per cent (976) were at fault.

In Gaggar Bhana (Amritsar) many irregularities were found.<sup>1</sup> In the Jullundur village the weights and The village survey reports. scales of four shop-keepers were tested. The

<sup>1</sup> *Op. cit.*, p. 124-25.

scales were correct, but not the weights, except in one case where they had been recently purchased. One shop-keeper had a weight of four seers which was  $\frac{1}{8}$ th of a seer too heavy. He had inserted lead into the hollow at its base, and admitted that he used it when purchasing wheat, cotton, and gur from women and when weighing produce bartered for goods. Another was using a half seer weight which was one chhatak short, and it is said that he used it only for selling. The third had a weight of 4 chhataks which was  $\frac{1}{4}$  of a chhatak short. All these weights were stamped and to all appearances of standard weight. Some of the stones used for the smaller purchases were also tested and found to be wrong. More serious is "the clever and dishonest weighing of goods," from which, says the investigator, the consumer loses most of all. An example of this is given in the Gaggar Bhana report.<sup>1</sup> In the Gurgaon village the weights and scales of three shop-keepers were examined. Two had incorrect scales, and the third incorrect weights. One of the latter, said to be equal to six rupees, weighed seven. It was apparently used for weighing the grain given by women and children in exchange for goods. In the Lyallpur village some of the shop-keepers are said to keep two sets of scales and weights, one for buying and the other for selling. Various purchases were made which on re-weighment were found to be incorrect. In a village near Multan the weights and scales of eight shop-keepers were tested and small discrepancies found in every case. The investigator doubts, however, whether fraud is extensively practised since competition for custom is keen—the village is only six miles from Multan—and a trader suspected of fraud would soon lose his clients. In 1924 the landlords of the village actually transferred their business on this account. In the Rohtak village, all the shop-keepers keep standard weights, and as a check upon them most zemindars have their own scales and weights and insist upon their being used when they buy. Lost iron weights are sometimes replaced by stone weights, but these are distrusted according to the popular saying: "an uneducated bania and stone weights are as bad as an uneducated Brahmin and a literate Jat."<sup>2</sup>

<sup>1</sup>*Op. cit.*, pp. 124-25.

<sup>2</sup>*Bina parhaya bania, aur pathar ka bat kubad Brahmin, te parahoe jat.*

**NOTE H.**  
**PUNJAB VILLAGE SURVEYS—BORROWING AND DEBT.<sup>1</sup>**

1. Year of Inquiry ..	1925-26	1925	1926	1926-27	1926-27	1925-26	1925-26	1924-25.
2. District ..	Sialkot	Lyallpur	Jullundur	Jhelum	Gurdaspur	Multan	Amritsar	Rohtak.
3. Village and Tehsil ..	Dalowali, Sialkot.	Kala Gaddi, Thaman (Chak 73- G. B.)	Tehong, Phillaur.	Mukhial, Pind Dadan Khan.	Bhadas, Firozpur- Jhirka.	Durana Langana, Multan.	Gaggar Bhana, Amritsar.	Gijhi, Rohtak.
4. Population (number of families)	960 (187)	920 (163)	2,738 (510)	1,144 (256)	846 (183)	1,476 (.66)	1,795 (366)	844 (143)
5. Chief Tribe ..	Jat (Muhds.).	Jat (Sikhs).	Arain (Muhds.).	Awan (Muhds.).	Meos	Jat (Muhds.).	Jat (Sikhs).	Jats.
6. Cultivated area (acres) ..	486	1,362	2,161	1,185	1,652	3,407	1,386	1,414
7. Average cultivated area per owner in acres (including land owned outside the village).	(Not given)	19.19	3.85	3.31	6.3	42	10	8
8. Total debt, Rs. ..	30,080	97,445	56,438	48,804	1,25,000	83,080	1,05,871	84,519
9. Percentage of mortgage debt to total debt.	74	50	34	50	60	6	23	42
10. Percentage of families entirely free of debt.	Not given	51	27	16	..	20	..	Not given.
11. Average debt per—								
(a) indebted owner's family ..	Ditto	2,579	355	255	..	897	326	..
(b) indebted tenant's family ..	Ditto	387	260	212	..	305	259	..
(c) Head of population ..	31	106	21	43	148	56	45	100
12. Percentage of—								
(a) unsecured debt borrowed from agriculturists.	Not given	20	66.7	34	..	22	42	36
(b) Mortgaged area mortgaged to agriculturists.	100	100	97	91	70	69	90	95
13. Money-lenders in the village—								
(a) Agriculturists ..	10	36	12	2	..	..	10	19
(b) Non-agriculturists ..	4	10	17	5	..	4	8	6

<sup>1</sup>NOTE.—Brief notes about each village follow:—  
The surveys were conducted by the Punjab Board of Economic Inquiry. The Report of Gaggar Bhana (Amritsar) has been published. The others are under publication. The figures given above have been taken from these reports.

PUNJAB VILLAGE SURVEYS—BORROWING AND DEBT—CONCLUDED.

14. Objects of loans—percentage of total debt taken for—								
(a) cattle .. .. .	39	15	29	22	..	..	29	..
(b) land revenue .. ..	0.06	4	2	3	..	..	2	..
(c) land purchase and taking land in mortgage.	..	4	20	3	..	..	2	..
(d) other agricultural purposes	6	2	9	10	..	..	1	..
(e) marriages and funerals, etc.	11	12	16	12	..	..	28	..
(f) education .. .. .	..	..	0.07	1	..	..	..	..
(g) other domestic expenditure	9	2	4	13	..	..	13	..
(h) litigation .. .. .	2	15	6	13	..	..	3	..
(i) repayment of old debt ..	26	25	2	23	..	..	5	..
(j) Trade .. .. .	11	21	..	..	..	..	11	..
(k) building and repairs ..	1	..	1	..	..	..	..	..
15. Commonest rates of interest ..	18½ per cent. or 4 maunds per annum.	26½ per cent. (2 annas per rupee for 6 months).	..	25 per cent plus a deduction of one anna in the rupee i.e., 6½ per cent when the loan is taken.	24 per cent till next rabi harvest. Compound interest after that.	12 per cent.	24 per cent.	18½ per cent.
				Grain loans are repayable at the next harvest plus 50 per cent of the grain borrowed.	18½ per cent on ornaments.			

NOTE.—Brief notes about each village follow :—  
 The surveys were conducted by the Punjab Board of Economic Inquiry. The report of Gaggar Bhana (Amritsar) has been published. The others are under publication. The figures given above have been taken from these reports.

*Dalwahi (Sialkot).*

The village is situated four miles from Sialkot, near the main road which runs between Sialkot and Jammun.

General.

Its cultivation is mainly dependent upon rain and to a small extent on floods. The total area of the village is 563 acres, of which 486 acres are cultivated. The chief crops are wheat, barley, gram, cotton and millet. Owners number 141, and the average cultivated area per owner is 3.44 acres. Holdings are scattered and are barely sufficient to maintain an ordinary family. There is no co-operative society in the village.

Twenty years ago the owners were poor and used to mortgage their land to money-lenders in Sialkot. Since the passing of the Land Alienation Act, which is greatly valued, they have gradually been redeeming their lands and slowly gaining in prosperity. Now not a single field is mortgaged to non-agriculturists, and very little is borrowed from them. Thanks to the increase in their income, zeminders often borrow from each other on the *Hath Udhar* system, *i.e.*, without giving a bond or promising interest. This is particularly the case amongst the well-to-do. Many zemindars have some supplementary source of income—such as cartage, contract work, or service in the Sialkot Cantonment.

Non-agriculturist money-lenders, of whom there are four in the village, seldom lend more than Rs. 50 to poor

Money-lender.

cultivators even when a surety is produced.

The rate of interest ranges between 20 and 37 per cent per annum and varies inversely with the prosperity of the borrower. On loans against ornaments it is 20 to 25 per cent.

Agriculturist money-lenders number ten. There is keen competition amongst them to obtain mortgages. Money can, therefore, always be raised by mortgage. Sums above Rs. 25 are commonly lent only against a mortgage. Interest varies from 4 to 6 maunds of wheat per cent according to the material welfare of the borrower.

Land Revenue is not a main cause of debt, but an increase in credit has led to an increase in borrowing. Incidentally it may be noted that the minimum price of a wife is Rs. 500.

*Kala Gaddi Thaman (Lyallpur).*

This village is situated about 11 miles south of Lyallpur, which is the nearest railway station and market town. It is a village of peasant grantees and was colonised in 1899.

General.

Cultivation is almost entirely dependent upon canal irrigation. Of the total area—of 1,856 acres, 1,362 acres are cultivated (nahri).

The important crops are cotton, sugarcane, maize, wheat, toria and gram. Owners number 72, and the average cultivated holding per owner is 19 acres.

In the last 20 years the number of non-agriculturist money-lenders has increased from 5 to 10. Three of them are cattle dealers, who supply cattle on credit at prices much above the market rate. The amount has to be paid in three instalments, and interest is charged on any overdue instalment. During the same period agriculturist money-lenders have increased from 2 to 36 and are responsible for Rs. 49,000 of mortgage debt and Rs. 10,000 unsecured debt. Amongst them are five Sikh Jats who cultivate from 1 to 2 squares each and earn from Rs. 1,000 to Rs. 2,000 per annum from money-lending. Accounts are settled twice a year in June-July and January-February.

The common rate of interest is two annas per rupee for six months (26½ per cent. per annum). In some cases it is 3 annas (39/18 per cent. per annum). People with good credit can borrow at Rs. 15 or Rs. 18 per cent per annum.

The chief causes of indebtedness are easy credit, bad harvests, and improvidence. The usual term for repayment of loans entered in the money-lender's account books is three years, after which the loan is either paid or renewed.

There is a co-operative society in the village.

#### Tehong (Jullundur).

The village is situated in a thickly populated tract four miles from Phillaur on the edge of the Sutlej river-ain (*bet*). Cultivation depends upon rain and wells. The cultivated area of 2,161 acres is divided into 13,195 fields, an unusual number even for so fragmented a district as Jullundur. The chief crops are wheat, maize, sugar, and fodder (*chari*).

Twenty years before the survey was done, there were four non-agriculturist and three agriculturist money-lenders. Almost the entire business of money-lending was then in the hands of the former. There are now 17 non-agriculturist and 12 agriculturist money-lenders. Including mortgagees, the latter number 62. Ten of the twelve agriculturist money-lenders are Muhammadans (Arains) and take interest like anyone else. Agriculturist money-lenders are undoubtedly increasing and are developing their business. Borrowing is encouraged up to the limit of possible recovery, but before lending the money-lender does his best to discover the total debt already incurred by his client and the sources from which he will be able to repay. Subject to this, it is the interest rather than the principal that he thinks of—*mool*

*nalon bij piara*. Sureties are taken when credit is shaky. Lending against ornaments is mainly confined to the dealings of womenfolk amongst themselves.

Interest rates vary from 6 to 37½ per cent, the most common being 18½. The average rate on the total debt of the village is 19 per cent. This would presumably have been higher, but for a co-operative credit society in the village which lends to its 110 members at 12½ per cent. Grain loans are generally made at 25 per cent (*sawaia*), sometimes at 50 per cent (*deodha*). The actual interest charged depends on the borrower's reputation for repaying his loans punctually, the amount of his land, and his relationship with the money-lender. For instance, U. S., a big owner, has borrowed Rs. 10,000 at 6 per cent. while R. B., a small owner noted for his unpunctual dealings, has been obliged to pay 37½ per cent.

Mortgage loans are preferred by both debtor and creditor; by the debtor, because he obtains a lower rate of interest; by the creditor, because his investment is safer, repayment is not made in instalments, recovery through the courts is not necessary, and more land is obtained for cultivation. Other advantages of mortgages are that the borrower, wishing to recover possession of his land, uses his loan economically and is careful that only the amount actually received is entered in the account or deed. People, too, are chary of lending to spendthrifts on mortgage lest their heirs should claim that the loans were not made for necessity. In the ten years ending June 1924 there were 110 redemptions: 43 were effected out of savings, 19 by a fresh mortgage or sale, and 2 by selling daughters. Of the 130 existing mortgages only 2 are to non-agriculturists, both were contracted before the Land Alienation Act.

Taccavi is not popular. Its publicity affects a zemindar's consequence (*izzat*), and the dilatory procedure and exactions of the petty tehsil officials are resented. The fragmentation of holdings, too, stands in the way of loans for land improvement.

The zemindars are gaining in prosperity. Before 1910 or so Arain women wore only silver ornaments, but now all wear gold. The clothes, too, given and worn at marriages are costlier, and expenditure on marriages and funerals has increased, including the price of a wife, which has risen from Rs. 100 to Rs. 500. As much as Rs. 1,000 is sometimes paid.

The shortage of land has led to much borrowing for land purchase. Out of the 110 members of the local co-operative society, 26 have bought or taken land in mortgage, and of these only two have found the whole sum from savings.



*Mukhial (Jhelum).*

The village is situated in the Salt Range and is four hours (by hill paths) from its nearest market (Lilla).  
 General. Its cultivation is entirely dependent upon rain, and of the total area of 3,009 acres only 1,185 are cultivated. The chief crops are wheat, bajra, and maize. Owners number 358, and the average cultivated holding per owner is 3.31 acres. Holdings are scattered as well as small and are barely sufficient to maintain the ordinary family. The people, too, are quarrelsome, pugnacious, and vindictive, and torn by feuds, one of which is said to have lasted 60 years. There is no co-operative society in the village.

The number of money-lenders is small, but it is larger than 30 years ago. There were then no agriculturist money-lenders. At the same time, people appear to have been poorer then and in relation to their resources more heavily indebted. Since the war the agriculturist class has begun to take to business and to enter Government service, with the result that they are becoming less poor and are learning to depend more upon themselves. At least half the zemindars' families have some supplementary source of income such as service, pensions, and oil pressing.

Interest rates. Interest rates are still high, and several cases came to light in a few of which compound interest began to run a few months after the debt was incurred, as all accounts are made up after the spring harvest. It is also the custom for borrowers repaying in grain to be credited with only 12 seers for every 15 paid.

The agriculturist money-lenders, being Muhammadan, do not charge interest, in consequence of which they only lend freely to relations and friends. To others they lend on mortgage, generally with possession. If possession does not pass, the owner's status is virtually that of a tenant-at-will, and he gets only half of the produce. One of the two Muhammadan money-lenders, a Shia Maulvi, lends to Hindu shopkeepers and money-lenders at 7 to 15 per cent. The other, who is said to have brought a large sum back from Hongkong, lends freely on mortgages.

The rate of interest varies with the security offered and the prospect of easy recovery. The well-to-do can borrow on the security of land or ornaments at 15 to 25 per cent. Others borrowing on ornaments pay a little less than the usual rate, i.e., from 20 to 33 per cent. Up to half the value of ornaments will be advanced. Those whose credit is uncertain or who have proved troublesome clients have to produce a surety. Generally an agriculturist gets easier terms in dealing with an agriculturist money-lender, because the latter is ready to lend on mortgage, which the non-agriculturist dislikes doing. In one case a big landowner deposits all his savings with a Hindu

money-lender, in return for which he is allowed to overdraw his account at the rate charged by Hindu money-lenders *inter se, vis.*, Re. 1 per mensem (12.68 per annum).

The Hindu money-lender follows the well-known proverb of "*mool nalon bij piara*"—interest is dearer than principal; *i.e.*, he does not bother about his principal as long as interest is punctually paid. No term is fixed for the repayment of loans. The Hindu money-lenders are not very well off and borrow at 8 to 12 per cent in order to finance their clients. For small sums the zemindar prefers to go to a fellow zemindar, but for larger he goes to the Hindu *sahukar* to avoid having to disclose his need to a relative.

Very small areas are mortgaged, often less than an acre. This is due to the fact that small zemindars often require comparatively small sums to tide them over an emergency.

#### *Bhadas (Gurgaon).*

Bhadas is 40 miles from Gurgaon, its nearest railway station, and is connected with it by a metalled road.

##### General.

The cultivation of the village depends entirely on rain and upon irrigation obtained by a system of embankments (*band*). Of the total area of 1,774 acres 1,652 are cultivated. The chief crops are wheat, barley and *bajra*. Holdings are small and scattered.

There are no non-agriculturist money-lenders in the village, but some live in the neighbouring townlet of Nagina. Disliking the restrictions of the Land Alienation Act, which in their case forbids mortgages for more than 20 years, they have mostly given up taking mortgages. Instead they advance on pro-notes and often add a year's interest to the sum entered. There is, however, a tacit understanding that if repayment is made without recourse to a law court, only the amount actually advanced will be recovered, plus of course the interest actually agreed on. In the case of loans to strangers, sureties are demanded.

Though the *sahukar* has not been displaced, a class of agriculturist money-lenders has sprung up as exacting and avaricious as he is, and their number has greatly increased of late. They usually advance on mortgage.

##### Rates of interest.

The year's accumulation of debt is sought to be discharged after the spring harvest. In case of cash advances, interest at 24 per cent is charged from the date of advancement till the spring harvest, after which compound interest is levied. In case of advances in kind, if the debt is

paid at the first spring harvest, no interest is charged. The lender recoups himself by overvaluing the value of the grain advanced and under-valuing that of the grain repaid. Upon the unpaid balance interest is charged at 24 per cent. In the case of mortgages without possession, 24 per cent is charged : on loans secured by jewellery, 18½ per cent. Only half the value of the jewellery will be advanced. Strangers pay higher rates.

Balances are generally struck once a year, and compound interest runs accordingly. But borrowers who cannot pay more are sometimes let off with less than the amount due from them.

But for two or three well-to-do owners, the only zemindars free of debt are those who have no credit. "The primary cause of all this indebtedness," says the investigator, "appears to me to be their ignorance and illiteracy. If the zemindars, for instance, instead of giving away the bulk of their produce, year by year, in repayment of a never-ending debt, were to take their produce to markets, dispose of it there, and then repay the lender in cash, much of the generally felt hardship of having to repay the same debt over and over again could be allayed ; particularly if the zemindars were wise enough to keep something for their own requirements, till such time as the next harvest is in. After giving away all the produce to the money-lender at a lower rate, and then purchasing from him the grain required for daily use, at a higher rate, it is not strange that one can never expect to pay off the debt in this manner. Then again, if instead of purchasing every little thing they require in exchange for grain, the zemindars turned all their surplus stock of produce into cash and then paid for their purchases they would be much better off than they are now. The ignorance of the women folk eagerly buying worthless nothings for themselves or their children in exchange for equal weight of, say, wheat is quite pitiable. Similarly instead of listening to the interested arguments of the money-lenders against the system of co-operative banking, they would do much better to leave the money-lender and have their dealings with the bank. What they actually do is the reverse."

The second cause mentioned is what the investigator terms "diminished ability to repay through reduction of income." This is explained in the following passage :—

"For personal necessities the cultivator has to borrow, throughout the year, and every day of it. In the existing state of affairs even his harvest brings poor relief ; for whatever he produces he gives over to his money-lender in payment of the accumulated debt of the past year, and for the ensuing year he has again to seek the money-lender's help—and not infrequently to borrow the very grain he had previously parted with, for satisfying his creditor. He thus goes on borrowing till the next spring harvest, the autumn harvest

generally being too poor to allow of much being repaid to a creditor. This in turn is wiped off by the year's debt. And so the vicious circle goes on, and no matter whether the harvest is good or bad, the zemindar remains as impoverished as ever."

Next in order of importance the investigator puts the "temptation of increased prosperity and increased credit." When the spring harvest is gathered, "it is no exaggeration to say that the average zemindar throws aside all considerations of economy." He wastes his substance without a thought as how he is to pass the rest of the year when it is all consumed, and depending upon the purse of the family money-lender, he boasts openly of his credit.

Finally, social ceremonies, particularly the funeral feast, are an important cause of debt. At the most ordinary feast, relatives are entertained for at least three days, and it is quite common to invite a village or two. Even larger feasts are not uncommon, and in the four years preceding the inquiry three have been held, in each of which from 1,000 to 2,000 persons were entertained.

Sixty-four per cent of the total debt of the village is reported to have been advanced for personal necessities, and only 36 per cent for professional requirements. The cultivator, it is said, has no ready money and when he has spent the sale-proceeds of his harvest he has only one course open to him, namely, "to borrow." Thus he has to borrow for his child's toys, for his wife's scarf, ornaments and other petty trinkets. He has also to borrow for his social and professional requirements, *e.g.*, for solemnizing a funeral feast or a marriage, for buying a bullock, a heifer or a cow, or again for buying agricultural implements and sometimes for paying Government dues. In this way his habit of borrowing has become chronic, and apart from necessity he borrows from sheer habit; in other words, he feels no hesitation whatsoever in applying to his family lender for money on the slightest pretext.

The Meos mortgage their land recklessly—it may only be a small plot—to secure a few rupees for the entertainment of an unexpected guest. Usually from Rs. 25 to Rs. 200 is advanced, rarely more. Seventy per cent of the total mortgage debt has been advanced by the agriculturist money-lender.

Results of debt.

On this point the investigator writes as follows :—

"Indebtedness has developed conservatism among the people. A general sense of oppression has led to a strangulation of all imagination and dulled the various faculties of the mind. The introduction of any new idea, therefore, is regarded as an innovation, and looked upon with disfavour. No improvement in the methods of cultivation or implements of husbandry has taken place

since times immemorial. It is noteworthy that when a worker of the development scheme inaugurated by the present Deputy Commissioner asked the zemindars to buy iron ploughs, or Persian wheels, the answer they all give is that they cannot afford these costly things. Similarly, expansion of trade has been rendered impossible by this indebtedness. The zemindars after settling their accounts with the money-lender find precious little left of their valuable land products, to take to any market for disposal. This has also killed all enterprise. Even those who can spare some little portion of their produce do not like to go to far off markets and generally seek the less paying markets about the village."

No taccavi has been taken for any form of land improvement during the past six years, but about Rs. 1,800 Taccavi. has been taken since 1921 for the purchase of cattle and fodder. Taccavi loans are preferred to loans from money-lenders.

#### *Durana Langana (Multan).*

Durana Langana is situated six miles from Multan. Its cultivation depends on wells and inundation canals. General. Owing to the uncertain nature of the canals cultivated area shows wide variations from year to year. In 1924-25 it was 3,407 acres, or 70 per cent of the total area. The chief crops are wheat, cotton, rice, and fodder. Holdings are large, especially those of two brothers, who own  $\frac{2}{3}$  of the village.

In 20 years the number of non-agriculturist money-lenders has fallen from 8 to 4 : three have left the village and settled on their lands elsewhere, and the Money-lenders. fourth has migrated to another village. Advances have been restricted, and the general awakening of the rural classes has curtailed the opportunities of making illegitimate exactions. Recovery has become more difficult and this is affecting the credit even of those who own land. To some extent, therefore, capital has been transferred for investment from the village to the town.

On the other hand, the agriculturist money-lender has strengthened his position. The most important member of this class is a big landlord. The combination of rising prices—the survey was made in 1925-26—and a large holding has given him large funds for investment. Consequently he buys up every bit of land offered for sale, so much so that every sale since the Land Alienation Act, has been in his favour. All the tenants, big and small, have running accounts with him, and it is only a fortunate few who have a small balance to their credit. The bullock dealers who visit the village are also agriculturists, viz., Sayyads,

Pathans, and Biloch. They come from Dera Ghazi Khan, Bahawalpur and Sind and appear after every harvest to recover their debts and effect fresh sales. They tempt the cultivator to buy by offering him payment by easy instalments, which, however, include heavy interest charges.

The rate of interest varies with the credit and necessity of the borrower. The general rate is 12 per cent per annum, but in some cases, rises to 19½ per cent. *(paisa rupiya)*. Even against jewellery it is not less than 12, for jewellery is generally pledged by men of exceptionally low credit. A discount (*chilkana*) of half an anna in the rupee is deducted on all cash advances. Milk, fuel, &c., are also taken on various occasions.

Milk-sellers in Multan advance money free against the supply of milk, but charge 12 to 24 per cent if the supply is stopped. The milk is paid for below the market rate, i.e., at 21 instead of 16 chhataks to a seer. The Muhammadan landlords give their poorer tenants loans free of interest. When grain is advanced, the non-agriculturist money-lender expects to get back at the following harvest 25 to 50 per cent more grain than he gave, even if the borrower is his tenant. The grain he supplies is not of a high quality, and sometimes the necessity of borrowing when seed is required delays sowing and reduces the yield. The more provident cultivators, therefore, always store their own seed. Borrowing for seed in this way is said to be one of the chief causes of a cultivator's embarrassment, and it is often said that a cultivator who works with his own cattle and provides his own seed will never fall into debt.

During the past 10 years no *taccavi* has been taken. The landlords do not need it, and of the rest some dread on the necessity of repaying each instalment a fixed date, and others the trouble involved in obtaining a loan and the petty exactions, which at a minimum are estimated at 3 or 4 per cent of the amount advanced. The big landlords spend Rs. 4,000 to Rs. 5,000 on their marriages, but the ordinary Muhammadan cultivator only Rs. 40 to Rs. 50, or at most Rs. 200 if he goes in for a showy wedding. Hindus spend more, investing more in jewellery. When the parties are poor, *Dhangora* marriages take place: these consist of the bare *nikah* ceremony and can be done for Rs. 15 or Rs. 20.

Nearly all the 14 owners free from debt have some supplementary source of income.

Two final points may be noted. The landlords show no disposition to develop their lands; and some are reported to "prevent the equitable distribution of water to the small land owners."

#### *Gaggar Bhana (Amritsar).*

Gaggar Bhana is 25 miles from Amritsar. Its cultivation depends mainly on canal irrigation. Of the total cultivated area of 1,386 acres, 918 are irrigated

General

in this way. The chief crops are wheat, cotton, maize, sugarcane and fodder. Holdings are small and fragmented.

There are 10 Jat money-lenders who have each lent out from one to four thousand rupees, and many others who have lent less than Rs. 500 each. There are eight non-agriculturist money-lenders. They include a Khatri, a barber, 3 carpenters, a Brahman, a weaver, a drummer and a Jogi rawal or astrologer. The total amounts invested by the drummer and Jogi rawal do not exceed Rs. 500, but others have advanced sums varying from one to five thousand rupees. Only for the Khatri is money-lending the chief source of income. Most of the money-lenders are illiterate and get their account books written up by the village shop-keeper free of charge.

The rates of interest vary from 12 to 30 per cent. Landowners have to pay 12 to 24 per cent per annum; others 18 to 30 per cent. The commonest rate is 24 per cent, but it varies with the reputation of the borrower. If he has been punctual in repaying a former debt, he is able to get another loan on easier terms than the man who has proved troublesome in repaying his loan. As a rule, the agriculturist gets easier terms from an agriculturist than from a non-agriculturist. This is because the agriculturist can, if the loan is not repaid, take the land on mortgage.

Landowners who wish to mortgage their lands have no difficulty at all in finding mortgagees. In 1922-23 about one-tenth of the total cultivated area of the village was mortgaged. All the mortgages are with possession. Most of the secured debt is due to agriculturists. The ordinary money-lender has to content himself with unsecured loans.

No person in the village has ever taken a taccavi loan during the past ten years, mainly because the zemindars are unaware of the facilities. The necessity of punctual payment and the exactions of petty officials make these loans unpopular.

Debt does not appear to be heavy, and except for the debts incurred on social observances, there is not much extravagance or improvidence. There is little evidence that an expansion of credit or encouragement by money-lender to borrow has led to an increase in debt.

Out of 49 mortgages, only one was for land improvement, viz., for consolidation. Nor does land improvement appear amongst the purposes specified for unsecured debt, except a small sum (Rs. 300) for wells<sup>1</sup>

<sup>1</sup> For full particulars of this village see *Punjab Village Surveys*.

*Gijhi (Rohtak).*

Gijhi, a small prosperous village, is situated 15 miles to the south-east of Rohtak. About one-half of its total cultivated area is canal irrigated and the other half is barani. The chief crops are wheat, sugarcane, gram and fodder. Holdings are small, the average per owner being about 12 acres.

General. Almost all the smaller cultivators in Gijhi are in debt, but the majority of debts are year to year debts. Money-lenders and indebtedness. The middle-class owners and tenants are well-off and usually have some mortgage loans to their credit. Twenty years ago there were only 2 Jat money lenders, while there were 3 mahajans and 2 chippis (cloth printers), who worked on a large scale. The number of money-lenders who do a fair amount of business now is : 13 Jats, 4 Mahajans, 1 Beragi and 1 Chippi. Six more Jats also lend out small sums for short periods. The number of agriculturist money-lenders is more than double that of all others classes of money-lenders put together. Their main object is to get possession of land through a mortgage. They are no less exacting than the mahajan, *e.g.*, in taking grain and fodder at harvest time. They also exact forced labour from the menial classes at low rates when much higher wages can be secured elsewhere; and they encourage people to borrow more than they can hope to repay, forcing them thus ultimately to mortgage their land to them. In these transactions land hunger is the dominating motive.

The mahajans are well-to-do, without being prosperous. The agriculturist money-lenders are prosperous, but their prosperity is only partly due to money-lending. It is also due to the size of their holdings. All money-lenders, whether agriculturists or non-agriculturists, keep account books. Sometimes the amount entered exceeds the actual amount lent, and this is done with the borrower's knowledge. Sometimes interest for six months is included in the principal, and though the borrower knows this, he agrees to pay interest again on the total sum—the result of necessity.

Interest payments are strictly enforced at harvest time, and great activity is displayed by money-lenders of both classes at this time. Recovery. The creditor appears on the threshing floor, and in certain cases the poor cultivator has to part with almost all his harvest. Out of compassion the creditor sometimes leaves the cultivator a month's supplies. When these are exhausted, the cultivator is forced to go to his creditor and purchase on credit grain at a higher price than what he got for it. The common saying that a cultivator in debt, who is reduced to purchasing grain for consumption, can never pay off his debt, is only too true.

So long as interest is paid regularly, the lender does not trouble about the principal.



Rates vary according to the period and financial status of the borrower. The commonest rate is *paisa* Rate of Interest. *rupiya* or  $18\frac{3}{4}$  per cent, and the lowest rate is 6 per cent for short loans borrowed by zemindars of high standing.

Of 170 acres mortgaged, 162 were mortgaged to Jats. There is no difficulty in finding mortgagees. The only form of mortgage in the village is mortgage with possession. Since 1907 only three mortgages have been made in which possession was retained by the mortgagor. The number of mortgages has been steadily increasing since 1873. Seventy-three per cent of the mortgages made since 1907 were made by owners of more than five acres. It may be concluded that mortgages are due to a large extent to the increased borrowing capacity of the zen indar consequent upon the increased price of agricultural land and produce.

No taccavi has been taken in the village during the past ten years.

Taccavi.

The landlord readily makes advances to his tenants in cash or grain on strictly business terms and does not treat them preferentially.

Miscellaneous.

## NOTE I.

### Causes of the Increase in Mortgage Debt.

In the hot weather of 1929 all Commissioners were asked what were the causes of the increase in the mortgage debt of the province. Extracts from the replies received are given below.

#### OPINIONS OF COMMISSIONERS.

*Ambala*—No one can doubt the general principle that in bad years more land is mortgaged and less redeemed.

The Deputy Commissioners of Hissar, Ambala and Gurgaon give this as the only reason. The Deputy Commissioner of Rohtak thinks that also a good deal is to be accounted for by the activities of military pensioners, who have taken in large numbers to advancing money on the security of land. He thinks that the well-to-do military pensioner is to a large extent responsible for the increase in mortgages.

*Jullundur*—Enquiry has been made from the five districts of the division. The reasons for the excess of mortgages over redemptions are reported to be—

- (1) The inferior harvest of recent years. The last three harvests have certainly been below the average.
- (2) A falling off in the productivity of the land, aggravated in Jullundur by the fall in the sub-soil water-level.
- (3) An increasing rise in the standard of living, more being spent on marriages and other ceremonies, and probably on education, than formerly.
- (4) The purchase of land in Bikaner and investment of money in the purchase of motor lorries and in trade, rather than agriculture.
- (5) A special cause for excess of mortgages over redemptions in the Ferozepore district is said to be the acquisition of considerable areas for the Sutlej Canals, the money received being invested in mortgages.

*Rawalpindi*—(1) An examination of the figures from 1905-06 to 1926-27 shows that previous to the last quinquennium the area redeemed fell below the area mortgaged in the districts of this division only in the cases noted below:—

Years.			Districts.
1908-09	..	..	.. Rawalpindi.
1914-15	..	..	.. Rawalpindi and Attock.
1915-16	..	..	.. Gujrat and Attock.

<i>Years.</i>				<i>Districts.</i>
1916-17	..	..	..	Gujrat and Attock.
1917-18	..	..	..	Attock and Mianwali.
1921-22	..	..	..	Rawalpindi, Attock and Mianwali.

It can be readily believed that, while soldiers were out on service, they would not be able to attend to the redemption of their lands, and this probably explains the case of the war years. The years 1908-09 and 1921-22 each immediately followed a bad agricultural year, but it is difficult to say that agricultural conditions explain the case of these two years.

(2) In the last quinquennium the area mortgaged has exceeded the area redeemed with fair regularity throughout the division. The main reason, no doubt, is the slump that followed the boom after the war. In the war years the standard of living went up everywhere. The slump began about 1921-22, and has continued to the present day. Employment in the army and in connection with the army has greatly decreased, and zemindars of this division have had their resources curtailed in consequence. This is undoubtedly the principal explanation.

(3). Minor causes are—

- (a) The effect of water-logging in the Gujrat and Shahpur districts.
- (b) The amendment of the Limitation Act in 1923-24 which induced money-lenders to call in debts and compelled the zemindars to mortgage their lands in order to pay.
- (c) Several of the years in the last quinquennium have been below average or only average.

*Lahore*—The principal explanations offered for the excess of area mortgaged over that redeemed during the greater part of the quinquennium are as follows :—

- (1) Poor crops due to unfavourable climatic conditions, and attacks by pests, and several successive failures.
- (2) Fall in prices of agricultural produce, especially in valuable crops like cotton.
- (3) Mortgage of holdings in order to buy canal-irrigated land in the Bikaner and Bahawalpur States.
- (4) Zemindars have now to pay large sums for brides, and the money is generally raised by mortgage of landed property.

- (5) General rise in the standard of living and increase of expenditure on luxurious marriages and education of children.

OPINIONS OF DEPUTY COMMISSIONERS.

*Attock*—In this district there are a number of interacting causes. There has been a series of lean years; there is a tendency to extravagance, and a definite rise in the standard of living, an aftermath of the war; there is also the urge to continue to spend money which in war days was plentiful, but now has to be raised; the contraction of credit with the ordinary money-lender; and, lastly, the accretion of big estates by retired soldiers who have come back with honour to their name and money in the bank.

*Rawalpindi*—(i) The zemindars have not curtailed their expenditure, although their income has decreased. During the war they earned a lot of money by enlistment in the army, whereby they raised their standard of living. Now that they have spent their earnings after demobilization, they try to procure money for their necessities by mortgaging their land.

(ii) Increase in mechanical transport, reduction in the mule and camel corps, and general demobilization in the Indian army after the great war are responsible for setting free a large number of zemindars of this district and thus depriving them of the salary they were getting out of these occupations.

(iii) The demobilized soldiers feel shy to handle the plough, and the tendency of the new generation is to avoid doing manual labour like their forefathers, with the result that they mortgage their land, rather than cultivate it.

*Jhelum*—Another reason lies in the improved and costly style of living adopted after the war, especially after demobilization.

*Shahpur*—(i) In addition to these general reasons, the amendment of the Punjab Limitation Act was mainly responsible for increase in the area mortgaged.

(ii) During the four years commencing from 1923-24 the area under other crops decreased, while the area under cotton increased. Big landowners, who are always keen on cotton, were thus favourably placed, and were in a position to advance money to smaller zemindars. In the year 1923-24, wheat on the threshing-floor suffered serious damage. In the year following the prices were not as favourable as before, and there were partial failures of the cotton crop.

*Montgomery*—(i) In the Lower Bari Doab Colony, mortgages were effected on an increased scale for the purpose of acquiring additional lands at various auction sales held during the last five years, and so the zemindara class raised money to purchase more land.

(ii) Successive failures of cotton crops during the last 2 or 3 years, as also failures of wheat and other crops, drove the agriculturists to mortgage land to a considerable extent.

*Lyallpur*—The reasons for a comparatively larger area being mortgaged are as follows :—

- (i) Owing to auctions of Government land in the village chaks, the people had to raise funds to pay the instalments, and for this they were compelled to mortgage some of their land.
- (ii) For the acquisition of proprietary rights in the lands already held by the people of the district they had to pay money, and this also necessitated the mortgaging of part of their land elsewhere.
- (iii) The last three harvests have been a partial failure, and the zemindars were so hard hit by it that they were compelled to mortgage their lands to meet their requirements and to pay the Government demand.

*Muzaffargarh*—The excess of the area mortgaged over the area redeemed in this district was due to "lean" years. There was an excess of the area redeemed in the years that were "fat."

*Dera Ghazi Khan*—There has practically been no change in the standard of living of the zemindars, but economic deterioration has been prevailing for some years past so far as the smaller zemindars are concerned. Hence the increase in the indebtedness of these people is attributable to decreasing profit from land.

*Multan*—The most popular form of mortgage in this district is that under section 6 (1) (a) of the Punjab Land Alienation Act. Such mortgages are automatically redeemed without the payment of any money after the lapse of the period agreed upon by the parties.

## NOTE J.

### **Note on the probable necessary increase of the staff of the Co-operative Department during the next few years.—By R. J. S. Dodd, I.C.S., Registrar, Co-operative Societies, Punjab.**

At the end of July 1924 there were 10,600 registered societies. In the middle of June 1925 there were 12,000 societies. At the same time there were 11 Assistant Registrars, 2 Deputy Registrars, of whom one also held a circle, and was therefore not really a proper Deputy Registrar, and one Registrar. There were also 76 Government paid Inspectors, and 300 P. C. U. paid Sub-Inspectors.

In June 1925 Mr. Strickland, in his letter to Government, No. 171-R., dated June 19th, 1925, submitted proposals for a five years' programme of the expansion of the staff in all its branches. He anticipated that at the end of the five years there would be 20,000 societies.

The programme laid down by him has fulfilled itself fairly accurately.

At the end of January 1930 there were 19,796 working societies in the Punjab. The field staff now consists of 1 Registrar, 3 Deputy Registrars, 20 Assistant Registrars (including one Industrial Assistant Registrar), and 125 Inspectors. There are also 528 Sub-Inspectors paid by the Punjab Co-operative Union.

The number of registered societies appears to be increasing by approximately 1,000 each year<sup>1</sup>; as saturation point is approached, and if due care is exercised in the registration of societies, I do not think this rate will increase.

Mr. Strickland's estimate of increase in the number of societies and his proposals for the increase of the staff were largely based upon the number of the societies and the number of tehsils in the province. His object was to have one Inspector in each tehsil.

At the moment there are only 5 Inspectors whose circle consists of more than one tehsil; each of these has 2 tehsils. From the point of view of actual number of societies in their charge, I do not think that any of these is likely to need a reduction in his circle. But from the point of view of the amount of work to be done in the formation of new societies, of the distances to be covered, and of the importance of the work, I think it probable that at least two of them will need relief.

In view of the above two paragraphs, the basis on which to form an estimate of the increase of staff must be different.

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<sup>1</sup> In the last 5 years societies have increased by about 8,000, i.e., 1,600 a year.

In his letter No. 679-S., dated February 18th, 1929, the Registrar drew Government's attention to the fact that it was never considered whether the appointment of more than one Inspector per tehsil would be required; but the number of societies which an Inspector could look after satisfactorily was assumed to be 200. He pointed out that there were several tehsils in the province which contained over 350 societies each, and asked for permission to appoint extra Inspectors to those tehsils. Government accepted this principle in their letter No. 8247-D., dated June 7th, 1929. Consequently there are now 7 tehsils in which two Inspectors are working. The figure 350 was fixed probably for the following reason: It is just physically possible for an Inspector to look after 350 societies; though the supervision he can exercise over such a large number is far from satisfactory. One hundred and seventy-five societies, or half of 350, is close to an Inspector's full normal charge. At first the idea was to ask for such permission in the case of tehsils with over 300 societies; for 150 societies is a very fair charge for an Inspector, and leaves him just enough time in which to devote some attention to propaganda and teaching for new societies. But, in order to make more certain of Government acceding to his request, the Registrar fixed the number at 350.

The work done by co-operation, and its possibilities, are regarded, it appears, as increasingly important. I, therefore, consider that we may reasonably ask for permission to post another Inspector in tehsils which contain more than 300 societies.

Therefore the main basis on which the increase in the number of Inspectors is to be calculated and asked for is the number of tehsils in which the societies have reached, or are likely to reach, a certain number during the next few years.

Another reason for increasing the number of Inspectors is the necessity for the appointment of Urban Inspectors for the promotion of societies among dwellers in cities. Lahore City has long had such an Inspector. Government administratively sanctioned three more such Inspectors, for Amritsar, Sialkot and Jullundur, about two years ago. But the necessary finance was not forthcoming.

As the number of societies increases, it will be necessary also to increase the number of Circle Registrars.

I think also that one more Deputy Registrar will be necessary in the near future. When the extra Deputy Registrar is appointed, I would request that, besides the Registrar, two of the Deputy Registrars may be officers of the Indian Civil Service.<sup>1</sup>

The importance of the education of the members of societies is always increasing. A movement consisting of uneducated persons (*i.e.*, uneducated in the elements of Co-operation and the details of

<sup>1</sup>From 1916 to 1920, when there were less than 7,200 societies, there were three members of the Indian Civil Service in the department. In July 1917 there were less than 3,500.

their societies) is bound to fail. I find now that the original members of societies are fairly well educated; but members who join later on are not. To secure the education of members we must have a well educated staff. The staff should, of course, be also strictly honest, and should educate the members in the right way of doing things.

I therefore think that, when a fourth Deputy Registrar is appointed, we should have also a fourth Educational Inspector. At present the Educational Inspectors are really working entirely on their own. The Registrar and his gazetted officers cannot sit with classes throughout their duration (a Sub-Inspectors' class lasts for about 2 months, and the Inspector candidates' class at Gurdaspur lasts for 4 months), in order to see exactly what the Inspectors are teaching. Education being of such vital importance, both for the staff and members, I think that when the fourth Educational Inspector is appointed we should have also one Assistant Registrar who will be responsible for Education as a whole. He will be able to specialise in the subject, and to give time to the detailed supervision of the work of each Inspector. He will of course be under the control of the Registrar, and will have frequently to discuss his work with him.

After setting down the above general considerations, I now turn to details.

(a) On the basis of giving an extra Inspector to tehsils containing over 300 societies:—

(i) The following tehsils have over 300 societies:—

Nakodar, Amritsar, Batala, Shakargarh, Pasrur, Ferozepore. We should therefore have six Inspectors for these tehsils in 1931-32.

(ii) Narowal tehsil has about 290 societies. We should have an extra Inspector for this in 1932-33.

(iii) Lahore, Shahdara, Tota Tek Singh, and Ludhiana tehsils have more than 250 societies each. I consider that we should have two Inspectors in 1933-34, and two more in 1934-35, to provide for these four tehsils.

(b) On the basis of one extra Inspector for tehsils containing over 350 societies:—

(i) Batala contains 377 societies. We, therefore, need one Inspector for this tehsil in 1931-32.

(ii) Nakodar, Amritsar, Shakargarh, Pasrur and Ferozepore tehsils have passed the 300 mark. I, therefore, propose that one extra Inspector be sanctioned in each of the years 1932-33, 1933-34, and 3 in 1934-35.

At present Lodhran and Malsi tehsils of the Multan district are under the charge of one Inspector. Both these tehsils are coming under colonization, and the number of societies in each are increasing.



It is important that the colonists shall be properly brought within the fold of co-operation as soon as possible after their arrival in their chaks. I, therefore, propose that one Inspector be sanctioned for this area in 1931-32.

At present, Leiah and Kot Adu tehsils of the Muzaffargarh district are under one Inspector. I propose that in 1932-33 they may be separated, for the area to be covered by the Inspector is at present very large, and the societies are slowly increasing; further, the work in Muzaffargarh is of a special character.

At present, Dera Ghazi Khan and Sangar tehsils are under one Inspector. I propose that in 1933-34 they may be separated.

The three Urban Inspectors should be appointed as soon as possible; i.e., in 1931-32.

Government last summer sanctioned the appointment of an Assistant Registrar as from the beginning of the present financial year, in order to make possible reorganization of the present circles of the Circle Registrars of Rawalpindi and Shahpur. Shortage of funds, however, made it impossible to sanction the post finally. I therefore propose that one Assistant Registrar be sanctioned for the year 1931-32.

The next heaviest circle is that of Circle Registrar, Gujranwala. The increase of the societies in Gujranwala and Sheikhpura districts makes it desirable that this circle be split up into two, by the appointment of a new Circle Registrar in 1931-32. Gujranwala and Sheikhpura had on 31st January 1930, 743 and 561 societies, respectively.

I think that the present circle of the Assistant Registrar, Ambala, consisting of Ambala and Ludhiana districts, should be split up in 1932-33, by the appointment of a new Assistant Registrar. Ambala and Ludhiana districts had on 31st January 1930, 664 and 561 societies, respectively. Their number is increasing.

In the year in which the Gujranwala and Sheikhpura districts are separated, I consider that the appointment of the fourth Deputy Registrar would be advisable.

The above proposals involve the appointment, by the end of the financial year 1934-35, of one Deputy Registrar; 4 Assistant Registrars; and on the basis of an additional Inspector for tehsils containing over 300 societies, 18 Inspectors, and, on the basis of an extra Inspector for tehsils containing over 350 societies, 9 Inspectors. It is possible that the appointment of the Urban Inspector at Amritsar may reduce the number of additional Inspectors needed by one in each case. I very strongly urge that the extra Inspector be allowed for over 300 societies.

The time-table for these additions should be as follows:—

1931-32	..	..	2 Assistant Registrars; 9 Inspectors.
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1932-33	..	..	1 Deputy Registrar; 2 Assistant Registrars (including one for education); 3 Inspectors.
1933-34	..	..	3 Inspectors.
1934-35	..	..	3 Inspectors.

On the basis of an extra Inspector for 350 societies, the timetable for the Deputy Registrar and the Assistant Registrars will be as above; but for Inspectors it will be as follows:—

1931-32	..	..	1 Inspector.
1932-33	..	..	3 Inspectors.
1933-34	..	..	2 Inspectors.
1934-35	..	..	3 Inspectors.

The first cost of the addition of the Deputy and Assistant Registrars, and of the Inspectors, together with their staff, contingencies, etc., will be according to the attached statement per annum in year, in addition to the expenditure of the previous year. The appointment of new Circle Registrars will of course eventually involve the construction of offices for them. This matter is not so urgent as the appointment of the staff themselves.

It should be noted that the above proposals deal only with the ordinary line of credit Inspectors. In addition, there will be a very necessary increase in consolidation staff to be considered, and also the question of the Industrial staff.

The question of the women's societies also needs separate consideration.

STATEMENT SHOWING THE PROBABLE COST OF THE ADDITIONAL STAFF DURING THE NEXT FOUR YEARS.

<i>On the basis of an additional Inspector for every 300 societies.</i>		<i>On the basis of an additional Inspector for every 350 societies.</i>	
1931-32.		1931-32.	
	Rs.		Rs.
1. 2 Assistant Registrars—250—25—750..	} 61,860	1. 2 Assistant Registrars—250—25—750..	} 26,600
2. 9 Inspectors—1 (250), 2 (200), 2 (150) and 4 (100) ..		2. 1 Inspector 250 ..	
1932-33.		1932-33.	
1. 1 Deputy Registrar at 1,000, 150 Special pay ..	} 55,950	1. 1 Deputy Registrar at 1,000, 150 Special pay ..	} 55,950
2. 2 Assistant Registrars at 250—25—750 each ..		2. 2 Assistant Registrars at 250—25—750 each ..	
3. 3 Inspectors—1 (250), 1 (150) and 1 (100) ..		3. 3 Inspectors—1 (250), 1 (150), and 1 (100) ..	
1933-34.		1933-34.	
1. 3 Inspectors—1 (200), 1 (150) and 1 (100) ..	13,700	1. 2 Inspectors—1 (100) ..	7,860
1934-35.		1934-35.	
1. 3 Inspectors—1 (200), 1 (150) and 1 (100) ..	13,700	1. 3 Inspectors—1 (200), 1 (150) and 1 (100) ..	13,700

## NOTE K.

### Money-lending in the Punjab.

This note contains reports by Income-tax Officers on the following subjects :—

- (1) Rural money-lending in the Rohtak district.
- (2) Judicial proceedings taken by money-lenders in the Hissar district (p. 248).
- (3) Money-lending in Lahore (p. 258).
- (4) Money-lending in the Mianwali and Attock districts (p. 262).
- (5) Rates of interest charged by an Amritsar firm from 1860 to 1930 (p. 264).

#### PART I.—RURAL MONEY-LENDING IN THE ROHTAK DISTRICT.

(By *Sardar Chanda Singh, Income-tax Officer, Hissar.*)

In 1927-28 I made thorough enquiries into the rates of interest prevailing in the rural areas of the Rohtak district. Material was collected from as many books as possible. Out of 213 assesses of the Sonapat tehsil, 184 produced their books, and figures collected for this tehsil were taken from the books of 166 persons. In the case of Gohana tehsil, material collected is from the books of 72 persons out of 81 cases in which books were produced. For the Rohtak and Jhajjar tehsils figures were collected from 51 and 49 persons, respectively. The figures for these two tehsils are comparatively small, as it is not a general custom in these areas to put down stipulated rates of interest at the top of *lekhas*.

2. The total loan advanced by these 338 assesses amounts to Rs. 59,61,669, tabulated thus :—

Rates.	Sonapat.	Rohtak.	Gohana.	Jhajjar.	Total.
	Rs.	Rs.	Rs.	Rs.	Rs.
Below 6 per cent. ..	1,00,412	44,425	34,370	13,637	1,92,844
At 6 per cent. ..	4,06,017	1,21,062	1,43,550	41,323	8,11,951
Between 6 and 9 per cent. ...	1,03,837	60,921	16,252	29,577	2,16,587
At 9 per cent. ..	2,93,006	59,933	45,252	11,214	3,09,405
Between 9 and 12 per cent. ..	38,385	5,253	12,522	900	57,000
At 12 per cent. ..	9,24,637	1,85,467	2,51,902	32,708	13,94,704
Between 12 and 15 per cent. ..	23,797	3,205	2,033	940	29,975
At 15 per cent. ..	1,94,788	53,280	52,166	81,815	3,82,049
Between 15 and 18 per cent. ..	11,800	200	14,387	..	26,387
At 18 per cent. ..	8,40,538	3,06,289	5,35,254	4,45,966	22,17,797
Between 18 and 24 per cent. ..	687	2,394	963	6,892	10,936
At 24 per cent. ..	90,369	66,090	1,14,113	28,105	2,98,667
Between 24 and 37½ per cent. ..	3,689	1,601	8,777	..	14,067
Total ..	30,31,482	10,06,120	12,10,848	7,13,219	50,61,669

3. From the above it is clear that in the Sonapat, Rohtak and Gohana tehsils the most common rates are 18 and 12 per cent, while in the Jhajjar tehsil they are 18 and 15 per cent.

4. This total loan of Rs. 59,61,669 includes Rs. 16,20,847 advanced on rates up to 9 per cent, Rs. 8,11,951 being lent at 6 per cent. This comes to 27 per cent of the total loan, which is invested with mahajans in mandis and towns for the purposes of financing trade in grains.

5. The balance of Rs. 43,45,320 is invested in the rural area. Loans given to kamins are not considerable. Practically the whole of it is advanced to agriculturist classes. It may be noted that there are few loans advanced on over 24 per cent rates. Loans on 24 per cent were found generally given to Muhammadan agriculturists such as Ranghars. The common rates for Hindu Jats are 12, 15 and 18 per cent. There were few loans advanced to Ahirs at a rate higher than 15 per cent; they are a hardy class of people.

6. Interest due on the stipulated rates given in the books of these 838 assesses was calculated for one year so as to find out the average rate of interest prevailing in every tehsil. Interest due for Sonapat tehsil was worked out in this manner to be Rs. 3,98,192 against total loans of Rs. 30,31,482. This gives an average of 13.3 per cent. It may be noted in this connection that loans advanced on rates up to 9 per cent aggregate Rs. 9,03,323, which is about 30 per cent of the total loans. This sum is invested partly in Sonapat mandi, and partly at Delhi. Sonapat tehsil was prior to 1911 a part of the Delhi district. It is irrigated mostly by canals, and this fact is also partly responsible for the average lower rate of interest prevailing in this tehsil.

7. Interest due for Rohtak tehsil was worked out similarly for 51 persons. It amounted to Rs. 1,39,758 for loans of Rs. 10,06,120. The average rate for this tehsil is thus 13.8 per cent. It is not high. It is due to the fact that loans aggregating Rs. 2,91,341 are included in this total sum of Rs. 10,06,120, which bear interest up to 9 per cent only. This sum of Rs. 2,91,341 is mostly invested in Rohtak mandi.

8. Interest due for Gohana and Jhajjar tehsils was worked out to be Rs. 1,14,128 and Rs. 1,78,748 against loans of Rs. 7,13,219 and Rs. 12,10,848, respectively, which gives an average rate of 16 per cent for Jhajjar tehsil and 14.7 per cent for Gohana tehsil. Gohana tehsil is in part irrigated by the canals, and this explains the slightly lower rate of interest prevailing there.

9. Interest due for the total loan of Rs. 59,61,669 is thus Rs. 8,30,825, which gives an average rate of 14 per cent for the whole district. Deposits with mahajans (i.e., money invested up to 9 per cent rate of interest) aggregate Rs. 16,20,847, and their due interest for one year is Rs. 1,06,283 only, which gives an average rate of 6.5 per cent. Real rural investments are therefore Rs. 43,45,320. Due interest in their case is Rs. 7,24,642, which yields an average of 16.5 per cent.

10. It would be interesting to classify this total loan investment-wise. Out of these 338 persons, 103 own investments over Rs. 20,000 each. Their total loans aggregate Rs. 33,71,690, and due interest per stipulated rate is worked out at Rs. 4,24,691. This comes to 12.6 per cent. It is this class who have got deposits in mandis and towns. People with lower investments cannot be expected to have spare money for deposits.

11. One hundred and thirty-one persons are included in this number of 338, whose individual investments range between Rs. 10,000 and Rs. 20,000. In their case interest due for one year comes to Rs. 2,84,330 against investments of Rs. 19,02,155. This gives an average rate of 15 per cent.

12. The remaining 104 persons have individual investments below Rs. 10,000. They happen to be on the list of the Income-tax Department as they were running *parchun* shops and doing grain dealings as well. Interest due in their cases was found to be Rs. 1,19,379 against investments of Rs. 7,19,562. It gives an average rate of 16 per cent. It is this class of people whose investments are purely with non-mahajans, and who have got practically no investments in towns and mandis. Their average rate can be taken as the average rate on which loans are advanced to agriculturists in Rohtak district.

13. I also tried to find out rates of interest on bigger loans, for it is generally said that petty loans often bear very high rates of interest. Seven hundred and sixty-seven items of loans of over Rs. 500 were sorted out at random. Interest due in their case aggregated Rs. 1,26,311 against loans of Rs. 9,36,302, which gives an average rate of 13.5 per cent against 14 per cent worked out above for all sorts of loans for the whole district.

14. It is a fact that interest stipulated is not fully adjusted when the account is either finally settled or balance struck for carrying the same forward. This happens specially in the cases where rates stipulated are high. Accordingly, material was collected from this angle of vision as well. Three hundred and seventy accounts with investments of Rs. 87,77,825 have resulted in the following percentages for the three assessment years 1926-27, 1927-28 and 1928-29, during which I was posted at Rohtak.

	Below Rs. 20,000.			Over Rs. 20,000.		
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
Jhajjar ..	15	12.2	13.3	11.3	7.7	11.7
Rohtak ..	16.9	10.6	14.3	11.4	9.6	10.6
Gohana ..	14.3	9.4	13.9	12.8	8.7	12.1
Sonepat ..	12.5	9.5	13.6	11.1	7.2	9.7

The exceptionally low average return for 1927-28 was due to the exceptional circumstances prevailing in the accounting year 1926-27. A change in the limitation period had to commence in June 1926, and balances were therefore in most cases struck in the year 1925-26. Moreover, the provincial elections again brought the Jat-Bania question to the forefront.

15. In the case of investments below Rs. 20,000, the average rate of adjusted interest for the whole district is thus worked out to be 14.7 per cent for the assessment year of 1926-27, 10.4 per cent for the assessment year 1927-28 and 13.3 per cent for the assessment year 1928-29, *i.e.*, 12.8 per cent per annum when spread over the consecutive three years against 15 per cent determined according to stipulated rates. Percentages for cases over Rs. 20,000 worth investments are similarly found to be 11.7 per cent for 1926-27, 8.3 per cent for 1927-28 and 11.0 per cent for 1928-29, *i.e.*, 10.3 per cent for adjusted interest against 12.6 per cent determined per stipulated rates. The difference in these two rates (stipulated average rate and adjusted average rate) is mostly due to the fact that "chhoot" is generally given to debtors with rates over 12 per cent at the time of striking balances or settlement of accounts which are not punctually done every year.

16. The average rate of adjusted interest for the whole district is thus 11.4 per cent against 14 per cent determined on the basis of stipulated rates. Keeping in mind the percentage of 27 per cent of loans with mahajans advanced at the average rate of 6.5 per cent the average adjusted rate for rural loans comes to 13 per cent.

17. To sum up, it was found that 25 per cent of the total investments of the rural money-lending assessees of Rohtak district were in the form of deposits in towns and mandis with mahajans at an average rate of 6.5 per cent, and the balance of 75 per cent was invested in loans to agriculturists at varying rates (most common of which are 12 and 18 per cent), the average of which works out at 16.5 per cent, out of which only 13 per cent is ultimately and finally adjusted in the accounts of their debtors.<sup>1</sup>

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<sup>1</sup>See pp. 250-51.

**PART 2.—JUDICIAL PROCEEDINGS TAKEN BY MONEY-LENDERS IN  
THE HISSAR DISTRICT FOR THE RECOVERY OF THEIR DEBT.**

*(By Sardar Chanda Singh, Income-tax Officer, Hissar.)*

I have gone carefully through the regular books of thirty assesseses of the Hissar District. Out of these thirty, eight did not file any suit within the last five years. The remaining 22 filed 46 suits, which are tabulated in a separate statement (page 252). The following conclusions are drawn therefrom :—

(a) Average interest income of these thirty assesseses for one year aggregates to Rs. 72,562. Taking the average rate of interest charged to be 12 per cent, I would put their capital invested at Rs. 6,04,684. Total value of the 46 suits filed by them is Rs. 15,990 on account of principal and Rs. 6,002 on account of interest claimed. This gives an average of 2·6 per cent of total loans, which are contested in courts. It is insignificant. It shows how far people try to avoid litigation. It is not fair to deduce the conclusion that 97·4 per cent loans are secured. Rural money-lender is an institution in himself. He knows his debtors very well and the possibilities of recovering loans through courts. He tries to accommodate his debtors as far as possible. He would be quite satisfied by getting the balance struck, when no recoveries are immediately possible.

(b) Second conclusion to be drawn from these figures is that civil courts do not interfere in the amounts of principals claimed, where regular accounts are kept. In these 46 cases full amount of principal has been decreed. This shows the utility of keeping proper accounts in regular form.

(c) Interest claimed in those 46 suits is Rs. 6,002, against Rs. 4,843, decreed by the courts. This difference of Rs. 1,149 relates to three suits only. In two cases the creditors concerned agreed to accept Rs. 449 less per terms of compromise. In the third suit the court reduced the claim of Rs. 1,800 to Rs. 1,100 as it was excessive, principal being Rs. 700 only. No modification was effected in the case of remaining 43 suits, as the accounts were regular and the rate of interest charged was not excessive.

(d) Under the head expenses, there is a wide difference. Actual expenses incurred aggregate to Rs. 3,905 against Rs. 2,557 awarded by the courts. It means that courts allow about 2/3rds of the actual expenses incurred. Excluding the four cases where compromise was effected, these figures are Rs. 3,442 and Rs. 2,547, respectively. This would give an average of 75 per cent expenses allowed by the courts. This may be taken as the general index on this issue. I have carefully scrutinised all the items in detail and have come to the conclusion

that (1) personal expenses incurred by money-lenders in conducting their cases, (2) payments made to petition-writers for writing out petitions and applications, and (3) penalties charged under the Stamp Act are not allowed by the courts. The first two items are regarded by money-lenders as genuine claims that should be admitted. As regards pleaders' fees, the general impression gathered from these cases is that the costs awarded in money-suits by the courts on the basis of a fixed proportion of the value of the suits are in no case less than the actual expenditure under this head. In some cases there is a gain to the money-lender, as far as the pleader's fee is concerned.

(e) It has been found that about 30 per cent of the suits are decided *ex-parte*, because the debtors do not care to represent their interests at all. Very few of these cases are re-opened, as judgment-debtors do not care to get *ex-parte* decrees set aside and do not mean to contest the cases. Their real aim is that their debts should cease to bear interest. In another 10 per cent of the cases, debtors admit the loans. Sixty per cent of the cases may, therefore, be regarded as contested. This view is shared by a Sub-Judge of Hissar, who has been privately consulted.

(f) In about 10 per cent out of the contested cases, thumb-impresions are not acknowledged, and in two per cent signatures are denied. Their verification costs much to the money-lender. I do not mean to suggest that these costs are not allowed by the courts. Verification of a thumb-impression costs thirty rupees, and that of a hand-writing may go up to Rs. 200. It is alleged by money-lenders that this habit of denying thumb impressions is becoming very common. They think that it should be cut down. There are very few cases where reports are received definitely against the money-lender, while in 50 per cent of the cases there is clear identification. It is suggested by the money-lenders that the courts should sanction prosecution against the false accusers in a fairly large number so as to check this growing practice.

(g) Average time per case is found to be 5½ months. Maximum time taken is twenty months and minimum fifteen days. Four cases out of these 46 took more than one year.

(h) As regards recoveries, the data collected is not very satisfactory. Enquiries were restricted to a period of five years and thirty assesses only. It appears that final results for decrees awarded in 1928 and 1929 are still not known. Execution proceedings are started about six to nine months after the award of the decree. Decree-holder waits to effect the recovery outside the court, if possible. This remark applies to rural money-lenders only. Execution proceedings generally take about a year to finish. One fact is, however, clear that in these



46 cases, recoveries effected outside the courts aggregated to Rs. 6,102 against Rs. 3,060 recovered through the courts. Figures of 26 per cent given in the High Court returns relate to decrees, executions of which have been taken up in hand. In some cases judgment-debtors pay up the decretal amount without execution proceedings.

(i). In paragraphs (e) and (f), I have discussed the requirements of money-lenders as far as the first stage in litigation goes. They have much to complain of as far as execution proceedings are concerned. They generally do not get full expenses in these proceedings. Even the fee of pleader is omitted from the award. Costs incurred in meeting frivolous objections raised by the judgment-debtor against the property attached, are generally ignored. Although the expenses of these proceedings are not considerable, yet they do not get more than 25 per cent of the total cost incurred by them. Their most serious complaint is against the bailiffs and process-servers. It is generally alleged that these persons do not feel much responsibility about their work. They are low paid people with little or no qualifications or powers. It is felt by intelligent money-lenders that much improvement is required in this direction.

(j) It will not be out of place to mention that they have got basic objections against (1) Land Alienation Act, (2) section 60 of Civil Procedure Code which makes cattle, grain and house not liable to attachment, (3) 4 P. R. 1913 ruling which says that landed property of a debtor governed by custom cannot be taken on execution, in the hands of his son or next holder, and (4) preference given to co-operative societies over other creditors. They regard these provisions of law as a great hindrance in recoveries.

(k) Out of these 46 suits, only twelve *khata*s have been finally squared. In the remaining 34 cases *khata*s of debtors are still running, pending the results of execution proceedings. It is a practice amongst rural money-lenders in this part of the province that interest claimed in civil suits is neither credited at the time of filing the suit nor at the time of award of the decree. The *khata* of the debtor is squared up finally when all proceedings have come to a close, and its net result is carried to *batta khata*, which is quite distinct from the interest account. In the case of ten out of these twelve accounts, there is a net gain of Rs. 846, while in the other two accounts there is a net loss of Rs. 232, after the expenses incurred in conducting these cases and principal due have been satisfied. As these proceedings are ignored in the interest account itself, percentages given in paragraph 17 of my Rohtak note<sup>1</sup> are exclusive of these figures. In working out those averages, I simply divided the interest charged per books by the total investment, which evidently includes the amounts under dispute in civil courts. From the above figures it is quite clear that the average rate of adjusted interest of 6½ per cent and 13 per cent

<sup>1</sup>See p. 247.

do not require to be further modified on account of litigation proceedings. It is my firm belief that taken as a whole *batta khata* does at least balance itself, i.e., the bad debts resulting from these proceedings do not exceed the amount of interest decreed by the courts, which never formed a part of the interest *khata*. Interest awarded by the civil courts in these 46 cases is 83 per cent of the principal allowed. As a matter of fact, the figures for these 12 closed *khata*s suggest that something should be added to the rates worked out in paragraph 17.

2. While going through the books of money-lenders one does come across some cases where the loans have not been renewed in any form by striking the balances, etc., nor civil suits have been brought for their recovery in courts. They are allowed to become time-barred. This happens in cases where there is nothing to recover from the debtors concerned, specially on account of the High Court ruling 4 P. R. 1913 mentioned above. They are not always written off at the right time and claimed in income-tax assessments. It is not possible for me to give any approximate idea of their extent.

3. Working expenses claimed by money-lenders are not many. Generally people with above Rs. 20,000 investments keep a servant who looks after their cattle at home and accompanies them in the months of Jeth and Harh for recovery and settlements of accounts. Conveyance is also used for this purpose. Generally speaking, all money-lenders deal in grain and most of them have got *parchun* shops in the villages as well. It is not possible to divide the expenses under these three heads. I would estimate working expenses against money-lending business to be  $\frac{1}{2}$  per cent on capital invested. He himself is the scribe, and is often helped by another member of the family. In this  $\frac{1}{2}$  per cent I have not included the value of their personal labour.

4. Keeping the above figures in mind, I would put net earnings of rural money-lending at 6 per cent for deposits and  $12\frac{1}{2}$  per cent for rural dealings. As remarked in paragraph 2, I have not made any allowance for stray bad debts which are allowed to become time-barred and where neither balances are struck nor suits filed.

No.	VALUE OF THE SUIT.		Expenses incurred.	DEGREE AWARDED.		Cost.
	Principal.	Interest.		Principal.	Interest.	
	Rs.	Rs.	Rs. A. P.	Rs.	Rs.	Rs. A. P.
*1	850	150	142 3 0	850	150	Given up as compromise
2	333	87	42 14 0	333	87	10 0 0 Rest given up.
3	1,113	784	668 0 0	1,113	784	240 0 0
4	1,000	255	249 3 0	1,000	255	185 0 0
5	2,000	35	342 8 0	2 000	35	406 4 0
				(Pleader's fee not debited as a		
6	1,362	138	222 0 0	1,362	138	205 0 0
7	1,190	669	188 8 0	1,190	310	Cost given up as compromised.
8	164	185	52 8 6	164	185	44 0 0
9	73	103	27 0 0	73	103	16 0 0
10	269	81	56 0 0	269	81	46 0 0
11	235	275	42 0 0	235	275	25 0 0
12	70	10	54 0 0	70	10	40 0 0
13	78	32	40 0 0	78	32	10 0 0
14	50	7	12 0 0	50	7	6 0
15	70	25	11 0 0	70	25	7 10 0

Date of decree.	Time taken by suit.	Amount recovered.	Batta Khata.	REMARKS.
Octr. 1926 ..	8 months ..	Rs. 844 through court.	Minus 148.	
Octr. 1928 ..	13 " ..	Rs. 430 outside court.	Plus Rs. 55.	
Feb. 1927 ..	20 " ..	Rs. 2,137 outside court.	Plus Rs 356	
June 1929 ..	8 " ..	..	..	Execution proceedings just started.
April 1929 ..	20 " ..	..	..	Execution proceedings not started so far.
member of the family).				
April 1929 ..	3 months ..	Rs. 1,500 outside court.	Minus Rs. 84	
April 1929 ..	2 " ..	Rs. 500 outside court.	..	Rest to be recovered in 6 monthly instalments.
Decr. 1928	3 " ..	Rs. 356 through court.	..	Rs. 37 still due and not waived.
Feby. 1929..	4 " ..	..	..	Execution proceedings started in January 1930.
1926 ..	3 " ..	Rs. 396 outside court.	Plus Rs. 71	
Jan. 1929 ..	9 " ..	..	..	Execution proceedings going on.
March 1927	4 " ..	..	..	
March 1928	4 " ..	Rs. 113 through court.	..	Rs. 37 still due and not waived.
30th October 1928.	18 " ..	..	..	
23rd October 1926.	2 " ..	Rs. 60 outside court.	..	Rs. 10 are being realized in half-yearly instalments.

No.	VALUE OF THE SUIT.		Expenses incurred.	DECREE AWARDED.		Cost.
	Principal.	Interest.		Principal.	Interest.	
	Rs.	Rs.	Rs. A. P.	Rs.	Rs.	Rs. A. P.
16	18	10	4 0 0	18	10	2 12 0
17	66	7	9 0 0	66	7	7 0 0
18	13	3	8 0 0	13	3	5 12 0
19	89	18	8 0 0	39	18	5 0 0
20	35	1	16 0 0	35	10	5 0 0
21	70	55	18 0 0	70	55	15 0 0
22	150	30	24 0 0	150	30	20 12 0
23	2,500	240	388 0 0	2,500	240	385 0 0
24	50	9	11 0 0	50	9	8 0 0
25	100	28	13 0 0	100	28	11 0 0
26	130	70	64 0 0	130	70	49 12 0
27	100	26	21 0 0	100	26	10 0 0
28	60	29	18 0 0	60	29	7 4 0
29	150	68	34 0 0	150	58	28 4 0
30	45	25	11 0 0	45	25	8 4 0
31	130	34	40 0 0	130	34	24 12 0
32	202	13	32 0 0	202	13	29 0 0
33	200	38	37 0 0	200	38	23 8 0
34	30	18	8 0 0	30	18	3 10 0
35	80	60	45 0 0	80	60	20 12 0

Date of decree.	Time taken by suit.	Amount recovered.	Batta Khata.	REMARKS.
20th December 1928.	6 months ..	..	..	
March 1929	5 " ..	Rs. 80 outside court.	Plus Rs. 5	
Jan. 1929 ..	4 " ..	..	..	Execution proceedings continuing.
July 1929 ..	1 month ..	..	..	Ditto.
Jan. 1929	7 months ..	..	..	Ditto.
29th November 1927.	1 month ..	Rs. 136 outside court.	Plus Rs. 48.	
17th August 1925.	½ " ..	Rs. 70 outside court.	..	Decree for the balance has been renewed.
18th December 1929.	2 months ..	..	..	
13th April 1928.	1 month ..	Rs. 20 outside court.	..	For the balance execution proceedings are pending.
20th April 1929.	9 months ..	..	..	Execution proceedings continue.
28th March 1929.	11 " ..	Rs. 105 inside court.	..	Ditto.
20th September 1928.	5 " ..	..	..	Ditto.
29th September 1928.	5 " ..	..	..	Ditto.
2nd February 1927.	1 month ..	..	..	Ditto.
17th December 1929.	2 months ..	..	..	Execution proceedings not started as yet.
10th May 1928.	4 " ..	..	..	Proceedings continuing.
23rd April 1928.	3 " ..	..	..	Ditto.
21st May 1928	4 " ..	..	..	Ditto.
4th December 1929.	2 " ..	..	..	Not started as yet.
29th June 1925	1 month ..	Rs. 75 through court.	..	Balance standing as yet against him.

No.	VALUE OF THE SUIT.		Expenses incurred.	DECREE AWARDED.		Cost.
	Principal.	Interest.		Principal.	Interest.	
	Rs.	Rs.	Rs. A. P.	Rs.	Rs.	Rs. A. P.
36	40	30	24 0 0	40	30	11 0 0
37	53	22	21 0 0	53	22	15 13 0
38	80	10	22 0 0	38	10	13 14 0
39	400	200	88 4 0	400	100	Given up as compromise.
40	100	153	257 0 0	1,000	153	198 0 0
41	700	1,800	318 0 0	700	1,100	268 0 0
42	74	26	20 0 0	74	26	15 0 0
43	300	94	53 0 0	300	94	41 0 0
44	100	25	72 4 6	100	25	25 0 0
45	179	55	55 4 6	179	55	38 13 0
46	39	20	15 0 0	39	20	6 0 0
Total	15,990	6,002	3,904 9 6	15,990	4,843	2,556 10 0

Plus 846 represents the final results of 10 Khatas carried to Batta Khata. Plus  
 Minus 232 represents the net loss written off. As the interest claimed or decreed  
 calculations of Batta Khata.

Date of decree.	Time taken by suit.	Amount recovered.	Batta Khata.	REMARKS.
29th June 1925.	½ month ..	Rs. 85 through court.	Plus Rs. 21.	
29th June 1925	1 " ..	..	..	Decree renewed.
6th February 1928.	3½ months	..	..	Execution proceedings started.
6th June 1929	5 " ..	Rs. 500 outside court.	Plus Rs. 11-12-0.	
10th September 1928.	6 " ..	Rs. 1,351 through court.	Plus Rs. 94-7-0.	
24th October 1929.	9 " ..	..	..	Execution proceedings started.
4th May 1929	4 " ..	..	..	Ditto.
23rd July 1929	2 " ..	..	..	Ditto.
18th January 1930.	7 " ..	..	..	To be paid in June 1930 according to compromise.
12th November 1929.	5½ " ..	Rs. 272-13-0 outside court.	Plus Rs. 38-8-6.	
5th August 1929.	2 " ..	Rs. 65 through court.	Plus Rs. 11,	
	241½ months	Rs. 3,060 through courts. Rs. 6,102 outside courts.	Batta Khata Rs. +846 Rs. — 232	

represents the gain, i.e., collection figures minus the principal and expenses actually incurred. If interest is not credited to this interest account at any stage, it is ignored altogether from the



## PART 3—MONEY-LENDING IN LAHORE.

(By Lala Ram Lal, Bhalla, Income-tax Officer, Lahore.)

*Indigenous Banking in Lahore.*—It may be stated in general that there is no indigenous banker at Lahore, now. There are some money-lenders who occasionally purchase and sell hundis. The number of such transactions in the case of an individual person or a firm is very limited. The amount of money invested in this form is very small. This business is, practically speaking, a monopoly of the banks—joint stock and others. Sometimes, specially on a holiday, cheques are discounted for cash. The number of such transactions too is not large, though it is done by many skopkeepers who happen to have some surplus money which could not be sent to the bank or used. This also is not done on a large scale by persons who would come within the purview of the word money-lenders or bankers. There are some instances of persons who receive deposits. The depositors are, generally speaking, widows or ladies related to the person or his friends, who deposit the money not with a view to use that person as a banker but with a view to get the money invested through him safely at rates of interest higher than what the banks pay. The usual request on the part of the depositor to the banker is not to keep the money in deposit, but to invest the money on his or her behalf. With such people deposits for fixed periods are unknown. There is inflow and outflow of deposit money, as in the case of the banks. The deposit with the so-called banker is almost always considered to be a loan made to the banker payable on demand.

There are no account books for keeping a record of the transactions about receipts and withdrawals. Loans or deposits are generally received by the issue of pronotes. If any payment is made before the final settlement of a deposit or loan, it is either recorded on the back of the pronote or a separate receipt is taken for it. Regular accounts in book form are not kept, and there is not a person or a firm who could be said to be doing banking business and keeping regular accounts based on a cash book. The reason for the disappearance of the banker as a class consists in the competition with the post office and the bank, all of which offer better security and a greater range for taking loans than the indigenous banker did or can.

*Money-lending in Lahore.*—Money-lending is done on a large scale. The centre of this trade is the Gumti Bazar which may be called the Lombard Street for indigenous money lending. More than fifteen bankers, including some of the biggest money-lenders in the town and the province, live here. Only five of them have begun to submit regular accounts since the last two or three years. All the others have always alleged that they do not keep any. Even the books kept by the others are of such a recent date and are kept in such a way that it is not possible to answer some of the questions in the questionnaires. I have therefore confined myself to general remarks, based on the answers given by them to the questions, on my knowledge of their business gained during the assessment work for the last four years, and on their files so far as

they help in the matter. For practical purposes these money-lenders may be divided into two classes:—

Money-lenders.

Exploiting money-lenders.

Money-lenders I call those persons who take pronotes, bonds, etc., for the amount actually given on loan. The rate of interest charged varies ordinarily from 12 per cent to 'paisa rupiya,' i.e., 18½ per cent. They give loans on the security of property and ornaments and on hundis and pronotes. Hundis are, however, not popular, because they have got to use paper costing 1 anna and 6 pies per cent and they run for a period. Also because it is not customary for the money-lenders at Lahore to invest their money in this form. Loans are not made for any particular purpose, but they are mostly given to traders. About 75 per cent of the loans are given on the security of ornaments and property. In the case of both, ordinarily, a loan of more than 50 per cent of the value of the security is not advanced. If there is any piece of property that is to be acquired, ultimately 60 per cent to 70 per cent may be advanced. The general formula for estimating the value of ornaments is Rs. 16 per tola, and 50 per cent of the value is advanced. Except for some kind of ornaments, the value of gold in the form of ornaments is taken to be less than that of bullion, because there is less of pure gold in them. More than 50 per cent is not advanced because in a period of about two to three years, the principal and the interest exceed the value of the ornament, and in quite a large number of cases pledged ornaments are not reclaimed by their owners. Since the last two or three years, only about 25 per cent of the loans are unsecured, mostly on pronotes, because market conditions have been unfavourable, and it is considered unsafe to lend money without security. If a borrower's condition is considered to be shaky and unsafe, unsecured loans are not made. Cash credits are not allowed. Loans made on pronotes are given for short period of three to four months. Such periods are not stated in writing. They are verbally settled. The period for which a loan is run depends on the faith put in the borrower and the conditions of the loan market. If on the expiry of the period for which a loan is taken, slack season is to follow, loans are made for longer periods and on comparatively easier terms. If the busy season is to follow, they are made for short periods. Loans made on pronotes may occasionally be renewed, but the loans made on ornaments are not renewed, because after about a year or a year and-a-half, if the prices fluctuate, there is a fear of the loan and interest exceeding the value of the ornament itself. Renewals are not frequently asked for from the same lender, because the borrower or his 'dalal' (through whom loans are mostly taken) fears that a request for a renewal might shake the reputation of the borrower or might result in a demand for a higher rate of interest. Generally, an attempt is made to return the money by taking a loan from some other money-lender. Later on, on the expiry of the period of this loan request for a fresh loan may be made to the first

lender ; 90 per cent. of the loans made on hundis and pronotes are repaid in time. Of the loans made on ornaments repayments are often uncertain and very irregular. With a few exceptions the usual stages for taking loans are, firstly, on pronotes, secondly on property and, thirdly, on ornaments. Unless it is definitely known that the borrower possesses some unsecured property and is taking a loan on the security of ornaments with a view to keep it confidential, it is ordinarily taken for granted that loan on the security of ornaments is taken only when the borrower's condition has become unsecure and embarrassed. If the borrower does not pay, every effort is made to settle the loan by sending messages through dalals or friends, by seeing him personally, by persuading him to make the unsecured loan-secure, by mortgaging property or by giving some further security. He may be offered an inducement in the form of the reduction of some interest too. It is only at the last stage, when all the other methods have failed that a suit is filed. Law courts are avoided because it is believed that the law is so framed that it favours the borrower more than the lender. The harassing treatment of the underlings who have often got to be bribed for allowing the case to run smoothly and speedily is a great deterrent factor in this matter. The borrowers, in addition to the difficulties that they raise through the court underlings, often raise legal difficulties by denying the loan, making bogus transfers of property and in many other ways. The total amount of capital invested by nine men considered in this form is estimated at about Rs. eight lakhs. The return on their capital is estimated at about 9 per cent net.

There is a set of money-lenders whom I have, for want of some better term, called the *exploiting money-lenders*. Their loans are almost entirely unproductive. They are hardly ever made to traders or other persons of good repute. Almost all the loans are made to clerks, railway guards, engine drivers and others in the service of the Government or the Railway. They are also made to persons who have no assets or money at present, but who are likely to inherit money or estates on the death of some relative or when a suit is settled in their favour. The chief characteristic of these loans is that bonds and pronotes are taken not for the actual sums advanced but for sums higher than that. The total paper investments of seven money-lenders considered here exceed sixty lakhs. The amount noted in the bond or the pronote in excess of the actual sum advanced is known sometimes as "*Khuda-ka-khauf*". The minimum amount of "*khuda-ka-khauf*" amounts to the calculation of the interest up to the date up to which a loan is needed. Adding the same to the amount actually advanced, the total is noted in the bond as the amount actually advanced. In the case of European and Eurasian railway guards and drivers, impecunious clerks, and rash youths and others leading extravagant lives, the bond or pronote is taken for double the amount actually advanced. In the case of salaried persons, or persons who are already under debt, or others where the margin of realisation is still less, there is no proportion. The basis of calculation is the fact that if the debtor becomes insolvent or his salary is attached such and such amount will fall

to the lender's share. The amount noted in the pronote is increased to such an extent that the lender finds himself amply compensated for the risk and the trouble. A few money-lenders of this type have become impoverished on account of making loans to persons from whom nothing could be realised later on. Others have become exceedingly rich and powerful. The rate of interest charged varies from 12 per cent to 48 per cent and even higher. The loan is made on the condition that, if the sum actually advanced along with the interest thereon is paid on or before the date fixed verbally for its settlement, it is only the actual sum *plus* interest that will be charged. If it is not paid in time, the entire amount noted in the paper has got to be paid.

The third class of money-lender is the Pathan money-lender with his headquarters mostly in the Landa Bazar. He lends small sums of money to poor people; washermen, sweepers, clerks and peons with little or no credit. Loans are made in small amounts. The minimum rate of interest charged is one anna per rupee per mensem or 75 per cent. It may go up to two annas per rupee per month or more. For his realisations the Pathan depends almost entirely on the awe that he does or can inspire by threatening to beat or injure his debtors.

**PART 3.—MONEY-LENDING IN THE MIANWALI AND ATTOCK DISTRICTS.**  
(By Lala Gyan Chand, B.A., LL.B., Income-tax Officer, Campbellpur.)

The final results relating to the money-lending of twelve rural assesses of Mianwali and Attock for a period of five years are summed up below :—

District.	Capital invested.	Total interest accrued and added to previous capital.	Net interest.	Interest actually realized in cash or kind.
1	2	3	4	5
	Rs.	Rs.	Rs.	Rs.
Mianwali ..	10,51,870	1,67,010	1,43,311	56,349
Attock ..	12,56,558	2,07,285	1,92,340	55,789

2. The profit percentages are as follows :—

District.	Rate of interest charged (gross).	Net profit after allowing for all sort of expenses.	Actual realizations in cash or kind out of the total interest adjusted or accrued.
Mianwali ..	15.88	13.62	5.35
Attock ..	16.50	15.36	4.44

3. The figures have been gathered with the greatest care, and the data may be considered reliable, and a faithful and typical representation of the state of money-lending in these two districts.

4. The following observations may be made :—

*Capital.*

- (a) The capital on interest, represents practically wholly "accumulated interest"—the original capital having been realized several times already.
- (b) The loans are old.
- (c) On the whole the figures do not show any appreciable decline in money-lending.

*Rates of interest charged.*

The rates of interest, 16 and 16·50 per cent taken as an average may not appear to be unduly high. There are three points to be noted :—

- (1) The money-lending is not altogether rural.
- (2) I have not taken into account the income made from malpractices.
- (3) There are additional profits derived which are not accounted for.

*Interest actually realized in cash or kind.*

Conditions in both districts, especially in Mianwali, during the last five years have not been marked by any good harvests. Realisations increase greatly in a year of prosperity. Thus, the percentage for the last five years represents the minimum realisations—the realisations that were made during bad years.

**PART 4—RATES OF INTEREST CHARGED BY AN AMRITSAR FIRM ON DIFFERENT FORMS OF SECURITY FROM 1860 TO 1930  
(COLLECTED FROM THE RECORDS OF THE FIRM BY INCOME TAX OFFICER).**

Year.	Sambat.	Pre-note.	Bond.	Mort- gage of house prop- erty.	Mort- gage of landed prop- erty.	After the decree.	Orna- ments.	Miscel- laneous.	Banker's rate.	Hundi.
1	2	3	4	5	6	7	8	9	10	11
		Ra. A. P.	Ra. A. P.	Ra. A. P.	Ra. A. P.	Ra. A. P.	Ra. A. P.	Ra. A. P.	Ra. A. P.	Ra. A. P.
1850-51	.. 1917 .. ..	0 14 0	..	..	..	..	0 12 0	..	..	..
1861-62	.. 1918 .. ..	1 14 0	..	..	..	..	1 4 0	..	..	..
1862-63	.. 1919 .. ..	1 0 0	..	..	..	..	1 2 0	..	..	..
1863-64	.. 1920 .. ..	0 11 0	..	..	..	..	0 8 0	..	..	..
1864-65	.. 1921 .. ..	0 9 0	..	..	..	..	0 10 0	..	..	..
1865-66	.. 1922 .. ..	0 8 6	..	..	..	..	0 12 0	..	..	..
1866-67	.. 1923 .. ..	0 8 0	..	..	..	..	0 12 0	..	..	..
1867-68	.. 1924 .. ..	0 7 3	..	..	..	..	1 0 0	..	..	..
1868-69	.. 1925 .. ..	0 8 0	..	..	..	..	1 0 0	..	..	..
1869-70	.. 1926 .. ..	1 0 0	..	..	..	..	1 0 0	..	..	..
1870-71	.. 1927 .. ..	0 13 0	..	..	..	..	1 0 0	..	..	..

1871-72	..	1928	..	..	..	..	..	0 12 0	..	..	..
1872-73	..	1929	..	..	..	..	..	1 0 0	..	..	..
1873-74	..	1930	..	..	..	..	..	0 14 0	..	..	..
1874-75	..	1931	..	..	..	..	..	0 12 3	..	..	..
1875-76	..	1932	..	..	..	..	..	0 9 0	..	..	..
1876-77	..	1933	..	..	..	..	..	0 8 0	..	..	..
1877-78	..	1934	..	..	..	..	..	0 7 6	..	..	..
1878-79	..	1935	..	..	..	..	..	0 7 9	..	..	..
1879-80	..	1936	..	..	..	..	..	0 8 0	..	..	..
1880-81	..	1937	..	..	..	..	..	0 14 0	..	..	..
1881-82	..	1938	..	..	..	..	..	1 8 0	..	..	..
1882-83	..	1939	..	..	..	..	..	1 4 0	..	..	..
1883-84	..	1940	..	..	..	..	..	1 0 0	..	..	..
1884-85	..	1941	..	..	..	..	..	0 15 0	..	..	..
1885-86	..	1942	..	..	..	..	..	0 10 0	..	..	..
1886-87	..	1943	..	..	..	..	..	0 7 6	..	..	..
1887-88	..	1944	..	..	..	..	..	0 8 0	..	..	..
1888-89	..	1945	..	..	..	..	..	0 12 0	..	..	..
1889-90	..	1946	..	..	..	..	..	1 0 0	..	..	..



**PART 4—RATES OF INTEREST CHARGED BY AN AMRITSAR FIRM ON DIFFERENT FORMS OF SECURITY FROM 1860 TO 1930  
(COLLECTED FROM THE RECORDS OF THE FIRM BY INCOME TAX OFFICER)—CONTINUED.**

Year.	Sambat.	Pro-note.	Bond.	Mort- gage of house pro- perty.	Mort- gage of landed pro- perty.	After the decree.	Orna- ments.	Miscel- laneous.	Banker's rate.	Hundi.
1	2	3	4	5	6	7	8	9	10	11
		Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1890-91	.. 1947 .. ..	0 11 6	..	..	..	..	1 0 0	..	..	..
1891-92	.. 1948 .. ..	..	..	..	..	..	0 9 0	0 7 6	..	..
1892-93	.. 1949 .. ..	0 12 0	0 8 0	..	..	..	3 2 0	0 7 6	..	..
1893-94	.. 1950 .. ..	0 12 0	0 8 0	..	..	..	3 2 0	0 7 6	..	..
1894-95	.. 1951 .. ..	0 12 0	0 12 0	..	..	..	0 12 0	0 4 6	0 7 6	..
1895-96	.. 1952 .. ..	0 10 0	0 8 0	..	..	..	0 10 0	0 6 6	0 7 6	..
1896-97	.. 1953 .. ..	0 12 0	0 8 0	..	..	..	0 12 0	0 8 9	0 7 6	..
1897-98	.. 1954 .. ..	0 12 0	0 11 0	..	..	..	0 11 0	0 6 6	0 7 6	..
1898-99	.. 1955 .. ..	0 12 0	0 10 0	..	..	..	0 12 0	0 7 0	0 7 6	..
1899-1900	.. 1956 .. ..	0 10 0	0 9 0	..	..	..	0 10 0	0 6 0	0 7 6	..
1900-01	.. 1957 .. ..	0 10 0	0 10 0	..	..	..	0 10 0	0 7 0	0 7 6	..

1901-02	..	1958	..	..	0 11 0	0 10 0	..	..	..	0 9 0	0 6 0	0 7 6	..
1902-03	..	1959	..	..	0 12 0	0 12 0	..	..	..	0 8 0	0 6 0	0 7 6	..
1903-04	..	1960	..	..	0 11 0	0 12 0	..	..	..	0 9 0	0 7 0	0 7 6	..
1904-05	..	1961	..	..	0 11 0	0 12 0	..	..	0 8 0	..	0 7 6	0 7 6	..
1905-06	..	1962	..	..	0 11 0	1 0 0	..	..	0 8 0	0 14 0	0 8 0	0 7 6	..
1906-07	..	1963	..	..	1 0 0	1 0 0	0 8 0	..	0 8 0	0 12 0	0 8 0	0 7 6	..
1907-08	..	1964	..	..	0 14 0	0 14 0	0 15 0	..	0 12 0	1 0 0	0 7 0	0 7 6	..
1908-09	..	1965	..	..	0 14 0	0 12 0	1 0 0	..	0 8 0	0 15 0	0 7 9	0 7 6	0 8 9
1909-10	..	1966	..	..	1 0 0	1 0 0	1 0 0	..	0 8 0	1 0 0	0 7 3	0 7 6	0 8 3
1910-11	..	1967	..	..	1 0 0	0 14 0	0 14 0	..	0 10 0	0 14 0	0 6 6	0 7 6	0 8 6
1911-12	..	1968	..	..	0 15 0	0 14 0	0 12 0	..	0 12 0	1 0 0	0 6 9	0 7 6	0 8 3
1912-13	..	1969	..	..	1 0 0	1 0 0	0 13 0	..	0 10 0	0 15 0	0 6 6	0 7 6	0 8 9
1913-14	..	1970	..	..	1 0 0	1 0 0	1 0 0	..	0 8 0	1 0 0	0 5 0	0 7 6	0 8 3
1914-15	..	1971	..	..	1 0 0	1 0 0	0 14 0	..	0 10 0	1 0 0	0 6 6	0 7 6	0 8 0
1915-16	..	1972	..	..	1 0 0	1 0 0	0 14 0	..	0 8 0	1 0 0	0 7 6	0 7 6	0 12 0
1916-17	..	1973	..	..	1 0 0	1 0 0	0 14 0	..	0 8 0	1 0 0	0 7 6	0 7 6	0 12 0
1917-18	..	1974	..	..	1 0 0	1 0 0	0 12 0	..	0 8 0	1 0 0	0 7 0	0 8 9	0 8 6
1918-19	..	1975	..	..	1 0 0	1 0 0	0 12 0	..	0 8 0	1 0 0	0 6 0	0 7 6	0 8 0
1919-20	..	1976	..	..	1 0 0	0 15 0	0 12 0	..	0 10 0	1 0 0	0 6 3	0 7 6	0 12 0

PART 4—RATES OF INTEREST CHARGED BY AN AMRITSAR FIRM ON DIFFERENT FORMS OF SECURITY FROM 1860 TO 1930  
(COLLECTED FROM THE RECORDS OF THE FIRM BY INCOME TAX OFFICER)—CONCLUDED.

Year.	Sambat.	Pro-note.	Bond.	Mort- gage of house prop- erty.	Mort- gage of landed prop- erty.	After the decree.	Orna- ments.	Miscel- laneous.	Banker's rate.	Hundi.
1	2	3	4	5	6	7	8	9	10	11
		Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1920-21	.. 1977 ..	0 15 0	0 15 0	0 12 0	..	0 10 0	0 14 0	0 6 0	0 7 6	0 12 3
1921-22	.. 1978 ..	1 0 0	1 0 0	0 14 0	..	0 10 0	0 13 0	0 6 0	0 7 6	0 12 9
1922-23	.. 1979 ..	0 15 0	0 14 0	0 12 0	..	0 8 0	0 12 0	0 7 9	0 8 9	0 9 0
1923-24	.. 1980 ..	1 0 0	1 0 0	0 12 0	..	0 12 0	1 0 0	0 7 6	0 7 6	0 9 6
1924-25	.. 1981 ..	1 0 0	1 0 0	..	..	0 8 0	1 0 0	0 7 6	0 7 6	0 10 0
1925-26	.. 1982 ..	0 13 0	0 13 0	..	..	0 8 0	0 15 0	0 7 6	0 7 6	0 9 6
1926-27	.. 1983 ..	1 0 0	1 0 0	1 0 0	..	0 10 0	1 0 0	0 7 6	0 7 6	0 8 6
1927-28	.. 1984 ..	1 0 0	0 14 0	0 12 0	..	0 8 0	0 15 0	0 7 6	0 7 6	0 8 9
1928-29	.. 1985 ..	1 0 0	1 0 0	0 14 0	..	0 8 0	1 0 0	0 7 6	0 7 6	0 8 6
1929-30	.. 1986 ..	1 0 0	1 0 0	0 14 0	1 0 0	0 8 0	1 0 0	0 7 6	0 7 6	0 7 9
		0 14 0	1 0 0	0 14 0	1 0 0	0 8 0	1 0 0	0 7 6	0 7 6	0 7 9

## NOTE L.

### Estimate of the cost of Management of 15,468 Agricultural Primary Credit Societies in 1928-29.

	Rs. (lakhs.)
(a) Cost of Management .. .. .	4.17 <sup>1</sup>
(b) Total cost of Sub-Inspectors employed by the Punjab Co-operative Union and of its office, 3.60 lakhs (figures supplied by the Punjab Co-operative Union), less about 2 lakhs <sup>2</sup> , amount contributed by the societies to the Punjab Co-operative Union by way of audit fee ..	1.60
(c) $\frac{2}{3}$ <sup>3</sup> of the total amount (10.93 lakhs) <sup>4</sup> spent by Government upon co-operation less the amount (1.83 lakhs <sup>5</sup> ) contributed to the Punjab Co-operative Union .. .. .	6.07
(d) Total .. .. .	11.84
(e) Total amount on loan at the beginning of the year .. .. .	564 <sup>6</sup>
(f) Percentage of (d) to (e) .. .. .	2.10

2. If the above is approximately correct, it may be said that the overhead charges of the village credit society in the Punjab amount to about 2 per cent of the amount on loan. This makes no allowance for—

- (i) bad debts (not considerable);
- (ii) the cost of recovering the amount due from societies under liquidation, which at the end of the year numbered 518 (figures not available);
- (iii) the services performed honorarily by the 67,000 (round) members of committee<sup>7</sup>;
- (iv) the interest charges on the amount borrowed.

3. If this estimate is compared with the overhead charges of a money-lender, a substantial allowance would probably have to be made for bad debts, and also for the cost of recovering doubtful debts (corresponding with (ii) above). As to (iii), this might be said to cancel out against the fact that most money-lenders perform the same services for themselves without cost. No. (iv) can perhaps, be ignored, since for the most part the village money-lender works with his own capital.

<sup>1</sup>Annual Report, Co-operative Societies, 1929 (page xxxix, column 16).

<sup>2</sup>Total amount of audit fee received by the Punjab Co-operative Union in 1928-29 from Co-operative Societies of all kinds and of all sorts was 2.39 lakhs. The amount contributed by Agricultural Credit Societies is not known and has been taken at two lakhs (roughly).

<sup>3</sup>Agricultural Credit Societies number approximately  $\frac{2}{3}$  of the total number of societies, but a proportion of only  $\frac{1}{3}$  is taken, as Government expenditure on the consolidation of holdings (included in the above) is considerable.

<sup>4</sup>Annual Report, paragraph 6.

<sup>5</sup>Annual Report, paragraph 6. This amount is excluded because it has been taken into consideration in (b) above.

<sup>6</sup>Annual Report, paragraph 18.

<sup>7</sup>Ordinarily a society has five members of the committee, all of whom work honorarily.

## NOTE M .

### Land as an Investment.<sup>1</sup>

The evidence upon the return that an owner of land may expect in the Punjab can be summarised thus :—

(a) *Ambala*.—In 1918 the Settlement Officer wrote :—

The zemindars “ look upon land as the only safe investment for their savings and so are content with a return, which may not exceed 2 or 3 per cent.”<sup>2</sup>

(b) *Hoshiarpur*.—When the village of Bairampur was surveyed it was estimated that land yielded 2½ per cent net.<sup>3</sup>

(c) *Muzaffargarh*.—In 1924, the Settlement Officer noted that ordinary wheat-growing land irrigated by both canal and well brought a purchaser about 6 per cent.<sup>4</sup>

(d) *Montgomery Colony*.—In 1921, average colony land sold at just under Rs. 400 an acre : the Colonization Officer thought that this would yield about 4 per cent.<sup>5</sup> In 1930, Mr. W. Roberts, Managing Director of the British Cotton Growers Association, put it at much the same figure.<sup>6</sup>

(e) *Montgomery and Shahpur Colonies*.—A Deputy Registrar of Co-operative Societies who owns land in the Shahpur and Montgomery colonies puts the yield in both (on the *batai* system) at about 5 per cent.<sup>7</sup>

(f) *Nilg Bar Colony*.—The Colonization Officer stated that on a basis of Rs. 410 (the average value of all land sold by auction up to date) land, if given out on lease, would yield five per cent.<sup>8</sup>

(g) *Iyallpur Colony*.—S. Sampuran Singh, Honorary Secretary of the Central Co-operative Bank, Iyallpur, stated land yielded three per cent (taking the value of a square at Rs. 20,000).<sup>9</sup>

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<sup>1</sup>See paragraph 221 of the report.

<sup>2</sup>*Ambala Assessment Report*, 1918, p. 14.

<sup>3</sup>R. L. Bhalla, an *Economic Survey of Bairampur*, 1922, p. 110.

<sup>4</sup>*Muzaffargarh and Kotadu Assessment Report*, 1924, p. 9.

<sup>5</sup>*Punjab Colonies Report*, 1921, p. 28.

<sup>6</sup>*Ev. ii.* 945.

<sup>7</sup>*Ev. i.* 293, 302.

<sup>8</sup>*Ev. i.* 149.

<sup>9</sup>*Ev. ii.* 580.

## NOTE N.

### Number of Marriages in the Punjab.<sup>1</sup>

The average annual number of marriages that takes place in the Punjab is calculated by Lt.-Col. C. A. Gill, I.M.S. (late Director of Public Health) thus, basing his calculation upon the Punjab Census Returns (excluding Punjab States) for 1911—1921 :—

*Females married—*

(1) under 10 years of age in 1911 .. ..	49,511
(2) at the age of 30 in 1921 .. ..	886,880

The difference between these two figures, viz., 787,319, represents the number of females under 30 married during the decade.

2. In 1921 the percentage of married females between 10 and 30 years of age to total female population was 44; and the number of females of the same ages who died during the decade is 318,095, i.e., approximately 10 per cent of the total female deaths during the period (3,298,978). Assuming that 44 per cent of these 318,095 females were married, the number married during the decade will be 139,961.

3. In 1921 there were 886,880 married females under 30 and 1,573,984 under 30. The difference—542,154—represents females who were married during the decade.

4. To this must be added—

- (a) the number of widows, aged 10—30 in 1921 (15,833) less the number of widows under 10 in 1911 (3,041), i.e., 12,792.
- (b) Widows under 10 in 1921, i.e., 1,717.

5. Total estimate—

(1) Females under 20 married during the decade and alive in 1921 (paragraph 1) ..	787,319
(2) Females who died during the decade (paragraph 2) .. ..	139,961
(3) Females, aged 30—30 married during the decade (paragraph 3) .. ..	542,154
(4) Widows under 30 in 1921 (paragraph 4) ..	14,499
<b>Total</b> ..	<b>1,483,933</b>

Mean annual number of marriages during 1911—21      148,393

6. As the population is estimated to have increased by nine per cent since 1921, the total number has been taken in the report at 150,000.

<sup>1</sup>See paragraph 224 of the Report.

**NOTE O.**

**Specimen Forms of Hundis.**

1" With compliments from Messrs. Dari-Mal Ram Chand to Messrs. Gandu Mal-Sant Ram. We draw this hundi upon ourselves for a sum of Rs. 2,400, whose half is Rs. 1,200, the said amount being payable to Messrs. Gandu Mal-Sant Ram of Amritsar after 180 days from this day of Phagan 11th, Sambat 1986, in Amritsar. (Sd.) Badri Mal of Amritsar."

2" With compliments from Messrs. Ram Chand-Ram Narain of Amritsar to Messrs. Harnam Das-Nand Lal of Delhi. We draw this hundi upon you for a sum of Rs. 2,400, whose one-half is Rs. 1,200, the said sum being payable to Messrs. Pokhar Mal-Parmeshri Das of Delhi. Please satisfy yourselves about the antecedents of the holder thereof before making payment. Dated Amritsar, Phagan 11th, 1986. (Sd.) Ram Chand- Ram Narain of Amritsar."

LUDHIANA,  
1st April 1930.

Rs. 5,000.

91 (ninety-one) days after date *without grace* we jointly and severally promise to pay to Messrs. Lakhi Mal-Karori Mal or their order at Ludhiana the sum of rupees five thousand only for value received.

- (1) HAZARI MAL.
- (2) LAKHPATRAI.

Accepted. Payable at  
IMPERIAL BANK OF INDIA,

Ludhiana Branch.

- (1) HAZARI MAL
- (2) LAKHPATRAI.

1st April 1930.

Pay to the Imperial Bank of India or order.

LAKHIMAL KARORIMAL.

LUDHIANA,  
1st April 1930.

Rs. 5,000.

91 (ninety-one) days after date please pay to the Imperial Bank of

India or order at their office at Lahore the sum of rupees five thousand only for value received.

HAZARI MAL-LAKHPATRAI.

To MESSRS. LAKHI MAL-KARORI MAL.

*Commission Agents, Akbarimandi, Lahore.*

Accepted. Payable at

IMPERIAL BANK OF INDIA.

Lahore Branch.

LAKHIMAL-KARORIMAL,

3rd April 1930,

5

LUDHIANA,

1st April 1930,

Rs. 5,000.

91 (ninety-one) days after date *without grace* please pay to our order at Ludhiana the sum of rupees five thousand only for value received.

LAKHI MAL-KARORI MAL.

To MESSRS. HAZARI MAL-LAKHPATRAI.

*Commission Agents, Grain Market, Ludhiana.*

Accepted. Payable at

IMPERIAL BANK OF INDIA,

Ludhiana Branch

HAZARI MAL-LAKHPATRAI,

1st April 1930.

Pay to the Imperial Bank of India or their order.

LAKHIMAL-KARORIMAL.

### Specimen Form of Pro-note.

Drafted in favour of respected Bhai Ram Lal-Harbans Lal of Ludhiana. Greetings from Prem Chand. Received a loan of Rs. 500 (rupees five hundred only) from you through Radha Kishan, broker. Rate of interest 8 annas per cent. The amount will be paid when demanded.

Stamp worth 4 annas.



## NOTE P.

### Selected Punjab Industries.

This note includes reports on the following industries :—

- (1) The Lyallpur Factories (Ginning, etc.).
- (2) The Iron Foundries of Batala and Ambala (p. 279).
- (3) The Sports Gear Industry of Sialkot (p. 232).
- (4) The Cutlery Industry of Wazirabad, Nizamabad, and Bhera (p. 284).
- (5) The Hardware Industry of Gujranwala (p. 287).
- (6) The Handloom Weaving Industry (p. 291).
- (7) Handloom Weavers (Special Village Inquiries) (p. 299).
- (8) The Tanning Industry (p. 301).
- (9) Village Tanners (Special Inquiry in Sialkot) (p. 302)
- (10) Shoemakers—Special Village Inquiries (p. 306).

#### PART I.—THE COTTON-GINNING, OIL-MILLING, ICE-MAKING AND FLOUR-MILLING FACTORIES OF LYALLPUR.<sup>1</sup>

A statement showing the amount invested in these factories is attached. It will be observed that ice-making plants are installed, in three factories. In two of the three, cotton ginning and pressing and in one, flour milling form the main industry of the factory. The capital investment in these industries cannot therefore be treated as separate from the total investment in the factories. The figures relating to the ice plants and the buildings in which they are installed have, however, been indicated separately.

Similarly oil-milling plants are installed in five factories. In four of these, cotton-ginning and pressing, and in the fifth, flour milling, are the main industry. The figures relating to the oil plants and buildings in which they are installed have been given separately, though the factories have to be considered as single units.

No loans have been taken from the joint stock banks on account of capital investment, but it is estimated that from 60 to 70 per cent of the working capital is borrowed from them.

The amount borrowed from Mahajans is negligible. Two cotton-ginning factories have taken small loans for short periods to meet working expenses.

The cotton-ginning industry is also financed to a certain extent by the middlemen, in the sense that in the first instance the middlemen purchase all the raw cotton brought to the market and pay the seller the price on behalf of the factory-owner, who is allowed five days free of interest for payment.

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<sup>1</sup>Note (abridged and arranged) submitted by the Industrial Surveyor of Lahore.

The commission agent charges a commission of eight annas per cent. Failing payment on the expiry of the period of grace, the factory-owner is required to execute a pro-note for the amount due and to pay interest at the rate of 9 to 12 per cent. Ordinarily such accounts are cleared at the close of the season. The middlemen thus play an important role in the financing of the cotton-ginning industry. There are no complaints against the dealings of the middlemen, and their organization is considered indispensable by the factory-owners.

The joint stock banks advance loans against block investment as well as stocks, but prefer advances against stocks. Loans against block investment are made up to 20 to 30 per cent of the estimated value of the property and machinery offered. Before the slump in the cotton-ginning industry, which dates from 1926, they were made up to 50 per cent of value.

Loans against stock are made up to about 60 to 70 per cent of value. It is a general complaint that the Imperial Bank of India does not offer the same rates and facilities to Indian firms as to English firms.

Joint stock banks commonly charge 9 to 12 per cent according to the credit of the borrowing firms.

The rate of interest charged by the joint stock banks and the Mahajans for forms of business other than cotton ginning, flour milling, oil milling, and ice making do not differ.

No difficulty is experienced in obtaining sufficient capital, though the action of the joint stock banks in demanding greater security since 1926 has caused some inconvenience.

Certain other charges are levied which tend to raise the nominal rate of interest, thus :—

Miscellaneous charges.

- (1) *Charges on account of supervision*—When a joint stock bank makes an advance against stocks, it appoints a supervisor and a chaukidar to watch the stocks and to see that they do not fall short of the quantity offered as security. The pay of the supervisor and the chaukidar, which amounts to Rs. 50 and Rs. 18 per mensem, respectively, is realized from the borrower. Several instances were quoted in which banks, while lending money to a number of concerns at one station, actually appointed only one supervisor and charged all factories at the rate of Rs. 50 per mensem on account of his salary.
- (2) *Correspondence charges*—The expenses incurred by the supervisor on account of correspondence with the bank are borne by the borrower. The expenditure on this account amounts to about Rs. 5 per mensem.

(3) *Inspection charges*—Some banks periodically get the property mortgaged, inspected by their inspector. The expenses incurred in this connexion, which come to about Rs. 10 to 13, are also borne by the factory-owner. Thus, on a loan of Rs. 20,000 the interest charges come to Rs. 150 per mensem when the rate of interest charged is 9 per cent per annum, and expenses on account of supervision alone amount to Rs. 73 per mensem, which virtually raises the rate of interest to about 13.5 per cent. It is, however, evident that the incidence of these charges and their effect on the rate of interest diminishes as the amount of loan increases.

There is also a general complaint that the joint stock banks arrange amongst themselves to accept hundis only on certain firms in a locality to the exclusion of others, with a view to charging a higher rate of discount.

Goods are sold either to local purchasers or at the ports.

For local sales the practice is for the buyer, who is either a local man or a representative of a foreign firm, to settle the price personally. Such a settlement is always ex-factory godown. No marketing charges arise in such cases.

As regards selling at ports, goods are forwarded by the factory-owners themselves to the commission agents at Karachi and Bombay, who stock them in their godowns. Factory-owners at the same time send one of their representatives to the port to keep them informed of the latest quotations. When the quotation suits the factory-owner, he instructs his representative to sell. This is done through a commission agent.

The charges involved in selling at the ports are (1) godown rent, (2) salary of the representative, and (3) commission of the agent. None of these charges is considered excessive or avoidable.

Name of factory.	Industries carried on.	Investment on cotton-ginning and pressing factory (inclusive of investment on buildings).	Investment in oil-milling plant.	Investment in ice-making plant.	Investment in flour-milling plant (inclusive of investment in buildings).	Total amount invested in factory.
1	2	3	4	5	6	7
		Rs.	Rs.	Rs.	Rs.	Rs.
Jamna Das Potdhar Cotton-ginning and Pressing Factory. <sup>1</sup>	Cotton-ginning and pressing ..	2,00,000	..	..	..	2,00,000
Dhanpat Mal-Jwaladas Cotton-ginning and Pressing Factory.	Ditto ..	1,55,000	..	..	..	1,55,000
Malik Mathra Das Cotton-ginning and Pressing Factory.	Cotton-ginning and pressing, ice-making and oil-milling.	2,17,000	16,000	96,000	..	3,29,000
Kirpa Ram-Brij Lal Cotton-ginning and Pressing Factory.	Cotton-ginning and pressing ..	1,25,000	..	..	..	1,25,000
Gopal Shah-Nathu Mal Cotton-ginning and Pressing Factory. <sup>1</sup>	Ditto ..	1,39,000	..	..	..	1,39,000
Kishan Singh-Mahn Singh Cotton-ginning Factory.	Cotton-ginning ..	60,000	..	..	..	60,000
Ram Mal-Lilu Shah Cotton-ginning Factory.	Ditto ..	22,000	..	..	..	22,000

<sup>1</sup> Cotton-ginning	..	..	..	13
Flour-milling	..	..	..	3
Ice-making	..	..	..	3
Oil-milling	..	..	..	5

Name of factory.	Industries carried on.	Investment on cotton-ginning and pressing factory (inclusive of investment on buildings).	Investment in oil-milling plant.	Investment in ice-making plant.	Investment in flour-milling plant (inclusive of investment in buildings).	Total amount invested in factory.
1	2	3	4	5	6	7
		Rs.	Rs.	Rs.	Rs.	Rs.
Mian Muhammad-Allah Bakhsh Cotton-ginning and Pressing Factory (Two factories).	Cotton-ginning and pressing, ice-making and oil-milling.	1,35,000 <i>plus</i> 50,000	30,000	20,000	..	2,35,000
Mian Muhammad Ismail-Maula Bakhsh Cotton-ginning and Pressing Factories.	Cotton-ginning and oil-milling	66,000	20,000 Not working.	..	..	86,000
Ganga Sahai Cotton-ginning and Pressing Factory.	Cotton-ginning and pressing ..	1,25,000	..	Not working	..	1,25,000
Dhanpat Mal-Bhagwan Das Cotton-ginning and Pressing Factory.	Cotton-ginning and pressing and oil-milling.	1,26,000	34,000	..	..	1,60,000
Diwan Chand Flour Mills and Ice Factory.	1. Flour-milling ; 2. Ice-making ; and 3. Oil-milling.	..	40,000	10,000	75,000	1,25,000
Ganesh Flour Mills ..	Flour-milling ..	..	..	..	16,00,000	16,00,000
Colony Flour Mills ..	Ditto ..	..	..	..	3,50,000	3,50,000
	GRAND TOTAL ..	14,20,000	1,40,000	1,26,000	20,25,000	37,11,000

PART 2.—THE IRON FOUNDRIES OF BATALA AND AMBALA—

*Batala.*<sup>1</sup>

There are 25 iron foundries and workshops engaged in the manufacture of sugarcane presses, agricultural implements and parts of machinery. Of these, nine are located in the factories owned by the factory proprietors, 11 are built on plots leased for long periods, and the remaining five are situated in hired buildings. The total amount of capital invested in these foundries (at present value) is estimated at Rs. 3,86,825 as under :—

	Rs.
Land .. .. .	18,925
Buildings .. .. .	1,09,800
Machinery .. .. .	1,34,900
Capital in business, <i>i.e.</i> , working capital ..	1,23,200
	3,86,825
Total ..	3,86,825

Of this capital, Rs. 1,02,100 is borrowed from—

	Rs.
(a) Joint stock banks .. .. .	<i>Nil</i>
(b) Mahajans .. .. .	1,00,100
(c) Other sources .. .. .	2,000

The money borrowed from Mahajans has been borrowed on the following terms :—

- (a) *Security*—  
property ;  
hundis ;  
pro-notes ; and  
credit sale system.
- (b) *Interest rates (per annum)*—  
(i) against security of property duly mortgaged from 8½ to 15 per cent ;  
(ii) hundis 9 to 21 per cent ;  
(iii) pro-notes 12 to 21 per cent. ; and  
(iv) credit sale system 7½ per cent.
- (c) *Period.*—Money is generally borrowed for the working season, *i.e.*, May to December.

The rates commonly charged by the bankers in connection with other forms of business are practically the same.

The business of these foundries is certainly hampered by—

- (a) difficulty in obtaining sufficient capital ;
- (b) high interest charges ; and
- (c) absence of banking facilities.

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<sup>1</sup>Note (arranged) submitted by the Industrial Surveyor, Amritsar.

The joint stock banks are reported to advance loans for 3 months only, a period which is insufficient for a foundry-owner who wants to borrow money for the season, *i.e.*, at least 7 months (May to December); and for this reason, coupled with the complicated and inconvenient routine followed by them in the advance of loans, no one prefers to go to a bank for borrowing money even at a low rate of interest, *i.e.*, 9 to 15 per cent against 9 to 24 per cent charged by Mahajans.

*Ambala.*<sup>1</sup>

There are only two foundries in Ambala. These are the Ravi Varma Steel Works and the Shankar Iron Works. The former will be described first.

The factory is working for the last six years. A sum of Rs. 29,800 has been invested in the business as detailed below :—

	Rs.
Land and building .. .. .	5,500
Machinery .. .. .	5,000
Working capital .. .. .	19,300

Of this capital, Rs. 14,000 has been borrowed from—

	Rs.
(a) Joint stock banks .. .. .	6,000
(b) Mahajans .. .. .	<i>Nil.</i>
(c) Other sources <sup>2</sup> .. .. .	8,000

2. The money is borrowed on the following terms :—

- (a) personal security of the proprietor ;
- (b) the rate of interest charged by the joint stock banks is 10 per cent per annum and on that borrowed from private sources 5 per cent. The interest paid on deposits is also 5 per cent per annum ; and
- (c) the firm has borrowed Rs. 2,000 from the bank for a period of one year and has also been permitted by the bank to overdraw to the extent of another sum of Rs. 4,000 when necessary. There is a limit of period as to the money borrowed from other sources. As regards deposits, the firm is required to pay them on demand.

3. The rate of interest charged by joint stock banks on other forms of business is practically the same, whereas that charged by Mahajans ranges from 12 to 18 per cent per annum.

<sup>1</sup> Note (arranged) submitted by the Industrial Surveyor, Ludhiana.

<sup>2</sup> This includes Rs. 6,000 borrowed from the father of the proprietor and Rs. 2,000 as deposits by private individuals.

4. (a) The firm experiences difficulty in obtaining sufficient capital for the development of the industry. The proprietor cannot borrow more than Rs. 6,000 from the bank without giving his property as security.

(b) The proprietor states that the margin of profit in the iron foundry is not so great as to leave any appreciable margin of profit after paying the high rate of interest of 10 per cent to the bank.

The factory was established in 1927 and began operations towards the close of 1928. About Rs. 52,000 has been invested in the business as detailed below :—

	Rs.
Land and building .. .. .	21,000
Machinery .. .. .	18,000
Stock and stores .. .. .	13,000

No part of this has been borrowed.

The work of the firm is being hampered for want of sufficient capital. The factory has been built to undertake work on a large scale. In order to work the plant at its full capacity, a further investment of Rs. 30,000 as detailed below is considered necessary :—

	Rs.
Purchase of land for godowns .. .. .	5,000
Purchase of machinery .. .. .	5,000
Working capital .. .. .	20,000

The proprietor states that he can borrow this amount from the local market at  $7\frac{1}{2}$  per cent. The rate of interest charged by the joint stock banks is 9 per cent, and these loans are granted for a fixed period not exceeding six months. He is of the opinion that the loans granted under the Punjab Industrial Loans Act are the best means of encouraging the industry in its early stages, and he has therefore submitted an application for the grant of a loan of Rs. 30,000 under the Act.

#### *Comparison of the Foundry Industry at Batala and Ambala.*

Most of the working capital invested in the industry at Batala has been borrowed from the Mahajans at heavy rates of interest ranging from  $8\frac{1}{2}$  to 21 per cent, whereas at Ambala a large amount of capital has been invested by the proprietors and a comparatively small amount has been borrowed. The proprietor of the Shankar Iron Works, Ambala City, is unwilling to borrow from joint stock banks for further extensions as he considers the rate of interest charged by them (9 per cent) too high to leave a fair margin of profit. About half the capital invested in the Ravi Steel Works, Ambala



Cantonment, has been borrowed, but at much lower rates of interest than those paid by the foundry-owners at Batala, *viz.*, at 5 per cent on Rs. 8,000 and at 10 per cent on Rs. 6,000.

The foundry industry at Batala flourishes in spite of the high rates of interest because more than 75 per cent of the owners of the foundries are blacksmiths who run them themselves with the help of their relatives and members of their families. Their standard of living is very low, and they are content if they can earn a reasonable living wage. At Ambala, on the other hand, the industry is organized by capitalists who have to keep paid managers, engineers, turners, moulders, etc. This increases their overhead charges, and, unless they use their own money or pay a comparatively low rate of interest, it is difficult for them to make the industry a commercial success.

### PART 3.—THE SPORTS GEAR INDUSTRY OF SIALKOT.<sup>1</sup>

The manufacture of sports goods in the Sialkot district is carried on by three distinct agencies, *viz.* :—

- (a) manufacturers and dealers ;
- (b) middlemen ; and
- (c) mistris, *i.e.*, manufacturers only.

This class consists of firms who manufacture goods and deal directly with the public. There are, however, only three firms that are engaged in the manufacture of all branches of sports gear. *Manufacturers and dealers.* The rest, numbering about 25, have specialized in one or two branches, such as tennis rackets, hockey sticks, football covers, cricket balls, polo sticks, tennis, gut, and so on.

These form a very important factor in the trade and are doing a very large amount of business. Many are insignificant, but those who are carrying on a fairly good business are about 70 in number. They manufacture nothing themselves, though, in their advertisements, they profess to be manufacturers. They advertise extensively by illustrated catalogues both in India and abroad and by sending out travelling agents. Some have opened up branches in different parts of India and foreign countries. They do not incur much capital expenditure. The various articles of sports have been standardized to a great extent in different qualities, according to the material used and their finish. There is not much difference in workmanship except in the patented articles. The majority of the workers are highly skilled. These dealers generally keep one set of samples with them. A few keep some stock also. On receiving orders, some supply from their own

<sup>1</sup>Note (abridged and arranged) submitted by the Industrial Surveyor, Sialkot.

stock, but many purchase them from the local manufacturers or get them manufactured, according to the samples for which orders have been received, by the mistris who work independently in their homes. After stamping these goods with their names and qualities, they carry out the orders. The initial investment of this class consists of the samples made and the expenses incurred for catalogues and advertisements.

These form the largest number and are the backbone of the trade.

**Mistria.** They number over 400, and each employs several workers or apprentices to help him.

They are engaged in the manufacture of different articles, and each has specialized in one branch or another. They supply articles to the middlemen referred to above. A few, besides supplying the local dealers, have begun to do inland and foreign business. They all work in their own houses or rented buildings and book orders from the local dealers and middlemen. This class is rapidly increasing, and there is a cut-throat competition among them in the market. Their capital expenditure consists only of implements and tools, which do not cost much. The working capital consists of raw material purchased in varying quantities.

The total investment in this industry may be classified in round figures, thus :—

Capital invested.

			Rs. (lakhs).
Capital expenditure	..	..	6
Working capital	..	..	30
			—
	Total	..	36
			—

Out of this, about 2 lakhs has been borrowed from joint stock banks and 8 lakhs from Mahajans, and Rs. 15,000 has been advanced by Government to two tennis gut manufacturing firms.

The joint stock banks have advanced their loans against (i) immovable property, (ii) bills of exchange, and (iii) personal security and goodwill.

They usually charge from 9 to 12 per cent, and in very few cases only 7½ per cent. No limit of time has been fixed in any of these cases.

There is no appreciable difference between the rate of interest charged by the joint stock banks and Mahajans from the firms or persons engaged in the manufacture of sports gear and that charged from those engaged in other forms of business. The rate of interest depends upon the nature of the security offered. To mistris who possess no immovable property, the banks advance nothing. The Mahajans or other money-lenders charge them from 24 to 36 per cent. In a few cases interest is charged up to 75 per cent, but this has nothing to do with the nature of industry : it is due to lack of personal credit.

There is great difficulty in obtaining sufficient capital, and this is hampering business. The joint stock banks are very cautious in advancing loans, and advance a very small sum even against immovable property such as houses. The money-lenders take advantage of this and usually charge from 18 to 24 per cent against such security, advancing up to 10 or 15 thousand rupees.

Besides the lack of banking facilities, there is a great dearth of facilities for foreign trade. The export trade in sports gear is increasing every day. The People's Bank of Northern India has no foreign connexions and generally does not accept foreign drafts or cheques. The Punjab National Bank has foreign connexions, but its charges (about 3 annas per £1 on a draft or cheque) are very high as compared with the exchange banks at Bombay. The facilities provided by the Imperial Bank of India are only available to a limited number.

#### PART 4.—THE CUTLERY INDUSTRY OF WAZIRABAD, NIZAMABAD, AND BHERA.<sup>1</sup>

The manufacture of cutlery in the Punjab is mainly carried on at Wazirabad, Nizamabad, and Bhera. The general condition of the workers engaged in this industry is practically the same at each centre. A detailed account of conditions prevailing at these places is given below :—

##### *Nizamabad and Wazirabad.*

At Nizamabad and Wazirabad the manufacture of cutlery is mainly carried on by Muhammadans of various castes such as Lohar, Kashmiri, Mochi, Barwala and Teli. A majority of the workmen are uneducated and follow the time-worn methods of manufacture. They are poor and indebted to local dealers and money-lenders. The amount of debt in many individual cases ranges from Rs. 300 to Rs. 800. The debt is either incurred on account of expenditure in connexion with litigation and ceremonial purposes such as marriages, births and deaths or for subsistence during the slack seasons. The manufacture of cutting instruments as practised by the cottage workers does not require a large investment of capital and can be easily carried on with an initial investment of Rs. 20 or Rs. 30.

This industry is the sole support of workmen who have no other supplementary source of income. The work is carried on all the year round. During the rainy season in July and August the market is dull, and the work is slack.

The industry received a severe set-back after the close of the war. On account of dull conditions prevailing in the market, due mostly to foreign competition, the cottage workers do not get enough work to keep them busy for all the days in the month. On an average, they work

<sup>1</sup>Note (arranged) submitted by the Industrial Surveyor, Ludhiana.

for eighteen to twenty days in the month. Their earnings are just sufficient to meet the ordinary expenses of daily life and they cannot save much to make provision for slack season and other exigencies. The result is that they have either to take advances from the local dealers and factory-owners or to borrow money from the money-lending classes.

The amount of advance taken from the factory-owner varies in an individual case from Rs. 50 to Rs. 300. Almost all the skilled workmen who work in factories as paid labourers take advances from the factory-owners. No-interest is charged on these advances by the factory-owners as they are made with a view to binding the workmen to the factory. Such advances are recovered by small periodical deductions from the earnings of the workmen. If a workman wishes to leave the firm from whom he has taken an advance, he is required to repay it before he is allowed to work for another firm.

Workmen have to pay a heavy rate of interest on loans taken from the money-lending classes. The rate of interest varies from Re. 1-8-0 to Rs. 3 per cent per mensem according to the social status and the credit of the borrower. Generally the loans are advanced without security, but in certain cases the residential houses of the debtors are also held as security. The debtor receives the full amount of the loan at the time of borrowing and no deductions are made from the principal.

A workman who has once incurred a debt can seldom free himself from the clutches of the money-lender. He can only with great difficulty repay the interest on the loan; in some cases he is not even able to pay the interest, which accumulates and is added to the amount of the principal. If the debtor is not able to repay the loan for some time, the money-lender files a civil suit, which in some cases leads to the attachment of the property of the debtor.

There is no arrangement for the marketing of goods manufactured by cottage workers. They have to sell these either to local factory-owners or to middlemen. To improve the condition of cottage workers, what is wanted is a series of co-operative organizations to help them to sell their goods, arrange the supply of raw material, and free them from the clutches of money-lenders.

The majority of workers work in crowded, insanitary, dingy and unsuitable dwellings. They are not acquainted with the principles of hygiene and laws of sanitation. The atmosphere of the workshops, especially that of the grinding-rooms, is filled with fine particles of silica and steel. The operatives are unaware of the evil consequences caused to their lungs by the inhalation of these particles and take no precautions to guard themselves against them.

There are no fixed hours of work in the factories. The workers are generally engaged on the piece-wage system, and are at liberty to work when they please, unless there is unusual pressure. As a rule, they work between sunrise and sunset, and their total daily hours of

work do not exceed eleven. The cottage workers work longer than those employed in factories and, when there is pressure, remain busy for fourteen hours a day.

The following table gives a rough idea of the wages paid in factories :—

Nature of work.	Daily wages.			
	Rs.	A.	P.	to Rs. A. P.
1. Forgers .. .. .	2	0	0	to 2 8 0
2. Grinders and polishers .. .. .	2	8	0	to 4 0 0
3. Expert workmen who file the blades and fit them to hafts .. .. .	1	8	0	to 2 0 0
4. Ordinary workmen who file the blades and fit them to hafts .. .. .	0	12	0	to 1 4 0
5. Coolies employed on driving wheels .. .. .	0	10	0	to 0 14 0
6. Bellowsmen .. .. .	0	6	0	to 0 8 0

The general condition of forgers and grinders is better than that of the workers employed in other branches of the industry, and they are generally free from debt.

#### *Bhera.*

The condition of workers at Bhera does not materially differ from that of the workers at Wazirabad and Nizamabad. They are Awan by caste and live together in one mohalla, and are either employed in local factories or work in their own houses. They do not receive advances from factory-owners like those at Wazirabad and Nizamabad. Their daily earnings range between Re. 0-12-0 and Re. 1-8-0. The industry is their sole support, and they have no other source of income.

They are indebted to money-lenders, the debt in individual cases ranging from Rs. 200 to Rs. 1,000. The debts are incurred for the same purposes as those stated in the case of the workers at Nizamabad and Wazirabad. The rate of interest is Re. 1-9-0 to Rs. 3-2-0 per cent per mensem. The borrower does not receive the full amount of the loan at the time of borrowing, for two months' interest is deducted.

#### *Surgical Instruments.*

The manufacturers of surgical instruments are mainly Muham-madans, the majority being Lohars, Arains and Sheikhs. They are illiterate and receive no regular training in their art. Their knowledge is based on their long association with the industry. They are financially better off than the artisans employed in the manufacture of cutlery

at Wazirabad and Nizamabad. From enquiries made from the workers at Sialkot, it appears that they are not indebted to money-lending classes. When they stand in need of money for ceremonial purposes such as marriages, births, etc., they get advances from the factory-owners under whom they work. No interest is charged by the factory-owners on advances of this nature. An important feature of this industry is that the workers find work throughout the year and are seldom unemployed. Wages are as follows:—

Nature of work.						Monthly wages of skilled workmen.	
						<i>Minimum and maximum.</i>	
						Rs.	Rs.
Forging	..	..	..	..	..	35 to	50
Filing	..	..	..	..	..	20 to	50
Hardening and tempering	..	..	..	..	..	35 to	50
Grinding	..	..	..	..	..	20 to	30
Sharpening	..	..	..	..	..	35 to	50
Polishing	..	..	..	..	..	20 to	30
Nickel-plating	..	..	..	..	..	25 to	30
						<i>Unskilled workmen.</i>	
Coolies	..	..	..	..	..	10 annas daily.	
Bellowsmen	..	..	..	..	..	2 to 6 annas daily.	
Hammermen	..	..	..	..	..	10 annas to Re. 1-4-0 daily.	
Apprentices	..	..	..	..	..	Re. 5 to Rs. 15 per mensem.	

The operatives are required to work eight or nine hours a day. When they work for longer hours, they are paid overtime, which aggregates about 10 to 15 per cent above their ordinary earnings. As a rule, they do not work for more than eleven hours a day.

#### PART 5.—THE HARDWARE INDUSTRY OF GUJRANWALA.<sup>1</sup>

The hardware industry of Gujranwala comprises the manufacture of iron safes and almirahs, aluminium hollow-ware, copper and brass-ware and Persian-wheels. The iron safe, almirah and aluminium hollow-ware making industries can hardly be considered as cottage industries as they are being run on regular organized factory lines. The workers in these industries are, as a rule, employed on monthly wages, but in a few cases labourers are engaged on the piece-wage system as well.

<sup>1</sup>Note (arranged) submitted by the Industrial Surveyor, Lahore.

The wages of skilled workers in the iron safe and almirah making and aluminium hollow-ware making industries range between Rs. 45 to Rs. 90 per mensem according to the skill and experience of the workers. The majority of them are free from debt, but in certain cases debts are incurred in connexion with marriages, deaths, etc. The comparative absence of indebtedness among workers as well as among the proprietors of small workshops is in a measure due to the fact that the work is carried on throughout the year without a break. The workers, though free from indebtedness as a whole, are by no means in affluent circumstances on account of low wages and the absence of the habit of saving. Any balance left with them after the necessities of life are provided for goes towards expenditure on luxuries, such as indulgence in costly garments and visits to cinema shows, etc. A fair proportion of their income is swallowed up in gambling. In some cases more than a third of their monthly earnings is lost in this way.

A majority of the dealers are capitalists themselves, but their capital resources are always supplemented by the joint stock banks. From amongst the cases examined by me, I did not come across a single instance in which the concerns had been financed by Mahajans. This is mainly due to the high rates of interest demanded by the Mahajans. The joint stock banks advance money only against immovable property, and very seldom against stocks, a difficulty which handicaps the manufacturers considerably. The rate of interest charged ranges between 9 to 12 per cent, the latter being the commoner of the two. Raw material like metal sheets and slabs is imported from Bombay and Calcutta. The wholesale dealers of these places generally allow thirty to ninety days' grace according to the credit of the dealers for the payment of their bills. The local wholesale dealers too allow some credit to the manufacturers. It is estimated that the total capital invested in the iron safe and almirah industries at Gujranwala is about four lakhs, and in the aluminium hollow-ware industry about one lakh.

Raw material for both the industries is imported from distant provinces, iron and steel from Tata's and the aluminium sheets, which are of foreign origin, from Bombay. A few days' credit is given by Tata's local agent to the dealers.

Finished goods of both the industries find a ready market in the province. Iron safes and almirahs are also exported to other provinces. The common method of advertisement and marketing is to display the goods at the shops at Gujranwala, but of late some manufacturers have begun to send out commercial travellers. A couple of firms have appointed agents in important towns such as Lahore and Amritsar. There is a keen demand for aluminium hollow-ware all over the province, and this is mostly met from Gujranwala, where the industry has become centralized. Due to the very keen local

competition, the profits of the manufacturers have been reduced to a minimum, and that may be a possible explanation of the unscrupulous methods of marketing adopted by some of the dealers. Iron safes, which are sold by weight, are very often padded with iron cuttings to increase their weight. The condition of the aluminium hollow-ware industry can be judged from the fact that, during the last year, two out of six factories have closed down, while another is showing signs of failure. The rates of profits earned by the factory-owners range between  $2\frac{1}{2}$  and  $3\frac{1}{2}$  per cent, whereas those in the iron safe making industry range between 8 and 15 per cent.

#### *Copper and Brass-ware.*

The copper- and brass-ware industry of Gujranwala is in the hands of *kaseras* (dealers in utensils). Their number in the town is about 20, and it is estimated that a capital of about  $4\frac{1}{2}$  lakhs is invested in the industry. The *kaseras* mainly finance their concerns themselves. Loans are sometimes taken from joint stock banks, but loans from other sources are preferred. The rate of interest charged by joint stock banks varies from 9 to 12 per cent, and by Mahajans from 15 to 24 per cent.

The actual workers in the brass- and copper-ware industry are *thathiars*, who are engaged by the *kaseras* for the manufacture of these wares. Like the workers in the iron safe industry, the *thathiars* receive advances of Rs. 200 or Rs. 300 from the *kaseras*. In case of a breach of the agreement, the *thathiar* is liable to refund the balance of the advance. Very often the law courts are resorted to for its recovery.

The *thathiars* are only supplied with their metal raw materials and are required to deliver the finished wares. To meet the expenditure for other materials used in the manufacture such as coal, wax, solder, etc., they always get a fair portion of wages, generally half, in advance. From the cases examined, it appears that the earnings of the *thathiars* range between Rs. 40 to Rs. 80 per mensem, according to the skill of the worker. The *thathiars* very often take loans from sahlukars to meet the expenditure in connexion with social observances like marriages and deaths. The rate of interest charged on loans of this nature is sometimes as high as 30 per cent. No debts are, however, incurred for productive purposes. Savings are also unknown to these people. It is estimated that about one-fourth of the income of the *thathiars* is spent on drink, a habit which is unfortunately fairly common with this class of workers.

The utensil wares manufactured at Gujranwala are exported to most parts of the northern Punjab by the *kaseras*. No organized agency for the distribution of these products exists in Gujranwala, but, as the town is well known for these wares, retail dealers from all over the province pay visits to that place for their requirements. Decent profits ranging from  $6\frac{1}{2}$  to  $12\frac{1}{2}$  per cent are earned by the middlemen.



*Persian-wheels.*

The making of Persian-wheels, etc., is in the hands of the workers themselves. They do not hold large stocks either of the raw material or of the manufactured goods. The joint stock banks and the Mahajans do not finance them because of the absence of suitable security. Generally the wholesale dealers in raw material like steel and galvanized-iron sheets give out the material on credit and get the money as soon as the manufactured goods are disposed of. Interest is charged on the balance of the outstanding amount at varying rates, which is sometimes as high as 15 per cent per annum. From the cases examined, it appears that earnings average about Rs. 30 per mensem. The manufactured goods are generally sold to the zemindars of the neighbourhood. More often the manufacturers of the goods themselves go to the agriculturists to sell their wares.

*Suggestions for Improvement.*

It has been pointed out that there is no organized agency for the marketing of the products of the Gujranwala hardware manufacturers. The industrialists cannot themselves undertake this huge task partly because of the low rates of profits earned by them, and partly owing to the lack of the spirit of co-operation. One way of helping them, which would be greatly appreciated, would be to hold industrial fairs every year in some important town. This would tend to bring the manufacturers into closer touch with the consumers and *vice versa*. The average artisan is very backward, mainly owing to his conservatism, lack of ambition and inability to appreciate a higher standard of living. The crying need of the industrial population is the provision of greater facilities for education. No doubt provision has been made to impart training in industrial schools, but few artisans in the hardware industry at Gujranwala care to send their children to them. While at home, they are put to work much too soon in order to add to the family earnings.

Improvement in the condition of the workers is not possible unless better tools and plant are employed and an economic sub-division of industrial processes introduced. It has been observed that the implements used by the *thathians* to-day are the same as were used in the eighties of the last century. There is a tendency for the establishment of small factories which should be encouraged. The problem of indebtedness among workers in these industries is a pressing one, but no means of ameliorating their condition have so far been found. The general conditions of the workers who are members of the co-operative credit societies show that workmen have not gained much in any direction. The easy terms on which money is offered them are alluring, and increased credit enables them to borrow more than they

really need for productive purposes. A large majority of artisans cannot take advantage of the industrial loans granted under the Punjab Industrial Loans Act of 1923 owing to their inability to offer adequate security. The Industries Department can help these cottage workers by enabling workers to purchase tools and plant on the hire purchase system. Much useful work can also be done by putting labour-saving devices within their reach. The processes employed by metal workers are especially susceptible of improvement. Their status could be improved and their output increased by the establishment of small auxiliary factories employing machinery to carry out operations involving much time and labour when carried out by hand. Some attempts in this direction have been made by a firm of iron safe manufacturers, but a complete equipment is still lacking. Of late the town has been electrified, and the use of electric motors for driving small machines like the blowers of the *thatiars* should be encouraged.

#### PART 6.—THE HANDLOOM WEAVING INDUSTRY<sup>1</sup>.

##### *General Condition of the Industry.*

Indeed, when we consider how many are the handicaps under which the weaver labours, a big measure of admiration must be conceded to him. For centuries he has had to contend against a serious lack of proper organization. Even to-day, despite the attempts which have been made by the Industries Department to ease his path to greater prosperity, the weaver is still struggling against adverse economic circumstances and against inherent defects in his own industrial system.

That his difficulties are not beyond remedy, however, is a matter of faith to those industrial experts who have the welfare of this great class at heart. The means of amelioration are surely not beyond the capacity of the present age of enlightened production to discover, and that they will be discovered is certain.

There have been many changes in the state of the textile as of other industries induced by various economic factors, such as the impetus given to production during the great war which brought into prominence India's need of purchasing in her own markets, and the Swadeshi movement which arose during the non-co-operation days. During the earlier portion of the past decade the number of handlooms multiplied rapidly throughout the province and several handloom factories were started by private enterprise. These continued to flourish so long as the original impetus lasted, but an economic reaction set in six or seven years ago, and the industry suffered a reverse from the return of normal conditions.

<sup>1</sup>Note submitted by the Textile Inspector, Lahore.

The opinion of the experts has become convinced that existing methods must undergo radical changes if the economic condition of the weaving classes is to be improved. A mass of evidence has accumulated, showing that there are many separate factors militating against both skilled and unskilled workers, especially on account of the competition offered by the mill industry. The weaver, with his primitive loom, cannot compete against mass production and scientific methods unless some steps are taken to improve the apparatus at his disposal, to introduce new designs according to the changing taste and to evolve a suitable machinery for marketing his goods.

#### *Statistics of Weavers in the Punjab.*

The census of 1921 gave the number of weavers as 353,248 and the total number of Julahas as 578,620. In the year 1926 the Director of Land Records estimated that the number of handloom weavers in the rural areas was 192,583, and the writer's estimate for the same year of actual workers, both in urban and rural areas, was 192,324. Even if we accept the most conservative of these calculations, the number remains sufficiently high to place the handloom weaving industry among the more important industries of the province.

#### *Castes Engaged.*

Almost all communities of various sub-castes, such as Mochis, Awans, Pathans, Bhatias and Pullarwans, Arya converts called Meghs, Dhanaks and Kohlis, Ramdasias, Kabir Panthias, Barwolas and Chamars, carry on weaving as a cottage industry in the province. The notion once prevalent amongst orthodox Hindus that this vocation is a menial one has been discarded as a result of which a number of high-caste Hindus, such as Brahmans and Khatris and others, have taken up this profession.

#### *Earning Capacities.*

The difference in proficiency is naturally reflected by their individual earning capacities. In 1926 a skilled weaver used to earn from Re. 1 to Re. 1-4-0 a day on an average, while an unskilled weaver received from 8 annas to 10 annas daily according to the quality and nature of the work done. The present scale of earnings as ascertained by me personally during my recent tours of Ludhiana, Am̄bala and Multan has come down to 10 to 14 annas for the skilled worker, and 5 to 6 annas for the unskilled weaver.

#### *Average Monthly Income of the Punjabi Weaver.*

Thus the average monthly income of a weaver calculated according to the above-mentioned scale comes to Rs. 20 and Rs. 13 during the years 1926 and 1930, respectively. This heavy decrease in the wages during the last few years has caused a disastrous effect on the industry and the labour engaged in it. It is very difficult to state with any degree of exactitude as to how long this depression will continue and

when it will end. If we take four as being the average number of members in a weaver's family, this income is nothing more than a bare subsistence wage, and keeps him and his family always just on the verge of starvation. Accordingly, there are to be encountered everywhere innumerable cases of impoverishment and permanent indebtedness.

#### *General Condition of the Weaver.*

The condition of the individual weaver is often one of misery. How much of this is due to his own fault and how much to the defects of the primitive organization of his calling is difficult to decide. It is generally known, however, that the weaver himself is conservative, ignorant, illiterate and impoverished, and that he still clings to crude and time-worn methods of production. His looms and his other implements are unscientifically constructed, yielding the minimum of results for the maximum of labour. Throughout the Punjab he is under the dominance of the capitalist, who finances the industry and to whom he is bound to sell his finished wares.

#### *Supplementary Income.*

In the rural parts of the province the weaver supplements his main income by doing odd jobs such as coolie work, by helping in the fields during harvesting operations and by taking contracts of fruit gardeners. The average extra income derived by him from such sources is small, though even that small sum is undoubtedly welcome in many a home. Cottage weavers also have other ways and means of supplementing their incomes for they do not restrict their activities strictly to weaving, but during the days when the crops are being cut and garnered they temporarily desert their looms and go out into the fields to help the peasants. In return for this, they are given various forms of remuneration in kind, such as free fuel, vegetables, corn and other field produce. Moreover, the zemindars and other more opulent rural folk often adopt the practice of supplying the weavers with their own yarn and of paying for the work done on a piece-wage system. On the other hand, a weaver residing in the urban areas solely depends for his living on this industry, and has no other supplementary source of income. He mostly works for *Ustakars* who are financed by the capitalists.

#### *Unthrifty and Unambitious.*

Normally, the handloom weaving industry in the Punjab suffers from economic stress and the tendency is to lag behind the pace of economic development. It is an undoubted fact that weavers as a class are handicapped from working on a commercial scale, and one of the principal reasons for this is that their resources are very limited. They never possess any working capital, and even in times of prosperity they save none, for they neither feel the impulse of thrift, nor do they realize that they can create opportunities for the promotion of their own business interests. Times of scarcity find them helpless and unprepared; and, in addition, they suffer themselves to remain

unorganised, and even devoid of facilities for the securing of raw material and for the disposal of their products. Temperamentally, moreover, the weaver is slothful and easy-going and he is without ambition. He is content with his small income, and he seldom aspires to undertake anything that will improve his status in life. He depends for his livelihood on such business as he can secure locally without much trouble.

#### *How the Industry is Financed.*

In the urban areas it is the *sahukar* who controls the industry ; in rural areas it is the *zemindar*. They dictate their own terms and thus eat up a good deal of the weaver's profits. The weavers are unorganised and betray a singular lack of capacity for discovering suitable markets for their products. Consequently, they have to depend to a very large extent upon the middleman for the sale of their goods. Their debts preclude the possibility of their striking out for themselves independently. The capitalists and the middlemen alike are selfish and are intent upon their own profits alone and give no assistance to the weaver to enable the latter to become self-supporting.

The supply of raw materials, *i.e.*, yarn, *etc.*, is entirely in the hands of the capitalists, who control it absolutely in each of the yarn markets in the Punjab. Their practice is to make their purchases of foreign yarn in the Amritsar market, and of Indian mill yarn either directly from the mills or from Amritsar. The dealers in the provincial centres distribute their stocks amongst the weavers either directly or through the petty shopkeepers, who either sell them at retail rates to the villagers or give them on loan for a fixed period and charge interest at the rate of 12 annas per month per cent. The tax thus levied by middlemen at so many stages adds appreciably to the price of the yarn before it reaches the hands of the weavers, and this factor ultimately affects the cost of the cloth thus produced by them and renders competition with mill-made fabrics almost impossible.

To some extent the weavers who are members of the weavers' co-operative societies are financed by the society funds ; but, as the number of weavers in such societies bears a negligible proportion to the total number of weavers in the Punjab, the rate of interest charged being not very moderate, this agency, too, has not been able to relieve the weavers from the clutches of the capitalists to any extent.

#### *Total Amount of Debt.*

From the information collected during my recent visits to some of the important weaving centres I can safely remark that almost each and every weaver in the Punjab has gone under debt. The total amount of loans mostly taken from the money-lenders by the weavers may be estimated at not less than rupees two crores. This figure includes loans taken either in cash or in the form of raw material by the weavers either for productive or for non-productive purposes. If the present

state of industry is allowed to continue for some time more, I am confident the weavers will never be able to repay their debts without undergoing humiliation and attachment of their properties if they happen to possess any. Cases of attachment among the weavers are reported to be increasing every day.

It is very difficult to work out proportion of debt to income, moreover, when they have no saving. Their monthly expenses are always more than their income, which keeps the weavers under permanent indebtedness.

#### *Estimate of Expenditure.*

The following statement shows the monthly estimated consumption of a weaver's family consisting of four members :—

	Rs.
(a) Food .. ..	10
(b) Clothing .. ..	1
(c) Ceremonies .. ..	1
(d) Miscellaneous .. ..	1
Total .. ..	13

#### *Rate of Interest.*

The rate of interest which the weavers have to pay varies from Re. 0-10-0 to Rs. 2 per cent per month according to the conditions in the market, and it depends on the status of the borrower. For instance, if a weaver borrows yarn, no interest is charged by the yarn-lender for about a fortnight, during which time either the cost of yarn be returned in cash or the manufactured article be deposited with the merchant, otherwise on the expiry of the fixed date the weaver is required to pay interest at the rate agreed upon mutually till the account is settled in full.

#### *Security for Loans.*

The money-lenders do not generally give loans without security, and charge exorbitant rates of interest. The market rate of interest for such loans is fixed between Re. 1 to Re. 1-9-0 per cent per month. It is in very few cases that the borrower is able to repay the debts out of his earnings. In the majority of cases the recoveries are made by the creditors through the courts by attachment of security or by instalments, as the case may be.

In most cases the exact amount is received by the payee, and in some cases the lender pays the loan after deducting the discount for the period of contract. Loans are advanced for fixed periods or for indefinite periods according to the desire of the borrower. The repayment is usually claimed on the expiry of the time in the case of the fixed period loans. Interest is realized at intervals of three months, six months or after one year according to the conditions settled at the time of entering into contract by the lender and the borrower.

*Payment of Wages.*

The system of payment of wages is followed differently at different places. At certain weaving centres where the weavers weave for the sahlukars on the piece-wage system the wages are generally paid in advance, and these are finally adjusted at the completion of the task. In small factories they are paid fortnightly or monthly. In certain cases a proportion of the wage is held up by the employer. In fact, there are no hard and fast rules with regard to the payment of wages.

*Marketing of the Manufactured Goods.*

The following are the few methods by means of which finished products are disposed of:—

(1) In the rural areas cloth is manufactured by the weavers mainly for the local zemindars, and only the surplus is sold to petty shopkeepers for local disposal or for export to the adjoining areas. In a few eastern districts the cloth is brought to, and sold in, the *pihs* (weekly markets).

(2) In some cases disengaged weavers and other persons purchase cloth from the petty shopkeepers and sell it by hawking in the villages or at local fairs.

(3) Some grades of cloth are supplied to contractors, who secure orders from Government or State departments and who get their requirements carried out by weavers at convenient places.

(4) In a few instances the co-operative societies are instrumental in securing orders and in having them carried out by their members.

(5) By far the most widely prevalent method, however, is that which is followed by the capitalists who own shops at all the important weaving centres in the province, and who give out work to the weavers on the piece-wage system and keep a large stock of cloth for export to places outside the province.

None of the methods described above, except in such instances as the co-operative societies are themselves instrumental in securing orders, can be admitted as sufficiently profitable from the weavers' point of view. The prevailing systems send up the price of hand-woven cloth to such a level that there remains an altogether insufficient margin for successful competition with mass production.

*Suggestions for Improvements.*

A few suggestions may now be made to indicate how the way could be opened up to the betterment of the social and economic status of the Punjab weavers—

(1) Closer co-operation should be brought about between the workers and the middlemen, who are at present playing at cross-purposes. They should be induced to form joint co-operative societies to work for their mutual benefit. The weavers by producing suitable

fabrics, and the middlemen by placing their intelligence and their capital at the disposal of the industry. Government may on their part organize these societies and help them with grants of money and general guidance, with technical advice and with other facilities which will ensure their success.

(2) Supply unions should be formed wherever necessary in the province to undertake the supply of cheap and right type of raw material through the societies. Arrangements should also be made by these societies to store cloth for sale on a commission basis.

(3) Sale depôts should be established at suitable places, and agencies should be started both in and outside the province for marketing of goods produced by the weavers. The cost of management of such depôts, at least for a few years till the societies are in a position to meet the full cost independently of Government support, should be borne by Government.

(4) The rate of interest at present charged by the co-operative societies should be reduced to the minimum.

(5) All Government requirements of cloth which can be woven on handlooms should, as far as possible, be purchased from these stores.

(6) A practical research laboratory should be started under the Department of Industries, Punjab, for the purpose of making experiments and bringing out the latest and commercial designs to suit the changing taste of the people, which should be distributed to the weavers from time to time.

(7) The burden imposed by railway freight, terminal and octroi taxes levied on both the import of raw material and the export of finished goods should be brought down to a more reasonable level so as to make it possible for all articles connected with the hand textile trade to circulate into, and out of, the market at cheaper rates.

(8) The system of weekly markets should be extended to facilitate the disposal of finished products.

(9) Industrial exhibitions should be held annually at suitable places, and on such occasions hand-woven cloth should be exhibited both for display and sale.

(10) Facilities should be provided under the Department of Industries to lease out improved looms and other implements to the weavers on easy instalments on the hire purchase system. This will enable the poor weaver to buy the latest appliances without much difficulty.

(11) Travelling demonstration parties should be organized under the Department of Industries for the purposes of affording technical advice to the weavers living in the remotest villages in the province. These parties should be entrusted with the work of leasing out improved looms and other appliances to weavers on the hire purchase system.



(12) The rules and regulations governing the grant of loans under the Punjab Industrial Loans Act should be modified in accordance with the conditions of weavers so as to enable some of the really deserving workers to derive the fullest possible benefit out of the generous financial assistance provided under the Act for the improvement of cottage industries. The following few proposals are offered for consideration :—

(i) The value of securities offered may be reduced from one and a half times to one and a quarter times ;

(ii) The present rate of interest for small loans not exceeding Rs. 500 may be reduced to the borrowing rate of Government ; and

(iii) Registration and other charges may either be brought down to the minimum, or the recipient of small loans should, if possible, be exempted from this procedure.

PART 7.—HANDLOOM WEAVERS (SPECIAL VILLAGE INQUIRIES).<sup>1</sup>

TABLE I.—EMPLOYMENT.

Serial No.	Name of village, with tehsil and district.	Number of families under inquiry.	Number of workers engaged in the industry.	Number of families who have given up the industry during the last 3 years.	Number of workers in column 5.	Number of families who have taken to the industry.	Number of workers in column 7.	Number of families dependent entirely upon weaving (with total number of their members in brackets).
1	2	3	4	5	6	7	8	9
1	Fatehabad, Tehsil Tarn Taran, District Amritsar.	30	36	7	7	..	..	30 (36)
2	Basi Ballo, Tehsil and District Hoshiarpur.	250	1,000	7	22	..	..	Not less than 200 (1,000).
3	Mohibpur, Tehsil Khushab, District Shahpur.	30	89	6	24	..	..	None.
4	Salaudhi Lalouni and Chak in Tehsil Samrala, District Ambala.	62	93	..	..	..	..	62 (350)
5	Khanewali, Tehsil Pasrur, District Sialkot.	40	66	9	10	1	1	4 (8)
	Total ..	412	1,284	29	63	1	1	296 (1,392)

NOTE.—Only six weavers (all in Basi Ballo) own land (16 acres).  
<sup>1</sup>Mvis by Industrial Inspectors of the Co-operative Department.

TABLE II.—BORROWING.

Serial No.	Name of village.	Number of families free of debt.	Amount owed by the rest.	Amount of column 4 borrowed which has been incurred for carrying on the industry.	Type of security on which loans are generally taken.	Commonest rates of interest.	Class of money-lenders dealt with.
1	2	3	4	5	6	7	8
1	Fatehabad ..	None ..	Rs. 5,905	Rs. 2,305 by 16 families.	Personal, mortgage and chattel.	(a) Personal security, 24 per cent. (b) Ornaments, 18½ per cent. (c) Mortgage of house, 12 per cent.	Co-operative society and agriculturist money-lenders.
2	Basi Ballo ..	Not more than 5 per cent are free from debt.	20,000	15,000	Personal, mortgage and chattel.	(a) Personal security, 12 to 18 per cent. (b) Mortgage, 10 to 12 per cent.	Professional money-lenders, very occasionally agriculturist money-lenders; middlemen supply yarn at Rs. 2 to 3 per bundle over the market rate.
3	Mohibpur ..	1	7,320	925	Personal ..	37½ and 12½ per cent. ..	Middlemen.
4	Salaudhi Lalouni	14	5,500	Reliable information not available.	Personal, mortgage and chattel.	18½, irrespective of security.	Co-operative society and professional money-lenders.
5	Khanewali ..	10	5,217	2,612	Personal ..	Middlemen, 9 per cent. money-lenders 18½ to 37½ per cent., irrespective of security.	Co-operative society and professional money-lenders.
	Total ..	..	43,942	20,842	..	..	..

PART 8.—THE TANNING INDUSTRY.<sup>1</sup>

Tanning is one of the most important industries of the province. As would appear from the census report of 1921, there were 1,128,704 tanners (including dependents) engaged in leather tanning mostly in villages. Their volume of business, as was determined by a special survey in 1922, was estimated at 2½ crores worth of tanned leather. These figures relate to the more important centres, and not to small villages, which were ignored. The tanners generally live from hand to mouth for the following reasons :—

- (a) their income is very meagre ; and
- (b) there is no one to finance them. The few capitalists who deal in boots and shoes and who purchase tanned leather buy their goods at very low rates and advance them money for the purchase of raw material at high rates.

Generally the tanning industry is in the hands of chamars, who are very poor. Owing to their poverty, they cannot go to any school to learn improved methods of tanning. As they are not educated, they are not in a position to develop their business or improve their trade by the study of books and journals, which contain new scientific inventions and suggestions for the improvement of the industry. The poverty of the workers, their prejudices against the adoption of new and improved methods, the competition of imported goods and the lack of organization, are the main factors which are responsible for the decline of the industry and the pitiable condition of the workers. It is due to these causes that most of the chamars (tanners) are tired of their profession and are adopting some other means for earning their livelihood.

In 1928, the Punjab Government sanctioned a village tanning demonstration party to give practical demonstration of the improved methods of tanning at the very doors of the village tanners, who have no other means of learning the latest and the scientific developments in this trade. The object of this is to give demonstrations in tanning leather on improved methods at one important centre in each tehsil of every district in the province. The party stops at each place for a period of about one month and a half. Besides giving demonstrations, the officer-in-charge of the party visits the surrounding villages and explains the objects of the party and points out to the illiterate tanners the defects of their system and how to remove them. The tanners are also allowed to work and tan their own hides at the working place of the party. This gives them an insight into the new methods, and puts them in a position to use them when the party leaves. Their use produces the following improvements :—

- (1) The tanning of a lot of hides which by country methods occupies 32 days can be reduced to 20 days.

<sup>1</sup>Note (abridged and arranged) submitted by the Officer-in-Charge of the Village Tanning Demonstration Party.

(2) The cost of raw material used in tanning one maund of hides can be reduced from Rs. 5-10-0 to Rs. 3-5-0.

(3) The quality of the goods manufactured can be improved to such an extent that the finished leather tanned in this manner will fetch Rs. 80 per maund as compared with Rs. 40 per maund for the leather tanned by indigenous methods.

But even with the adoption of improved methods, the lot of tanners cannot be bettered unless the financial aspects of the industry are improved and markets are found for the disposal of finished goods. In the Jullundur district, where the party has given demonstrations, the chamars are practically under the influence of the Khojas, who provide them with raw hides at high rates on the understanding that the finished goods will be sold through them only. The chamars have to pay in the first instance a charge of Re. 1 per maund as shop rent for finished goods brought to the Khojas for sale. The leather is then disposed of by auction or some other means, but no one comes forward to purchase the leather at a rate higher than that offered by the person who is selected by mutual arrangement. On top of this, the tanners are required to pay one anna per rupee as commission to the Khojas' society. As their financial condition is poor, they are obliged to entrust all their business to Khojas. If they do not agree to the price offered by the Khojas, they cannot take their goods back without paying the commission of one anna per rupee to the Khojas' society. To remove these difficulties co-operative societies should be formed to advance money to tanners at a reasonable rate of interest, and to arrange for the disposal of their finished goods. These societies should be established under the Department of Industries, as this is the only department which can ameliorate the condition of tanners by providing technical assistance and arranging markets for the disposal of their goods.

#### PART 9.—VILLAGE TANNERS IN SIALKOT DISTRICT (SPECIAL INQUIRY)<sup>1</sup>.

The inquiry was conducted in the following 10 villages, viz. :—

<i>Tehsils.</i>	..	..	<i>Villages.</i>
Pasrur	..	..	Kulbajwa, Mundeke Berian and Bajra.
Daska	..	..	Koreke, Jhulke, Dhedowali and Dhadoo.
Sialkot	..	..	Chaprar, Mandlianwala and Sahowali.
Families engaged in tanning		..	341
Workers—			
(a) Male	..	..	454
(b) Female	..	..	100 (round).

<sup>1</sup>Report (abridged and arranged) made by the Industrial Surveyor, Sialkot.

Free of debt .. ..	90 families (round)
	i.e. 24 per cent.
Total debt .. ..	1.54 (lakhs).
Average debt per—	
	Rs.
(a) Family .. ..	455
(b) Indebted family .. ..	618
Biggest debt .. ..	4,000
Smallest debt .. ..	50

The women chop the bark of the *kikar* (*Acacia arabica*) and pound it. No one owns land. No one keeps separate business accounts. Each family has a common purse to draw upon both for private and business purposes. It is not therefore possible to say with any degree of precision as to what proportion of the debt has been used for productive and for unproductive purposes.

Tanners generally borrow from three sources. The period of repayment usually depends on the source.

The sources are—

- (i) middlemen, i.e., Khojas known as *arhtis*.
- (ii) professional money-lenders; and
- (iii) co-operative societies.

This class has sprung up recently and has a strong hold on the tanners of the district. They buy raw hides on their own account and sell them to the tanners on credit at a rate which is slightly higher than the prevalent market rate of interest.

Middlemen.

The tanner is required to bring the tanned and finished hides for sale to the broker from whom he purchased them. The broker sends word to different customers to come and bid for the lot in the presence of the tanner. Each customer bids once, in writing. The lot goes to the highest bidder. The broker receives the amount, and, after deducting the price of his raw hides and his commission, which is generally 4 annas a hide, hands over the balance to the tanner. If the tanner does not accept the highest bid, which does not often happen, he can bring a better customer and sell him the hides.

The maximum period for a lot of ten sold in this way is generally a month and a half; this may be considered the duration of the loan, and it is the commonest form of loan.

In the case of loans taken from professional money-lenders, there is no limit of time for repayment. The money-lender prefers regular payment of his interest to payment of the principal. The tanners too are not over-ready to repay the principal, and debt once incurred is seldom wholly cleared.

Professional money-lenders.

There were two such societies in the ten villages under inquiry. In one place, Bajra, tehsil Pasrur, the majority of the members were repaying the loans according to the instalments agreed upon, three to four months after receiving the loan. At Mundeke Berian, tehsil Pasrur, the majority had failed to repay anything.

The loans are generally taken by the tanners either by pledging their ornaments or without any security at all if they have credit. Though the tanners do not own land or much immovable property, the money-lenders or middlemen are found ready to advance them considerable amounts on their personal security, the middlemen, in the form of raw hides.

The rate of interest for sums advanced against ornaments is generally 12 per cent per annum. Against personal security it varies from 18 to 36 per cent.

The middlemen charge a higher price for the hides, though pretending to sell at market rates, and also a commission. Together this comes to about 30 per cent.

Co-operative societies charge 12½ per cent.

Brokerage for hides varies with their quality. Poor hides costing only about Rs. 5 or less are generally charged from 2 to 3 annas per hide.

The high rate of interest and brokerage affect the industry prejudicially, and in the case of dealings with the middlemen nothing appreciable is left for the poor tanner.

Most village tanners are unable to hold up their goods for any length of time to get better prices. The few who are able are prospering. Out of 341 families in these ten villages over 100 have ceased to tan on their own account. Nobody would advance them anything. Formerly they were doing their own work. They now do piece-work for others or work on daily wages. Most of them get raw hides for tanning from brokers on the commission basis mentioned above. They have practically become their permanent clients, and cannot leave one broker for another. They are thus forced to buy their raw hides from the same shops and get them dearer than in the open market.

No one has given up the industry itself during the last three years. The 110 families referred to above have only ceased tanning on their own account: they still tan and are employed by others, though not continuously. The number of such workers is 200. Their condition is miserable as they do not secure work throughout the year.

In these ten villages there are twenty families (33 workers) that have begun to use some kind of improved appliance. The appliances cost them about Rs. 2,000. No part of this sum has been borrowed

In fact, only well-to-do families have taken to improved appliances. They did this about 18 months ago. Three of these families have put up new houses and all seem to live better.

The industry on the whole is declining. The chief cause of this is the appearance on the market of better tanned leather prepared by modern tanneries both Indian and foreign. The country tanned leather is not a completely tanned stuff and is very coarse and porous. The village tanner has no idea of giving his tanned leather a proper dressing and finishing. People are taking to modern shoes and for this only chrome tanned or Cawnpore leather can be used. Ordinary shoes made of country tanned leather are very coarse.

For other purposes too, such as belting, harness and soles, leather tanned by the modern tanneries is used. It is more durable, better finished and more economical.

The charsas or buckets made of leather for drawing water from the wells are being replaced by Persian-wheels.

Unless the village tanner changes his methods he will become extinct. Even those who are free of debt are mostly only making a bare living. Lacking funds, they cannot take to new methods and appliances.

The tanners in these villages belong to the Chamrang class, and most of them only do tanning business. They are all Muhammadans.

Chamars (Hindus) or Ramdasis (Sikhs) who tan elsewhere are generally partially engaged in agriculture, but these tanners do not depend at all upon agriculture as a supplementary source of income.



PART 10.—SHOEMAKERS (SPECIAL INQUIRIES).<sup>1</sup>

TABLE I—EMPLOYMENT.

Serial No.	Name of village, with tahsil and district.	Number of families under inquiry.	Number of workers engaged in the industry.	Number of families who have given up the industry during the last 3 years.	Number of workers in column 5.	Number of families who have taken to the industry.	Number of workers in column 7.	Number of families dependent upon shoemaking (with total number of their members in brackets).
1	2	3	4	5	6	7	8	9
1	Kalaswala, Tehsil Pasrur, District Sialkot.	15	30	..	..	1	1	15 (30)
2	Lilla Bharwana, Tehsil Pind Dadan Khan, District Jhelum.	22	66	..	..	..	..	22 (127)
3	Amin and Kutail of Tehsil and District Karnal.	101	115	18	26	1	1	79 (361)
	Total ..	138	211	18	26	2	2	109 (518)

<sup>1</sup>Made by three Industrial Inspectors of the Co-operative Department.

TABLE II.—BORROWING.

Serial No.	Name of village.	Number of families free of debt.	Amount owed by the rest.	Amount of column 4 borrowed for carrying on the industry.	Periods for which loans are commonly taken for carrying on the industry.	Type of security on which loans are generally taken.	Commonest rates of interest.	Class of money-lender dealt with.
1	2	3	4	5	6	7	8	9
			Rs.	Rs.				
1	Kalnawala ..	4	4,130	700	About 1 month only as most have their own capital.	Personal ..	Middlemen, 9 per cent, professional money-lenders, 10 to 16 per cent against movable property, and against personal security 24 per cent.	Middlemen and co-operative society.
2	Lilla Bharwana ..	1	6,500	6,500	3 to 5 months..	Do. ..	25 per cent. ..	Middlemen.
3	Amin and Kutall..	22	21,124	3,264	4 to 6 months when finished products sold.	Personal and house property.	18½ per cent. ..	Professional and agriculturist money-lenders and prosperous shoemakers.
	Total ..	27	31,844	10,554				

## NOTE Q.

Extract from "Some Aspects of Co-operation in Germany, Italy and Ireland 1922," pp. 190—91 (by M. L. Darling, I.C.S.).

### THE GERMAN POSTAL CHEQUE SYSTEM.

The final point to be mentioned is a system in force in Germany, adopted from Austria and Switzerland, by which any individual, firm or association can, under certain conditions, transmit money without limit of amount to any part of Germany for 10 pfennigs, now worth less than  $\frac{1}{10}$ th of a penny. All that is necessary is to open an account at a postal cheque office, of which there are 13 in Germany. This can be done by making a permanent deposit of 25 marks. The account once opened can be operated through any post office in the country. Thus, if A at Coblenz pays in 1,000 marks at his local post office for payment to B in Jena, who keeps his postal cheque office at Berlin, the post office at Coblenz sends the payment card (by which the payment is made) to Berlin. Berlin places 1,000 marks to the credit of B, and informs him by sending him a counterfoil of the payment card. The latter also records anything else which the person making the payment wishes to say, and so spares him the trouble of a separate communication. Moreover, whoever has an account can operate it by cheque, provided he does not draw more than 20,000 marks at once. On each cheque the only charge is 1 pfennig for every 100 marks drawn. Every client receives on the following morning, post free, an extract of all entries which have been made in his account the day before. In this way he always knows how his account stands. In May 1918 the number of people with accounts was 205,000, and their deposits amounted to 765 million marks. This shows its value. To a vast country like India, where banking is so imperfectly developed, a system of this kind would be invaluable, and in making money more fluid it would be of the greatest advantage to co-operate societies, to whom the transfer of money is often a matter of considerable difficulty.

## NOTE R.

### Agriculturist Money-lenders.

Two enquiries into the number of agriculturist money-lenders in the Punjab have been made by the Co-operative Department, the first in 1926-27, and the second in 1927-28. The results are summarised below by Mr. C.F. Strickland, I.C.S. (retired), who, as Registrar, Co-operative Societies, Punjab, initiated them both.

#### *The 1926-27 Enquiry.*

The number and importance of agriculturist money-lenders, *i.e.*, money-lenders who belong to the gazetted and protected tribes, has been a matter of speculation, and, in order to arrive at clearer knowledge, an enquiry was carried out by the co-operative staff of the Punjab during the cold weather of 1926-27. Co-operative employees were required, on the occasion of a visit to any village containing a co-operative society, to discover by friendly enquiry the number of money-lenders in that village who belonged to gazetted agricultural tribes. They were also to show the number of such persons belonging to each religion, and to report how many were soldiers, military pensioners or returned emigrants. So far as possible, information was obtained as to the method of account keeping which was employed, *i.e.*, in account books, or merely in the form of documents or without any written record at all. An attempt was also made to discover whether an agriculturist money-lender received by means of interest on loans a total annual income exceeding Rs. 1,000, or less than Rs. 1,000.

For the purpose of this enquiry, a money-lender was defined as "a person who takes any return in cash or kind for an advance given in cash or kind."

This investigation was carried out in 3,526 villages of the Punjab, representing 10 per cent of the total number (34,119) of villages, and was of approximately equal intensity in all districts of the province. The work lasted from November 1926 to May 1927, and the average number of villages examined in each tehsil was 31.

Agriculturist money-lenders were found in 642 (18 per cent.) of the villages, while in 2,884 (82 per cent.) no persons of this description were found. The 642 villages contained 1,988 agriculturist money-lenders, of whom 1,033 (52 per cent.) were Sikhs, 843 (42.5 per cent.) were Hindus and 110 (5.5 per cent.) were Mussalmans. There were also two Christians. The Sikhs were most numerous in the central Punjab, the Hindus in the south-east Punjab and in Kangra, and the Mussalmans in the south-east and east of the province.

Agriculturist money-lenders of any religion appear to be scarce in all parts of the western Punjab.

Soldiers and military pensioners are no more than 166, and returned emigrants only 49.

So far as has been informally ascertained, 513 agriculturist money-lenders are stated to receive an annual income exceeding Rs. 1,000 from interest alone, while 1,475 earn less than Rs. 1,000. The proportion of persons with a high income from this source is largest in Gurgaon, Hissar, Rohtak, Lahore and Lyallpur, followed by Ferozepore, Jullundur and Ludhiana.

The debt owed to these persons by the members of co-operative societies amounts to Rs. 18,33,000. Hissar stands first with Rs. 3½ lakhs owed to 50 agriculturists, but the next highest debt, that of Rs. 2,30,000 in Jullundur, is owed to 200 persons, while in Kangra a sum of only Rs. 41,000 is owed to 236 agriculturist money-lenders. There are indications that, where the practice of money-lending is least common among agriculturists, the few persons who have adopted this course enjoy the advantage of a scarcity in the market.

The evidence that one in 20 of the agriculturist money-lenders is a Mussalman is surprising. It indicates that in this respect, as in others, the Mussalman is moving, whether his movement be regarded as progressive or retrograde. If an examination of 3,526 villages (10 per cent of the whole province) revealed 110 Mussalmans, and if this percentage is sufficient on which to base an inference, there will be more than a thousand Mussalmans of the agricultural gazetted tribes occupied in this business, in addition to the non-agricultural Khojas and the wandering Pathans, who, though nominally agricultural, are ordinarily visitors from outside our boundaries. The new venture is not the monopoly of any tribe. So far as could be ascertained, 35 are Rajputs, 29 Awans, 17 Jats, 11 Arains, 9 Sayyeds, 3 Pathans, 2 Kambohs, 2 Dhunds, 1 butcher and 1 bhishti; 26 of the Awans were found in a single village in the Attock district. They are alleged to make a regular business of lending money on mortgage, and it is possible that they should be excluded from the class of money-lenders. If they are included, it is probable that some hundreds, and perhaps thousands, of mortgagees in the western Punjab are also money-lenders in this sense. The investigator who dealt with these 26 men desisted from classifying others elsewhere in the same category on account of his doubt as to their real definition. They do not receive interest in cash, but take a share of the produce of the mortgaged property in kind. The doubt as to their status arises only from the fact that they regularly apply all their spare money in this manner, and their regularity and persistence, and the fact that a failure to deliver the full dues of the mortgagee may lead to the execution of a new mortgage for the arrears, may be held to constitute business. After Attock the Mussalman money-lender is most frequent in Hoshiarpur (22), Jullundur (13), Sialkot (11), Ambala (6) and Gurgaon (7). Except in Attock, all take interest in cash, at rates ranging from 15 to 50 per cent.

With the exception of two persons in Attock, and of one retired military officer in the Shahpur district, who  
 Account Books,                      lends through the local bania, all keep accounts

in some form or other. In the majority of cases one or more bahis (account books) are maintained, but a few deal only in bonds or pro-notes, on which entries of interest are made. These transactions not infrequently end in a mortgage, and interest is also sometimes taken in kind. Curious cases are the following :—

One Muslim Jat woman in Sialkot conducts an independent business by means of pro-notes ; a Sayyed in Karnal does not take interest, but draws up a bond in each case for an amount exceeding the actual loan ; and two Sayyeds in the eastern Punjab, who pay income-tax of a three-figure amount, are reported to derive a large part of their profits from dealing in passports.

The butcher in the Rohtak district and the bhishti in Gurgaon keep account books. So also do the two Christians in Hoshiarpur.

In fact, the most striking result of this investigation is perhaps the discovery that accounts of some kind are almost universally kept. A further enquiry into the fullness of these accounts, and into the capacity of the money-lenders themselves to write them, will be useful and instructive. Out of 1,988 agriculturist money-lenders, 1,526 keep one or more bahis, 432 use only bonds or pro-notes and 32 are stated to have no written record at all. Some of these have replaced their unsecured loans by mortgages, and no longer need accounts other than the revenue papers. Evidently the indigent money-lender, who ekes out a precarious existence by petty loans and lacks an intelligible record of his dealings, is practically non-existent amongst agriculturists, and, since literacy is less rare in the non-agricultural, than in the agricultural, classes, the helpless illiterate money-lender may be regarded as an ornamental myth.

#### *The 1927-28 Enquiry.*

In the earlier enquiry 10 per cent of the villages of the province were examined, and the investigation was extended to every district except Simla. The process has now been continued, and a further total of 4,400 villages has been visited. The percentage to which the combined figures now relate is 23 per cent of all the villages in the province, and affords a basis for somewhat less tentative conclusions than on the former occasion.

Out of nearly 8,000 villages examined, 83 per cent appear to contain no money-lender of an agricultural tribe.<sup>1</sup> (they may of course contain non-agriculturists). The other 17 per cent., or 1,390 villages, produced 4,340 agriculturists of this profession, of whom 49 per cent are Hindus, 45 per cent Sikhs and 6 per cent Muslims. Two Christians were also discovered. The Sikhs naturally predominate in the central Punjab, the Hindus in the Ambala division and Kangra and the Muslims are most strongly represented in Rohtak and Jullundur, followed by Ambala, Hoshiarpur and Hissar. Eight districts in the Rawal-

<sup>1</sup>Agriculturist mortgages are not included.

pindi and Multan divisions are entirely free from this new class of creditors since mortgages, which are common there, were excluded from reckoning. It is instructive, however, to note, as pointed out in the account of the former enquiry, that there must be not less than 1,000 Muslim agriculturist money-lenders in the province. Muslim non-agriculturists no doubt also exist, the Khojas in particular being well known.

The number of money-lending women and children was recorded in 1927, but was omitted on the present occasion since they had proved to be insignificant. Soldiers and pensioners are only 329, and returned emigrants 71.

In the first year it was asked whether the agriculturist money-lender kept books, and, if so, in what form. The answer, after local Accounts. discussion in each case, was that accounts of some kind were invariably kept, whether in full or in the form of endorsements and memoranda on the back of pro-notes and other documents, and this led to the statement that illiterate money-lenders are a myth. In the second year a question as to literacy was specifically put, and it appears that 56 per cent are illiterate in the sense that they cannot keep their own accounts in any script or language. Clearly, therefore, unless one of these two conclusions is incorrect, the accounts of the illiterate men are written by others. The wide scope of the enquiry makes the first alternative unlikely. Since the persons concerned are agriculturists, and the transactions of agricultural lenders, who do not often maintain a shop, are probably not of the daily frequency or in the petty sums which will be acceptable to a shopkeeper or a man who has no agricultural business, the last suggestion may to a large extent be correct, *viz.*, that the accounts of the illiterate lenders are written by any member of the family, perhaps a child, who is able to do so, or even by a friend or a non-agriculturist shopkeeper! It should be remembered that occasional loans at interest, and all loans without interest, were excluded from the definition of money-lending, and we are dealing only with men who practise lending at interest as a business.

## NOTES.

### The Agriculturist Mortgagee.

The figures in statement 9 (table III)<sup>1</sup> show that, in the five years ending 1929, 76 per cent of the total area mortgaged with possession was mortgaged to agricultural tribes as against 61 per cent in the five years ending 1900. They show further that the percentage rose immediately after the passing of the Land Alienation Act, and has been almost constant since.

2. The following figures show that the agriculturist mortgagee has considerably increased his advances in the last 10 years.

Increase in Advances by—  
(a) Agriculturist Mortgagee.

#### Amount of mortgage debt due to agricultural tribes—

District.	At last settle- ment but one.	At last settle- ment.
	(Date of settlement in brackets.)	
	Rs. (lakhs).	Rs. (lakhs).
Jhang .. .. .	5 (1905-06)	17 (1925-26)
Mianwali (excluding Isa Khel tehsil) ..	16 (1906-07)	57 (1926-27)
Muzaffargarh .. .. .	22½	27
Dera Ghazi Khan .. .. .	15 (1898-99)	29 (1918-19)
Multan .. .. .	9 (1894-95)	13½ (1919-20)
Montgomery (Dipalpur and Pakpattan tehsils).	1½ (1897)	4½ (1920-21)
Gujrat (Phalia tehsil) .. .. .	3 (1915-16)	9 (1924-25)

With one exception (Muzaffargarh), the following figures show that the increase in the case of the non-agriculturist mortgagee has not been so rapid :—

(b) Non-agriculturist Mortgagee.

District.	At last settle- ment but one.	At last settle- ment.
	(Date of settlement in brackets.)	
	Rs. (lakhs).	Rs. (lakhs).
Dera Ghazi Khan .. .. .	33 (1898-99)	35 (1918-19)
Muzaffargarh .. .. .	46 (1903-04)	66 (1923-24)
Multan .. .. .	68 (1894-95)	68 (1919-20)
Gujrat (Phalia tehsil) .. .. .	9 (1915-16)	11 (1924-25)

<sup>1</sup>P. 337.



8. The percentage of total mortgage debt advanced by agricultural tribes at the last settlement varied greatly from district to district. In Ambala, Mianwali and Gujranwala the variation is only from 78 to 78, and the average is 75 per cent. In the other areas it is as follows:—

District.	Percentage of total mortgage debt due to agricultural tribes.
Gujrat (Phalia tehsil) .. ..	46
Dera Ghazi Khan .. ..	45
Montgomery (Dipalpur and Pakpattan tehsils) .. ..	41
Muzaffargarh and Jhang (excluding canal colony area and Chiniot tehsil) .. ..	29
Multan .. ..	17

These figures suggest that the agriculturist mortgagee advances much less in the western and south-western Punjab than elsewhere. To this Mianwali is an exception. From the figures given in the next paragraph it appears that it is the Mianwali tehsil, rather than the district, that is the exception.

4. The amount advanced by agriculturist and non-agriculturist mortgagees for the areas where the agriculturist mortgagee is strongest may be compared thus:—

	AMOUNT OF MORTGAGE DEBT DUE AT THE LAST SETTLEMENT TO	
	Agriculturists.	Non-agriculturists.
	Rs. (lakhs).	Rs. (lakhs).
Ambala .. ..	91	34
Gujranwala .. ..	56	16
Mianwali (Mianwali and Bhakkar tehsils) .. ..	57	17

So far as these figures go, they show that in some districts the agriculturist mortgagee advances much more than the non-agriculturist.

5. An attempt may be made to gauge whether the agriculturist mortgagee advances a higher proportion of the value of the land mortgaged than the non-agriculturist. This is best done by comparing the amount advanced by both in terms

Proportion of Land Value advanced by Agriculturists and Non-agriculturists, compared.

of land revenue. Land revenue provides a good basis, since it is assessed upon agricultural yield, and yield to a large extent determines value. The following figures express the debt as a multiple of the land revenue assessed upon the land under mortgage at the last settlement in each case :—

District (unless otherwise stated).	AMOUNT ADVANCED, EXPRESSED AS A MULTIPLE OF THE LAND REVENUE OF THE LAND MORTGAGED	
	By agri- culturists.	By non-agri- culturists.
Ambala (1917-19) .. .. .	95	57
Jullundur (1914-15) .. .. .	117	70
Gujranwala (1923-25) .. .. .	63	53
Guyrat (1913-14) .. .. .	96	55
Phalia tehsil (1924-25) .. .. .	49	34
Dera Ghazi Khan (1913-19) .. .. .	99	89
Multan (1919-30) .. .. .	50	58
Mianwali tehsil (1926-27) <sup>1</sup> .. .. .	201	156
Bhakkar tehsil (1926) .. .. .	87	90
Leiah tehsil .. .. .	77	80
Alipur tehsil .. .. .	50	83
Pakpattan tehsil .. .. .	74	83
Dipalpur tehsil .. .. .	66	64

It has already been shown that, with the exception of the Mianwali tehsil, the non-agriculturist is in a stronger position than the agriculturist in the western and south-western Punjab. These figures show that in that area he tends to advance more than the agriculturist, but in the Ambala, Jullundur Gujranwala and Mianwali tehsils the contrary is the case.

<sup>1</sup>Excluding Sadat Mian villages.

## NOTE T.

### The Timber Trade and its Finance.\*

1. *General.*—Timber is imported into the Punjab plains from the forests of the Himalayas by rivers to sales depôts situated where the rivers cross the North-Western Railway.

2. *Kinds and uses of timber.*—The species dealt with are—

*Deodar*, in the form of logs, railway sleepers and scantlings, for the general market, for use in buildings and construction ;

*Kail*, mainly in the form of scantlings, for the general market, and only occasionally for railway sleepers. Some logs are imported and are used for making match splints by the Mahalakshmi Match Factory, Shahdara (Sir Daya Kishan Kaul and Sons) ;

*Chir*, in the form of sleepers, which are creosoted by the North Western Railway at Dhilwan, and in the form of scantlings, for construction of zemindars' houses ; and

*Fir*, as for chir.

About half of the deodar, chir and fir sawn timber which enters the Punjab is used by the railway in the form of broad, gauge sleepers.

3. *Sources of supply*—

Trans-border States ;

North-West Frontier Province Forests (Government) ;  
Kashmir ;

Government forests and States of Punjab proper ; and  
United Provinces.

4. *Quantities, in cubic feet, all species (roughly)*—

<i>Scantlings</i>	.. Jhelum river	.. 2,900,000
	Chenab river	.. 2,700,000
	Ravi river	.. 500,000
	Sutlej river	.. 1,000,000
	Beas river	.. 600,000
	Jumna river	.. 4,000,000
	Imports by rail from United Provinces beyond Jagadhri.	Unknown.
<i>Logs</i>	.. North-West Frontier Province (large stocks in hand)	.. 500,000
	Jhelum river	.. 700,000
	Chenab river	.. 100,000
	Sutlej, Ravi and Beas rivers	25,000

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\* The note was kindly written for the committee by Mr. H. M. Glover Conservator of Forests, Eastern Circle, Punjab.

5. *Value*—

				<i>Lakhs of rupees.</i>
Scantlings .. .. .	..	..	..	1,56
Logs .. .. .	..	..	..	14
Total				1,70*

6. *Agencies*.—Government undertakes extraction to sales depôts on the Sutlej and Beas, in the North-West Frontier Province and in the Murree Hills, and sells timber on forward contract to the North-Western Railway and by open auction to general public and by arrangement to the Irrigation Department. Also by forward sale to the Match Factory (small). *Balance*. Traders cut timber in the Himalayas and import by river to the plains; sell on forward contract to railways and auction to general market.

7. *Finance*.—(a) Government forests worked departmentally are financed out of ordinary budget provision. Labour is obtained through small contractors for felling, sawing, carriage, floating and rafting on separate contract for each operation. Sales by auction on arrival at sales depôts, 10 per cent realized at auction and balance before timber is removed from depôt.

Purchasers at auctions are—

- (a) retailers and small wholesale dealers;
- (b) individual users; and
- (c) commission agents.

(b) *Timber traders*.—Traders purchase standing trees, and use petty contractors in the manner described under (a) for Government works.

*Capital investment*.—A part payment for trees is made at the beginning of work and the balance is realized periodically, the whole being paid by the time the sawn timber passes beyond the control of the owner of the forests. Thus a purchaser does not have to invest the whole of his capital at the beginning of the operation. Timber cut in one year often cannot reach the sales depôt that year both on account of the remoteness of the forests and owing to the fact that timber can be floated only at certain periods of the year.

Consequently a large amount of capital; probably 50 per cent to 75 per cent of the whole annual expenditure, is locked up and realized one year later.

8. *Risks*.—Labour comes from a distance, and receives in advance from six months to one year's cash earnings: it has to be fed in the forest, and food consumed is booked as a subsequent advance.

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\*The figures are only approximate.

Labourers run from one contractor to another, and often are permanently indebted to the trader. If a trader at any time fails to obtain a fresh lot of trees, the advances are usually irrecoverable in cash as resort to the courts secures only a decree which helps little as the labourers rarely have property other than in land. The system is actually to the advantage of the traders as the sawyer's wages are controlled when he is always in debt.

*Floods.*—If a flood occurs when timber is in transit, not only does the timber get scattered, with consequent additional expense and delay in salvage, but a large proportion is lost. Average flood risks may be taken at 5 per cent to 10 per cent., but in 1928 and 1929 exceptional floods swept away much timber on the Chenab and Jhelum rivers.

*Thefts.*—In the West Punjab much timber is stolen in transit—average risk 5 per cent; in the East Punjab thefts are only occasional.

9. *The timber trader.*—In the Eastern Punjab and most of the United Provinces the timber trade is in the hands of the *Sudhs*, a community which originated at Garli in the Kangra District and is established at Simla. These men keep shops, as well as indulge in timber operations. They are a close fraternity, and to a large extent finance one another's transactions. Some years ago I was told that they advance money to one another at 6 per cent.

\* \* \* \* \*

*Trans-border States contractors.*—Trans-border States, notably Swat, Dir and Amb and lately Chitral have sold much timber. Political conditions led to traders being able to work only through local agents. Thefts from the river in trans-border States and in Afghanistan rendered the operation risky; as a consequence the price paid for the trees in the forest was only 5 per cent to 10 per cent of that paid in Government forests in the Punjab and in Kashmir.

10. *Payments by the North-Western Railway.*—The North-Western Railway makes no advance payments for supplies, and pays only on delivery of the sleepers on railway premises. The North-Western Railway purchases in 1928-29 amounted to 76 lakhs of rupees and in 1929-30 to 53 lakhs.

11. *Export.*—The sleepers for the North-Western Railway are purchased on behalf of the north-western group of railways, and no railway makes purchases other than through the North-Western Railway.

Iron sleepers are supplanting wooden sleepers on many lines, and the price of deodar sleepers is falling.

On the other hand the use of wooden sleepers of inferior species is increasing owing to the employment by the North-Western Railway of a creosoting plant at Dhilwan which deals with 700,000 sleepers annually.

Little timber is exported beyond the province (apart from Sukkur and Delhi) on account of the high cost of extraction and rail freight.

12. *Saturation of the Punjab market.*—The state of the harvests has a great effect on the market; after bad harvests the demand for timber drops, and prices fall heavily.

After good harvests the zemindar builds, and particularly after a good cotton harvest with high prices for cotton, he repairs and extends his houses.

The demand of the Punjab colonies is, I think, increasing, though not so rapidly as might be expected.

This variability in the market demand is difficult to foresee one or two years ahead when trees are purchased, and furnishes an unknown, and somewhat speculative, risk.

The demand for timber for roofing beams has decreased since the war owing to competition by the rolled-steel beam, and the use of iron is increasing in towns.

## NOTE U.

### Court of Wards Estates (Summary of Information given by Managers).

#### 1. Rates of Interest for advances by estates—

(a) *On mortgage without possession.*—Kalabagh (Mianwali) charges 6 to 9 per cent.

Drek (Attock).—Rs. 10,000 advanced at  $12\frac{1}{2}$  per cent.

Tarkhanwala (Shahpur).—Rs. 13,254 advanced to two land-owners at 6 per cent.

Mamdot (Ferozopore).—5.73 lakhs advanced on the security of land and house property at  $4\frac{1}{2}$  to 9 per cent.

(b) *On mortgage with possession—*

Tarkhanwala.—Rs. 8,992 advanced: net produce for the 3 years ending 1929 has been Rs. 800 per annum, *i.e.*, about 9 per cent.

Mitha Tiwana (Shahpur).—Rs. 48,280 advanced: the average return in the same three years is just over 3 per cent.

#### 2. Rates of Interest paid by estates—

Sixteen estates in debt: commonest rates 6 to 8 per cent.: lowest 3, highest 24: over 12 and below 6 per cent uncommon. Six estates owe a lakh or more: two more between half a lakh and a lakh.

#### 3. Net Profit—

Mamdot.—5.73 lakhs on loan (see above): in three years the net average return per annum was Rs. 11,702, *i.e.*, only 2 per cent.

Kalabagh.—Rs. 1.76 lakhs on loan, part of it without interest; a profit of Rs. 19 was made in 1927, and in 1928 and 1929 a loss of Rs. 5,301 was incurred.

#### 4. Bad Debts—

Kalabagh.—In 3 years bad debts of Rs. 9,499 were incurred, though part of the amount on loan (1.76 lakhs) was secured.

#### 5. Unsecured Money-lending—

Kalabagh is the only estate that does any considerable unsecured money-lending business; on its unsecured loans it charges up to  $18\frac{1}{2}$  per cent.

6. *Punctual Repayment—*

Only 10 per cent of those who borrow from the Kalabagh estate repay their loans punctually. On the other hand, in the case of Mamdot, whose loans are all secured, 95 per cent are said to repay punctually.

7. *Proportion of value advanced—*

(i) *Land.*—Tarkhanwala advances up to  $\frac{2}{3}$ , Mamdot up to  $\frac{1}{3}$  and Kalabagh up to  $\frac{1}{2}$ .

(ii) *House property.*—Mamdot advances up to  $\frac{1}{2}$ .



## NOTE V.

### Financing of Piece-goods Trade (by Lala Asa Nand M.A., Income-tax Officer, Amritsar).

The piece-goods trade falls into three categories :—

- (i) Foreign goods.
- (ii) Indian Mills Cloth.
- (iii) Goods woven locally out of foreign yarn (hand-loom products).

As the financing of each to some extent varies, they will be dealt with separately.

#### (i) *Foreign goods.*

This trade is carried on either by import offices or by the representatives of the foreign manufacturing firms.

The import office constitutes the first link in the chain which connects the producer of the goods with the distant consumer. He starts with his own capital and is backed by a bank doing exchange business to the extent that it allows him to overdraw drafts and to pay for goods indented by him within a certain specified limit which is generally fixed according to his financial reputation. The procedure adopted is that the importer books orders for his customers, the foreign manufacturer sends these goods to the importer through the exchange bank, with whom they keep lying in the godown, to be released by the customers by making direct payments to the bank or through the importer, either piecemeal, i.e., each bale taken out at one time, or for the whole consignment at once. Generally the former method is adopted so that the sale-proceeds of one package are utilized in taking delivery of the other. If each consignment is thus safely cleared off, the importer has very little to lose and requires a very little capital to work with. But if he happens to come across a financially unsound customer who fails to clear off the goods booked for him, either because he anticipates losses or is short of fund, the importer is forced to take delivery himself. The amount of capital thus required by him depends on the possibility of trading with such bad customers. Otherwise although he starts the cycle of trade, he needs very little to give it a first push. Commonly it is found that the importer starts with some capital of his own which is further supplemented by borrowings on hundis or bank credit. But where he combines the business of a whole-sale dealer also with that of a commission agent, then he needs a larger capital to run his show.

Some importers, with large capital in their hands and not content with the small commission charges, have introduced the system what they call in local slang 'giving goods on free-delivery.' Such importers take delivery themselves of the goods, booked on behalf of their clients, piecemeal or all at once, by making payment to the bank, and hand over the same to their customers on credit who pay the price generally

when the sale-proceeds are realised. Interest is charged by the importer at a rate varying from 7 per cent to 12 per cent. The wholesale trader requires, under such circumstances, very little capital to run his business. He is, in other words, only a salesman of the importer with the addition that profits or losses are his. He pays the proceeds to the importer who hands the foreign goods at his door. If he (customer) on account of heavy losses loses his financial position and applies for insolvency, it is the importer who is hard hit. The system, in fact, has introduced in the market a spirit of reckless business involving pure speculation and is mostly responsible for recent crises in the trade here.

*Representatives.*—When the foreign manufacturer keeps his representative here for sale of goods, the said representative books customer's order who are supposed to deal directly with the bank, i.e., take delivery of the goods by making payments. The representative's business is only to see that the customer is financially sound and the contingencies of his refusing to take delivery do not arise. Under such circumstances the wholesale trader has to employ his own capital, the extent of which is measured by the vastness of his business activities. The number of such representatives of the manufacturing firms is increasing as it saves the middle man's or the importer's profit and in course of time it is likely to oust the latter institution.

The wholesale dealer whether working through the importer or with his own capital constitutes a reservoir which feeds the retailer here or abroad in the province—this place being admittedly the distributing centre of all manufactured goods, particularly the piece-goods for northern India.

Between the wholesale and the Mofussil retail dealer there is an intermediate class of *arhtis*, or commission agents. They play an important part in the distribution of goods combining the business of banking with that of commission. They have very little to do with the joint stock banks they mostly own some capital of their own and partly resort to borrowing on Hundis or receiving deposits; and in some cases they work on the credit and accommodation afforded to them by the wholesale traders. The retail dealer here or abroad comes to them. With what little money he has with him, the commission agent buys goods for him from the wholesale dealers on credit of 15 to 30 days beyond which he has to pay interest at the moderate rate of 6 per cent. per annum.

The retail dealer pays the *arhti* his commission charges plus interest at the rate of 9 per cent for goods taken on credit. It has been sometimes found that the retail dealer works with no capital of his own, but he buys all goods on credit through the agency of the commission agent and pays off when he has disposed them off. The recent crisis was greatly due to this class of people who with no capital of their own tried their luck with large purchases and with a view to effect payment to keep up their credit, disposed of their

goods even at a loss losing money themselves and making others to lose, who under stress of competition had to keep pace with them.

But an ordinary retail dealer has to start with some capital of his own which may be either his past saving or parental inheritance. In the first few years borrowing may be out of question and the commission agent may also be of very little utility. These facilities can only be enjoyed after one has established his credit.

Commission agent is the chief factor in supplying goods to the trader abroad in the province, whether wholesaler or retailer. He affords the facility of easy payments to them and it is commonly found that the mufasil trader comes to the extent of working only with the commission agent's advances. The cycle of trade thus starts with the importer and ends with the distant retail dealer or hawker in villages.

(ii) *Indian Mills Cloth.*

Procedure in the case of Indian Mill-made goods is the same, except with a slight difference in the initial stages. The Mill-owner either keeps his own depôt or directly sells to the wholesale dealer on credit of 15 to 30 days ; or he appoints an agent whom he supplies his goods on free delivery system ; which means that the agent (generally a firm), can pay for the goods when sold or after a ' muddat ' of 15 to 30 days. In each case certain amount of security has to be deposited with the mill by the agent's firm and the amount bears interest of about 6 per cent. After the goods have come in the hands of wholesale dealers the commission agent steps in to take it to the door of the retailer.

(iii) *Handloom products (with foreign yarn).*

Trade of third category is not of much importance. These semi-manufacturers who are generally few are themselves wholesale dealers. They sell their goods directly to the local retailer on credit of some days or on cash payment and to *Arhtis* or customers abroad.

*Banking Agencies.*—Having described at some length the procedure how trade is carried on it is worth while to discuss the various banking agencies that finance the trade and the part they play.

*Exchange Banks.*—Exchange banks deal with the importer or the wholesale dealer. They warehouse the goods of the foreign manufacturer and open a ' loan-account ' with the importer or the wholesale dealer, which means that they afford the facilities of allowing the merchant to release his goods by making piecemeal payments. The bank of course makes payments to the foreign manufacturer for goods imported up to a limit which varies with the financial position of the importer and the amount of business that he commonly does. Beyond this the exchange bank seldom advances money to finance any scheme of business.

*Joint Stock Banks.*—They very seldom do exchange business. They have got branches in India and deal in local remittances, or open running accounts, take deposits, lend money either against the security of goods (taken in their godown) or landed property and in some cases give credit facilities upto a certain limit to men of sound financial position. Truly speaking, they are no better than the ordinary Sahukars and they seldom help to finance manufacturing schemes.

*Bankers.*—There are a few banking concerns which can strictly be said to be doing 'Banking business.' Otherwise all shop keepers having spare capital lend money when rate of interest suits them. They lend on Hundis generally to *arhtis* (described above) and in some cases to wholesale dealer or a few retailers.

*Depositors.*—Various types of people constitute this class—

- (1) Salaried persons making small savings.
- (2) Rural money-lenders having spare capital.
- (3) Minors inheriting cash from their parents.
- (4) Widows and other females having petty savings.

They make no sound discrimination in making their deposits, and they go in where they trust which faith or trust is based on ties of certain relationship, or reputation of the banker, *arhti*, wholesale or retail dealer.

On such deposits most of the business particularly of *arhtis* is run.

**STATEMENT No. 1.**  
**NUMBER AND VALUE OF MONEY ORDERS, VALUE-PAYABLE PARCELS AND**  
**INSURED ARTICLES ISSUED AND PAID IN THE PUNJAB AND IN**  
**PUNJAB STATES.<sup>1</sup>**

1	MONEY ORDERS (OF ALL KINDS).				VALUE-PAYABLE PARCELS.		INSURED ARTICLES.	
	Issued.		Paid.		Number.	Value.	Number.	Value.
	Number.	Value.	Number.	Value.				
2	3	4	5	6	7	8	9	
	Lakhs.	Rs. (lakhs).	Lakhs.	Rs. (lakhs).	Lakhs.	Rs. (lakhs).	Lakhs.	Rs. (lakhs).
1926-27 ..	22.62	735	32.18	913	10.19	142	4.23	1,046
1927-28 ..	31.50	809	36.29	1,000	10.66	147	4.30	1,113
1928-29 ..	32.74	823	36.89	1,030	10.79	143	3.38	1,169

Average annual value for the three years of—		Rs. (lakhs.)
(i) money orders ..	(a) issued ..	769
	(b) paid ..	981
(ii) Value-payable articles ..		144
Insured articles ..		1,116
Average annual excess in value of money orders paid over money orders issued ..		192
Average value of each—		Rs.
(i) Money order ..	(a) issued ..	27
	(b) paid ..	28
(ii) Insured article ..		281

<sup>1</sup>Except Patiala, Nabha, Jind, Chamba (which have their own post offices) and Bahawalpur.

**STATEMENT No. 2.**  
**GOLD AND SILVER COIN AND BULLION—VALUE OF NET IMPORTS INTO**  
**INDIA AND THE PUNJAB AND DELHI.**

Year.	India.		Punjab and Delhi.	
	Lakhs.	Rs.	Lakhs.	Rs.
1919-20	6,456	438		
1920-21	852	497		
1921-22	1,223	-71		
1922-23	5,975	..		
1923-24	4,788	..		
1924-25	9,400	..		
1925-26	5,198	..		
1926-27	3,927	..		
1927-28	3,194	..		
1928-29	3,097	..		
Total ..	44,110	..		

*Note.*—Owing to the discontinuance of the report on the Internal Trade of the Punjab in 1923, figures for the Punjab are not available after 1921-22. For the three years 1920-22, which include one deficit year, imports of treasure into the Punjab and Delhi amounted to 10.1 per cent of total imports into India. On the same basis imports into the Punjab for the ten years ending 1928-29 would amount to over 44 crores. The figures for the North-West Frontier Province have been excluded, but not those for Delhi, because Delhi is an important distributing centre for the southern Punjab.

## STATEMENT No. 3.

INDIAN JOINT STOCK BANKS WORKING IN THE PUNJAB WITH A PAID-UP CAPITAL AND RESERVE OF AT LEAST ONE LAKH (EXCLUDING THE ALLIANCE BANK OF SINDIA).

Year.	Number of Banks.	Amount of paid-up capital and reserve.	Deposits	Percentage of paid-up capital and reserve to deposits.	Cash balances.	Percentage of cash balances to deposits.	Failures.
1	2	3	4	5	6	7	8
		Rs. (lakhs).	Rs. (lakhs).	Per-cent.	Rs. (lakhs).	Per-cent.	
1919 .. ..	4	40	326	12	53	13	1
1920 .. ..	7	53	441	12	94	21	..
1921 .. ..	8	75	581	13	73	13	..
1922 .. ..	8	93	690	14	135	20	..
1923 .. ..	9	87	719	12	76	11	1
1924 .. ..	9	100	808	12	108	13	..
1925 .. ..	10	102	897	11	119	13	1
1926 .. ..	11	128	1,087	12	113	10	..
1927 .. ..	11	142	1,153	12	114	10	..
1928 .. ..	11*	129	1,231	10	143	12	..
1929 .. ..	11*	134	1,182	11	130	11	..

\*Figures are available for only 10 banks.

Compare the following figures for ten English Joint Stock Banks.<sup>1</sup>

Percentage of—

Per cent.

(a) Paid up capital and reserve (£134 millions)<sup>2</sup> to Deposits  
(£ 1,858 millions)<sup>3</sup> .. .. . 7

(b) Cash Balance (£ 311 millions)<sup>4</sup> to Deposits .. .. . 17

Indian Joint Stock Banks with a Capital and Reserve of at least one lakh.<sup>4</sup>

Per cent.

Percentage of—

(a) Paid up capital and reserve to deposits .. .. . 19

(b) Cash balances to deposits .. .. . 12.8

The figures for four *Exchange Banks*—Chartered Bank of India, National Bank of India, Mercantile Bank of India and Eastern Bank<sup>5</sup> are as follows:—

1	2	3	4	5	6
Year.	Paid-up capital and reserve.	Deposits.	Percentage of column (2) to column (3).	Cash Balances.	Percentage of column (5) to column (3).
	£ (000's omitted).	£(000's omitted).		£ (000's omitted).	
1928 ..	15,875	97,703	16.3	14,267	14.6
1929 ..	15,980	95,286	16.8	13,485	14.1

<sup>1</sup>Barclays, Lloyds, Midland, Nat. Provincial, Westminster, Coutts, Glyn Mills, Martins, District and Williams Deacon's.

<sup>2</sup>*Economist*, 1st February 1930, page 273.

<sup>3</sup>*Ibid.*, 25th January 1930, page 167.

<sup>4</sup>*Statistical Tables relating to Banks in India*, 1927, page 2.

<sup>5</sup>*Indian Finance*, May 3, 1930, page 314.

NOTE.—Figures for Alliance Bank of Simla have been excluded as the Bank transferred its headquarters to Calcutta in 1922 and failed in 1923.

## STATEMENT No. 4.

## INDIAN JOINT STOCK BANKS WORKING IN THE PUNJAB WITH A PAID-UP CAPITAL OF LESS THAN A LAKH.

Year.	Number of Banks.	Amount of paid-up capital and reserve.	Deposits.	Percentage of paid-up capital and reserve to deposits.	Cash Balances.	Percentage of cash balances to deposits.
1	2	3	4	5	6	7
		Rs. (lakhs).	Rs. (lakhs).	Per cent.	Rs. (lakhs).	Per cent.
1918 ..	4	0.62	2.17	28	0.29	13
1919 ..	4	0.67	1.57	43	0.24	15
1920 ..	4	0.79	2.21	36	0.24	11
1921 ..	5	1.01	2.92	35	0.59	20
1922 ..	4	1.08	4.09	26	0.63	15
1923 ..	6	1.81	4.84	38	0.90	19
1924 ..	6	2.00	4.89	41	1.19	24
1925 ..	8	2.03	4.03	50	1.13	28
1926 ..	7	1.60	2.56	62	0.72	28
1927 ..	7	1.69	4.02	42	0.88	22
1928 ..	6	1.14	3.97	29	0.76	19

NOTE.—In the ten years ending 1929, 24 banks of this class have failed. In the three years 1924-26 fourteen failed, ten after less than two years' existence. Figures for most of the banks that failed have not been included since they were not readily available.



## STATEMENT No. 5.

RETURN OF CAPITAL EMPLOYED, INTEREST EARNED AND BAD DEBTS INCURRED IN 1927-28 BY URBAN MONEY-LENDERS AND BANKERS ASSESSED TO INCOME-TAX IN THE PUNJAB IN 1928-29 (THE ASSESSMENT OF 1928-29 IS BASED UPON THE INCOME OF 1927-28).

## PART I.—URBAN MONEY-LENDERS.

Serial No.	District.	Number of money-lenders.	Total capital employed in money-lending.	Bad debts.	Income from money-lending actually taxed.	Number of cases in which assessable income had to be determined by the application of a flat rate.
1	2	3	4	5	6	7
			Rs. (lakhs).	Rs.	Rs. (lakhs).	
1	Gujranwala ..	54	19	40,700	1.17	..
2	Sheikhpura ..	10	4	4,050	0.29	..
3	Sialkot ..	128	45	8,722	4.01	36
4	Lyallpur ..	160	58	..	8.72	50
5	Montgomery ..	35	Not avail- able.	6,400	1.52	..
6	Muzaffargarh ..	6	3	Nil.	0.33	2
7	Dera Ghazi Khan ..	14	4	413	0.50	2
8	Multan (town and Cantonment).	22	10	7,498	1.11	2
9	Multan (other towns)	14	7	4,207	0.72	2
10	Gurdaspur ..	13	3	777	0.40	..
11	Kangra ..	3	1	..	0.08	2
12	Ferozepore ..	210	75	..	6.75	..
13	Jullundur ..	61	20	3,153	1.89	59
14	Hoshiarpur ..	38	16	9,670	1.56	30
15	Ludhiana ..	146	34	10,927	3.01	2
16	Simla ..	88	16	1,15,000	1.46	1
17	Ambala ..	38	15	5,620	1.37	12
18	Karnal ..	98	30	33,268	2.51	3
19	Hissar ..	85	47	6,870	3.61	8
20	Rohtak ..	123	82	..	4.91	5
21	Gurgaon ..	37	10	..	0.75	1
22	Gujrat ..	43	24	..	2.83	20
23	Jhelum ..	65	12	3,383	1.32	22
24	Sargodha ..	161	73	20,000	4.85	12
25	Jhang ..	92	30	15,350	2.33	17
26	Rawalpindi (city and Cantonment).	111	24	1,171	3.34	55
27	Rawalpindi (other towns).	14	1	..	0.19	..
28	Mianwali ..	64	75	..	1.57	17
29	Attock ..	74	15	..	1.83	32
30	Lahore ..	90	74	30,583	6.90	11
31	Amritsar ..	195	68	46,420	7.44	8
	<b>Total ..</b>	<b>2,292</b>	<b>923</b>	<b>3,73,691</b>	<b>79.27</b>	<b>411</b>

## PART II—BARRAKA.

Serial No.	Towns	Number of Peasants	Total Capital employed in Peaking.	Bad debts.	Income from banking activity earned.
1	2	3	4	5	6
			Rs. (paise).	Rs.	Rs. (paise).
1	Gujarwala	1	1-68	52	0-10
2	Wazirabad	1	1-36	575	0-13
3	Baluchabad	1	0-20	52	0-04
4	Sakot	2	1-41	2,978	0-12
5	Ferozpur	4	6-70	..	0-20
6	Siakh	4	45-90	52	0-44
7	Ashaba	5	Not available	4,863	0-21
8	Lahora	4	35-01	40,262	2-14
5	Aamhor	17	Not available	1,252	0-12
	Total	39	102-26	51,210	3-50

Percentage of the income saved to the total capital employed.

{Urban money-lenders .. .. . 81

{Peasants .. .. . 35

\*The inquiry shows that for special reasons only Rs. 12,000 were earned in 1927-28 on 50 out of the 55 talhs invested and Rs. 22,000 on the remaining 5 talhs. The 50 talhs, therefore, yielded less than 1 per cent against 6-4 per cent yielded by the 5 talhs. Nineteen out of the 50 talhs were borrowed.

†The figures for Montgomery district have been excluded because the total capital employed is not known.

‡If the 50 talhs referred to above in connection with Siakh talhs is included the percentage would be 5.9.

§Towns for which the total capital employed is not known have been excluded.

NOTE.—There is no banker in any other towns of the Punjab.

## STATEMENT No. 6.

RETURN OF CAPITAL EMPLOYED AND INTEREST EARNED IN 1927-28 BY  
RURAL MONEY-LENDERS ASSESSED TO INCOME-TAX IN THE  
PUNJAB IN 1928-29 (THE ASSESSMENT OF 1928-29 IS BASED UPON  
THE INCOME OF 1927-28).

Serial No.	District.	Number of money-lenders.	Total capital employed in money-lending.	Income from money-lending actually taxed.	Number of cases in which assessable income had to be determined by the application of a flat rate.
1	2	3	4	5	6
			Rs. (lakhs).	Rs. (lakhs).	
1	Gujranwala ..	125	37	5.23	35
2	Sheikhupura ..	97	28	3.94	46
3	Sialkot ..	297	106	7.04	285
4	Lyallpur ..	285	37	5.60	219
5	Multan ..	81	50	5.70	18
6	Muzaffargarh ..	88	21	2.56	39
7	Dera Ghazi Khan ..	39	11	1.28	20
8	Montgomery ..	330	85	9.80	260
9	Gurdaspur ..	144	33	5.62	25
10	Kangra ..	67	10	1.75	28
11	Ferozepore ..	430	90	13.44	345
12	Amritsar ..	159	39	6.13	44
13	Jullundur ..	324	23	2.98	299
14	Hoshiarpur ..	114	10	1.55	92
15	Ludhiana ..	155	25	3.69	3
16	Simla ..	2	1	0.02	..
17	Ambala ..	85	23	2.97	62
18	Karnal ..	507	120	17.64	222
19	Hissar ..	347	71	11.70	188
20	Rohtak ..	562	147	13.25	475
21	Gurgaon ..	468	73	7.25	360
22	Gujrat ..	178	34	5.05	134
23	Jhelum ..	88	18	2.65	61
24	Sargodha ..	328	68	10.71	313
25	Jhang ..	197	41	5.63	166
26	Rawalpindi ..	68	13	1.90	52
27	Attock ..	85	14	1.86	21
28	Mianwali ..	185	38	5.41	93
29	Lahore ..	163	41	7.35	7
	<b>Total ..</b>	<b>3,998</b>	<b>1,306½</b>	<b>169.70</b>	<b>3,912</b>

Per cent.

Percentage of the income taxed to the total capital employed. .. 13

## STATEMENT No. 7.

## NUMBER OF POST OFFICES IN THE PUNJAB AND IN PUNJAB STATES.\*

Year.	Number of offices in existence.	Number of offices doing Savings Bank work.	Number of offices doing cash certificate work.
1	2	3	4
1912-13 ..	2,475	616	..
1917-18 ..	2,506	645	608 (1st April 1917 when certificates first issued).
1922-23 ..	2,886	686	662
1927-28 ..	3,078	792	726 (736 on 1st January 1930).
COMPARE THE UNITED PROVINCES.			
1928-29 ..	2,646	1,754	..

\*Except Patiala, Nabha, Jind, Chamba (which have their own post offices) and Bahawalpur.

## STATEMENT No. 8.

## POST OFFICE SAVINGS BANK ACCOUNTS IN THE PUNJAB AND IN PUNJAB STATES.†

## PART I.

Year.	DEPOSITORS.		BALANCE AT THE END OF THE YEAR AT THE CREDIT OF DEPOSITORS.		AVERAGE BALANCE.		
	Literate.	Illiterate.	Literate.	Illiterate.	Lite-rate.	Illite-rate.	Lite-rate and illiterate.
1	2(a)	2(b)	3(a)	3(b)	4(a)	4(b)	4(c)
			Rupees (Lakhs).	Rupees (Lakhs).	Rs.	Rs.	
1912-13 ..	110,370	7,925	147.16	9.15	133	115	132
1917-18 ..	128,708	9,240	163.93	7.71	127	83	124
1922-23 ..	167,794	10,519	216.75	13.06	129	124	129
1927-28 ..	236,177	16,162	382.06	13.79	162	85	157

†Except Patiala, Nabha, Chamba (which have their own post offices) and Bahawalpur.

Note.—Interest is payable at 3 per cent. 1927-28. Average deposit for whole of India excluding Punjab=122.

## PART II.

## MUHAMMADAN DEPOSITORS.

Year.	Depositors.	Balance at their credit.	Depositors who do not take interest.
1	2	3	4
		Rupees (lakhs).	
1917-18 ..	24,599	22.53	765
1927-28 ..	55,582	61.47	237

## PART III.

## PERCENTAGE OF DEPOSITORS TO POPULATION IN 1927-28.

*Punjab and United Pro-*  
*Punjab States.\* vinces.*

Per cent.

Percentage of—

(a) Depositors to total population .. ..	1.1	0.6
(b) Muhammadan depositors to total Muhammadan population .. ..	0.5	..

*Note.*—In 1921 Muhammadans formed 53 per cent of the total population of the area concerned in the Punjab.

\*Excluding Patiala, Jind, Nabha, Chamba (which have their own post offices) and Bahawalpur.

## STATEMENT No. 9.

## AGRICULTURAL MORTGAGES WITH POSSESSION AND MORTGAGE DEBT.

TABLE I.—AREA.

1 Year.	2	3	4
	Total cultivated area.	Cultivated area under mortgage.	Percentage of column 3 to column 2.
	Acres (millions) <sup>1</sup>	Acres (millions) <sup>2</sup>	
1899 .. .. .	23.98	2.84	11.8
1909 .. .. .	26.67	3.18	11.9
1919 .. .. .	29.05	3.18	10.9
1929 .. .. .	29.75	3.18	10.7

TABLE II.—DEBT.

	Net increase in usufructuary mortgage debt (i.e., mortgage money advanced less mortgage money discharged).	Rural population (year to which it relates in brackets).
	Rs. (crores.) <sup>3</sup>	Millions.
For the ten years ending—		
1899 .. .. .	9.95	18.00 (1901) <sup>4</sup>
1909 .. .. .	5.06	17.8 (1911) <sup>4</sup>
1919 .. .. .	10.43	18.5 (1921) <sup>4</sup>
1929 .. .. .	28.75	20.12 (1929) <sup>5</sup>
For the five years ending—		
1924 .. .. .	10.53	
1929 .. .. .	18.22	

*Total mortgage debt of the Punjab.*

1891 .. .. .	Crores. <sup>7</sup> 7.83	(Including the North-West Frontier and Delhi districts.)
1921 .. .. .	36.40 <sup>6</sup>	

<sup>1</sup> *Land Revenue Administration Report*, 1899, Statement V, column 14 and *ibid* : 1909, 1919 and 1929. Statement II.

<sup>2</sup> *Ibid*, 1899, Statement XI, column 8; and 1909, 1919 and 1929, Statement XXVII, column 2.

<sup>3</sup> *Ibid*, 1890 to 1901, Statement X-A, column 20—25, 1909 to 1929, Statement XXIV, columns 11—16; and Land Alienation Act Reports, 1902 to 1908, Statement I.

<sup>4</sup> Census Report.

<sup>5</sup> On 31st December 1929 the estimated total population was 22.61 millions (Information supplied by the Health Department.) In 1921 rural population was 89 per cent of the whole. The same percentage has been applied to the figure for 1929.

<sup>6</sup> *Land Revenue Administration Report*, 1921, page 18.

<sup>7</sup> *Note on Land Transfer and Agricultural Indebtedness in India*, page 45.

The following figures will illustrate the increase in mortgage debt\* :—

District (unless otherwise stated).	Last Settlement but one. (Date of settlement in brackets).	Last Settlement. (Date of settlement in brackets).
	Rs. (lakhs).	Rs. (lakhs).
Ambala (excluding Naraingarh) .. .. .	33 (1886)	110 (1917—19)
Multan .. .. .	77 (1894-95)	81 (1919-20)
Muzaffargarh .. .. .	69 (1903-04)	93 (1923-24)
Dera Ghazi Khan .. .. .	48 (1898-99)	65 (1918-19)
Mianwali (excluding Isa Khel) .. .. .	39 (1906-07)	74 (1926-27)
Attock .. .. .	4 (1901—66)	9 (1925—27)
Jhang (excluding canal colony area and Chiniot) ..	45 (1905-06)	59 (1925-26)
Montgomery (Dipalpur and Pakpattan) .. .. .	6 (1897)	11 (1920-21)
Gujranwala and Wazirabad tehsils .. .. .	8 (1913)	65 (1923—25)
Hafizabad tehsil .. .. .	0.13 (1905)	7½ (1924)

\*The figures given have been taken from Assessment Reports.

The net increase in mortgage debt (excluding the Frontier and Delhi districts) from 1892 to 1921 (both years inclusive) was 26.20 crores. If this is added to the figure for 1891 and if allowance is made for the inclusion in the latter figures for the present North-West Frontier Province, total mortgage debt in 1921 would be less than 33 crores, whereas it was ascertained to be 36.40 crores. This suggests that the figures given in Table II do not exaggerate the increase in mortgage debt. Total mortgage debt in 1929 may therefore be calculated by adding the increase since 1921, viz., 28.50 crores to the figure for 1921. This gives a total of 62.90 or, say, 63 crores.

## STATEMENT No. 9—CONTINUED.

TABLE III.

*Area mortgaged to Agricultural Tribes<sup>1</sup>.*

				Percentage to total area mortgaged.
During the five years ending—				
1900 <sup>2</sup>	..	..	..	61 <sup>3</sup>
1909	..	..	..	75
1914	..	..	..	75
1919	..	..	..	76
1924	..	..	..	79
1929	..	..	..	76

*Note.*—In 1929 members of non-agricultural tribes owned 3.3 million acres of cultivated land, representing 13 per cent of the total cultivated area, excluding *shamilat*, village *abadis*, and Government property.<sup>4</sup>

TABLE IV.

*Total area mortgaged during the year to—*

Year ending September	Agricultural Tribes. <sup>1</sup>	Others. <sup>1</sup>
	Acres (000e)	Acres (000e)
1925 .. ..	269	79
1926 .. ..	286	92
1927 .. ..	266	81
1928 .. ..	278	93
1929 .. ..	233	87
Average for the five years ending 1929..	272	86

<sup>1</sup>*Land Revenue Administration Reports*, Statement XXVII, columns 9 and 10.<sup>2</sup>Year in which the Land Alienation Act was passed; it came into force in 1901.<sup>3</sup>In these five years 38.5 per cent of the mortgaged area was mortgaged to money-lenders (*Land Revenue Administration Report*, 1900, page 25).<sup>4</sup>*Land Revenue Administration Report*, Statement III, column 7.



## STATEMENT No. 9—CONTINUED.

TABLE V.

				Mortgage money per rupee of the Land Revenue of the area mortgaged. <sup>1</sup>	Sale price of all land sold per rupee of the Land Re- venue. <sup>2</sup>
				Rs.	Rs.
Average of ten years ending—					
1919	..	..	..	87	140
1929	..	..	..	127	262
Year ending September—					
1919	..	..	..	97	127
1920	..	..	..	131	199
1921	..	..	..	136	245
1922	..	..	..	123	223
1923	..	..	..	138	228
1924	..	..	..	127	273
1925	..	..	..	127	300
1926	..	..	..	127	301
1927	..	..	..	129	267
1928	..	..	..	115	273
1929	..	..	..	118	245

In 1929 mortgage money as expressed above was 22 per cent higher than in 1919 and sale price 94 per cent. If the last two decades are compared, the corresponding percentages are 46 and 87.

<sup>1</sup>Land Revenue Administration Report, Statement XXVII, column 8.

<sup>2</sup>Ibid., Statement XXVI, column 9.

## STATEMENT No. 9—CONCLUDED.

TABLE VI.

*Condition of Harvests.*

1921-22	..	Favourable except in Gurgaon, Hissar and prices high.
1922-23	..	Good ; big drop in prices (except for cotton).
1923-24	..	Favourable ; prices (except for cotton) lower than in any year in the decade ending 1923-29.
1924-25	..	Normal ; prices rising.
1925-26	..	Poor (except for cotton). Prices still rising higher.
1926-27	..	Good ; prices falling.
1927-28	..	Poor ; prices (except for cotton) falling.
1928-29	..	Unfavourable ; prices falling (wheat was 5 per cent above normal, but gram was below and fertile area 24 per cent).

## STATEMENT No. 10.

PURCHASE AND CULTIVATION OF LAND IN THE NEW CANAL COLONIES  
BY RESIDENTS OF THE PUNJAB.

Canal Colonies.	Amount paid and realised.	Brought under cultivation in the last 3 or 4 years.
	Lakhs.	Acres.
Punjab .. .. .	333 <sup>1</sup> (1st October 1924 to 30th September 1929).	400,000 <sup>2</sup> (3½ years, Nih Bar only).
Bahawalpur State <sup>3</sup> .. .. .	68 (1st April 1926 to 1st March 1930).	170,000 (3 years).
Bikaner State <sup>3</sup> .. .. .	190 (1923-24 to 1928-29).	160,000 (4 years).
Total .. .. .	641	730,000

<sup>1</sup> Punjab Colony Reports.<sup>2</sup> Estimated by the Colonization Officer, Nih Bar Colony.<sup>3</sup> Figures kindly supplied by the Revenue Commissioners of the States concerned.

## STATEMENT No. 11.

TABLE I.

*Growth of Agricultural Credit Societies (unlimited).*

1. Net increase in number of societies—				
1925	..	..	..	1,470
1926	..	..	..	1,202
1927	..	..	..	1,327
1928	..	..	..	993
1929	..	..	..	1,041
2. Net increase in membership—				
1925	..	..	..	45,948
1926	..	..	..	38,585
1927	..	..	..	48,020
1928	..	..	..	42,176
1929	..	..	..	41,381
3. Number of Agricultural Credit Societies on the 31st July :—				
1924	..	..	..	9,435
1929	..	..	..	15,468

TABLE II.

OBJECTS OF LOANS MADE BY CO-OPERATIVE SOCIETIES  
IN THE PUNJAB.<sup>1</sup>*Approximate percentage in five years ending 1929.*

1. Cattle	..	..	..	..	18.55
2. Fodder	..	..	..	..	2.44
3. Seed	..	..	..	..	1.4
4. Implements	..	..	..	..	.83
5. Carts	..	..	..	..	1.04
6. Rent	..	..	..	..	.19
7. Revenue	..	..	..	..	1.95
8. Grain	..	..	..	..	6.3
9. Debt	..	..	..	..	21.75
10. Wells	..	..	..	..	1.56
11. Land Improvement	..	..	..	..	1.21
12. Land Cultivation	..	..	..	..	1.56
13. Land Redemption	..	..	..	..	.1
14. Land Lease	..	..	..	..	1.01
15. Land Mortgage	..	..	..	..	1.14
16. Land Purchase	..	..	..	..	6.75
17. Building	..	..	..	..	2.2
18. Education	..	..	..	..	.68
19. Trade	..	..	..	..	18.01
20. Ceremonies	..	..	..	..	6.1
21. Litigation	..	..	..	..	.23

<sup>1</sup>See Report on the Working of Co-operative Societies in the Punjab, 1929, page 20.

STATEMENT No. 11.—CONTINUED.

TABLE III.

STATEMENT OF SAVINGS BY CO-OPERATORS IN THE 10 YEARS ENDING 1929.

Serial No.	Class of Societies.	NUMBER OF MEMBERS.		SHARES AND PROFITS. (RUPEES IN LAKHS).		RESERVE. (RUPEES IN LAKHS).		DEPOSITS OF			
								Individual Mem- bers. (Rupees in lakhs).		Non-Mem- bers. (Rupees in lakhs).	
		1919.	1929.	1919.	1929.	1919.	1929.	1919.	1929.	1919.	1929.
1	Agricultural Credit Societies (Unlimited)	146,005	455,368	59.31	116.20	39.36	139.58	8.42	30.04	.71	32.33
2	Other Primary Credit Societies other than Mortgage Banks (Limited and Unlimited) ..	931	45,170	.34	17.30	.19	5.27	.03	33.00	.05	4.91
3	Central Banking Institutions ..	..	..	..	..	..	..	34.40 *10.36	50.31 *47.16	..	..

\*Deposits of Societies.

STATEMENT SHOWING DEVELOPMENT OF THRIFT SOCIETIES, &c.

Serial No.	Class of Societies.	NUMBER OF MEMBERS.		AMOUNT ACCUMULATED (RUPEES IN LAKHS).		NUMBER OF SOCIETIES.
		1924.	1929.	1924.	1929.	1929.
1	Thrift Societies (all kinds) ..	2,771	18,315	.59	7.02	..
2	Societies enforcing Compulsory Deposits. ..	..	..	..	..	237

STATEMENT No. 11—CONTINUED.

TABLE IV.

AGRICULTURAL CREDIT SOCIETIES (UNLIMITED)—LOANS AND RECOVERIES.

Serial No.	Year.	Loans held from Central Institutions by Agricultural Societies (unlimited) at the end of the year.	Loans received from Central Institutions by Agricultural Societies during the year.	Amount repaid by Agricultural Societies to Central Institutions during the year.	Percentage that amount repaid by Agricultural Societies bears to the amount on loan to them at the beginning of the year.	Percentage that the amount repaid by members of these societies bears to the amount of loans held by them at the beginning of the year.
		Rs. (lakhs).	Rs. (lakhs).	Rs. (lakhs).	Per cent.	Per cent.
1	1924-25 .. ..	185	108	62	44	37
2	1925-26 .. ..	229	125	81	43	35
3	1926-27 .. ..	298	166	97	42	33
4	1927-28 .. ..	352	171	117	39	32
5	1928-29 .. ..	409	171	114	32	28
	Average of five years	..	..	..	40	33

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Year.

Condition of harvests.

1923-24	..	..	Favourable, prices (except cotton) lower than in any year in decade ending 1927-28,
1924-25	..	..	Normal, prices higher than previous year.
1925-26	..	..	Poor (except cotton). Prices still higher.
1926-27	..	..	Good. Prices falling.
1927-28	..	..	Yield poor; prices falling (except cotton),
1928-29	..	..	Unfavourable; falling prices,

## STATEMENT No. 11—CONTINUED.

TABLE V.

AVERAGE AMOUNT HELD ON LOAN BY MEMBERS OF CO-OPERATIVE  
CREDIT SOCIETIES (UNLIMITED) FOR THE TEN YEARS ENDING  
1929.

Serial No.	YEAR.		AVERAGE AMOUNT PER MEMBER.	
			Agricultural Credit Societies (unlimited).	Non-Agricultural Credit Societies (unlimited).
			Rs.	Rs.
1	1919-20	.. ..	78	45
2	1920-21	.. ..	90	55
3	1921-22	.. ..	96	66
4	1922-23	.. ..	105	74
5	1923-24	.. ..	104	95
6	1924-25	.. ..	110	89
7	1925-26	.. ..	116	107
8	1926-27	.. ..	124	114
9	1927-28	.. ..	131	125
10	1928-29	.. ..	138	129

## STATEMENT No. 11—CONTINUED.

TABLE VI.

GOVERNMENT EXPENDITURE ON CO-OPERATIVE SOCIETIES IN THE PUNJAB (EXCLUDING THE AMOUNT SPENT ON CONSOLIDATION OF HOLDINGS).

Year.	Total expenditure.	EXPENDITURE PER		
		Society.	Member.	Lakh of working capital.
	Rs.	Rs.	Rs.	Rs.
1913-14 ..	65,774	19	.4	357
1914-15 ..	92,650	27	.5	483
1915-16 ..	59,899	17	.4	291
1916-17 ..	79,126	22	.5	400
1917-18 ..	96,171	23	.7	486
1918-19 ..	1,14,074	20	.6	492
1919-20 ..	1,76,131	24	.8	638
1920-21 ..	2,59,361	30	1.09	718
1921-22 ..	4,15,902	45	1.5	965
1922-23 ..	4,05,366	42	1.6	859
1923-24 ..	4,08,039	38	1.4	741
1924-25 ..	4,31,189	34	1.2	617
1925-26 ..	6,03,060	41	1.4	667
1926-27 ..	7,84,011	47	1.6	675
1927-28 ..	9,14,051	51	1.6	646
1928-29 ..	9,57,419	49	1.5	597
1929-30 ..	10,64,400 (budget estimate).	..	..	..
1930-31 ..	10,54,050 (budget estimate).	..	..	..
*Compare—				
Bengal 1926-27 ..	5,45,000	36	0.9	578
Bombay 1928-29 ..	5,55,015	†101	1.01	465
Madras 1928-29 ..	8,89,000	59	0.9†	538

*Expenditure on the Consolidation of Holdings.*

	Lakhs.
1928-29 .. .. .	1.36
1929-30 (budget estimate) .. .. .	1.70
1930-31 (budget estimate) .. .. .	1.79
	Crores.
Total Expenditure of the Punjab Government 1930-31	
(Budget estimate) .. .. .	13.47

\*Figures taken from the Annual Reports of the Co-operative Societies Departments of the provinces concerned: in Madras it is 64.

†Average No. of members per society in Bombay is 102 against 33 in the Punjab.

‡Excluding the members of 448 unions.

## STATEMENT No. 11—CONTINUED.

TABLE VII.

PERCENTAGE OF THE MEMBERS OF AGRICULTURAL CO-OPERATIVE CREDIT SOCIETIES WHO BORROW FROM MONEY-LENDERS AS WELL AS FROM THEIR SOCIETIES (ESTIMATES SUPPLIED BY ASSISTANT REGISTRARS AFTER INQUIRY).

Serial No.	District.	Class A and B. Societies.	Class C Societies.
		Percentage.	Percentage.
1	Hissar .. .. .	5 to 10	40 to 55
2	Attock and Mianwali .. .. .	25	60
3	Amritsar .. .. .	N/A.	40
4	Jullundur .. .. .	16	29
5	Multan-Montgomery .. .. .	25	48
6	Lahore .. .. .	10	60
7	Ludhiana and Ambala .. .. .	5	25
8	Rawalpindi and Jhelum .. .. .	5	30
9	Ferozepore .. .. .	33	50
10	Muzaffargarh and Dera Ghazi Khan .. .. .	25	70
11	Lyallpur and Jhang .. .. .	30 to 40	45
12	Colony area Jhang (Non-colony area) .. .. .	30 to 40	90
13	Hoshiarpur .. .. .	10 to 15	12 to 18
14	Rohtak and Karnal .. .. .	30	70
15	Gurdaspur .. .. .	10	40
16	Sialkot .. .. .	30	47
17	Kangra .. .. .	20	50
18	Gujranwala and Sheikhupura .. .. .	50	80
19	Shahpur and Gujrat .. .. .	20 to 30	60 to 70
20	Gurgaon .. .. .	30 to 40	70 to 80



## STATEMENT No. 11—CONCLUDED.

TABLE VIII.

EXPENDITURE ON JEWELLERY IN 35 CANAL COLONY AND 5 GURGAON VILLAGES (FIGURES ASCERTAINED THROUGH ASSISTANT REGISTRARS, CO-OPERATIVE SOCIETIES).

PART I.—VILLAGES IN WHICH THERE IS NO CO-OPERATIVE BETTER LIVING SOCIETY.

Serial No.	Tehsil (except where stated).	Number of villages in which inquiry was made.	Their population.	Number of families under inquiry.	Marriages celebrated during 1927, 1928 and 1929.	Total amount spent on jewellery in connection with these marriages.	Average amount per marriage spent on jewellery.
1	2	3	4	5	6	7	8
						Rs.	Rs.
1	Multan and Montgomery Districts ..	15	9,214	212	179	1,11,760	624
2	Lahore ..	1	400	31	33	14,685	445
3	Chunian ..	1	900	10	10	5,400	540
4	Lyallpur District ..	11	13,242	604	150	36,743	245
5	Sheikhupura ..	2	854	113	41	18,400	449
6	Nankana Sahib ..	2	450	72	41	5,760	140
7	Phalia ..	1	758	135	18	9,500	528
8	Rhalwal ..	2	1,060	202	27	8,370	310
9	Ferozpur-Jhirka (Gurgaon) ..	2	350	27	5	1,500	300
10	(Gurgaon) Palwal ..	3	1,132	113	14	3,364	240
	Total ..	40	28,360	1,519	518	2,15,432	..

PART II.—VILLAGES WITH A CO-OPERATIVE BETTER LIVING SOCIETY.

1	Multan and Montgomery Districts ..	2	1,615	61	45	3,135	70
2	Lahore ..	1	100	15	17	3,750	221
3	Chunian ..	1	1,000	10	11	1,000	91
4	Lyallpur ..	3	2,197	187	54	3,162	59
5	Phalia ..	1	639	120	19	3,920	206
	Total ..	8	5,551	393	146	14,967	..
	Average amount per marriage spent on jewellery ..		Part I.	Part II.			
			Rs. 4 16	Rs. 103			

NOTE.—Broadly, the harvests were normal in one year and poor in two.

## STATEMENT No. 12.

## RETURN TO GOVERNMENT ON TACCAVI LOANS.

Year (ending 30th September).	THE LAND IMPROVE- MENT LOANS ACT.		THE AGRICULTURISTS LOANS ACT.		Rate of interest paid by the Pun- jab Govern- ment on its loans from the Govern- ment of India.
	Rate of interest payable per cent.	Interest realised per cent. on the mean balance.	Rate of interest payable per cent.	Interest realised per cent. on the mean balance.	
1	2	3	4	5	6
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	
1919 ..	6 4 0	6 13 8	6 4 0	2 15 11	5½
1920 ..	6 4 0	5 9 7	6 4 0	4 1 11	(approximate)- Do.
1921 ..	6 4 0	4 0 3	6 4 0	0 14 9	Do.
1922 ..	7 4 8	4 14 2	7 4 8	3 6 6	No loan.
1923 ..	7 4 8	5 0 7	7 4 8	4 11 7	6½
1924 ..	7 4 8	5 13 6	7 4 8	5 1 6	No loan.
1925 ..	6 12 0	6 5 6	6 12 0	3 5 10	Do.
1926 ..	6 8 0	5 8 1	6 8 0	2 15 8	Do.
1927 ..	6 0 0	5 7 5	6 0 0	3 10 0	Do.
1928 ..	6 0 0	4 14 5	6 0 0	2 12 11*	5
Average for 10 years.	6 9 5.	5 7 1	6 9 5	3 6 6	..

\* Approximate.

NOTE.—The rates shown in columns 3 and 5 have been obtained by finding what percentage the total realizations of the year are of the mean of the loans at the beginning and end of the year. This method is defective in that—

- (a) arrears and suspensions of interest during the year reduce the rate,
- (b) large collections of interest increase the rate, and
- (c) in the case of the Land Improvement Loans Act, owing to there having been a steady rise from year to year in the amount on loan, the closing balance exceeds the opening balance, with the result that a rate of interest calculated on the mean of the two balances is somewhat lower than the actual rate paid.

2. The method is, however, the best available, and in the case of (a) and (b) it may be assumed that over a period of 10 years the various contrary factors will approximately balance, and that the average rate will broadly be the same as the rate of interest chargeable on the loans. If so, the statement shows that in the case of the Agriculturists Loans Act the rate of interest realized is much below the rate nominally charged and is probably less than 4 per cent. As 4.88 lakhs were written off as irrecoverable during the ten years ending 1928, the rate is probably less than 3 per cent.

3. The amount written off as irrecoverable would have been much less but for large remissions made in the Ambala Division in 1925-26 and 1926-27 owing to serious floods in the Jamna. These remissions cannot, however, be left out of account, as such visitations recur periodically. Including them, the sum written off amounts to 3.9 per cent of the total amount advanced during the ten years.

4. The reasons, why the effective rate of interest is less than the nominal, are as follows :—

- (i) postponement of the payment of first instalment of interest under paragraph 2 of Standing Order No. 32.
- (ii) remission of principal, under paragraph 8 of Standing Order No. 32.
- (iii) suspension of interest on arrears of principal under paragraph 2 (iii) of Standing Order No. 32.
- (iv) suspension of interest until the whole loan has been advanced, paragraph 15 of Standing Order No. 32.

5. It is clear from the above that the Punjab Government obtains less on its advances under the Agriculturists Loans Act than it has to pay for its own loans, the rate for which during the last 10 years has never been less than 5 per cent. ; and that to this extent these advances are made at a loss.

6. The same would also appear to be the case with advances under the Land Improvement Loans Act, though owing to what is said in paragraph 1 (c) above this is not quite certain. What is more certain is that the effective rate is appreciably less than the nominal rate, though the difference is much less marked than in the case of the Agriculturists Loans Act.

## STATEMENT No. 13.

INTEREST RATES CHARGED AND NET PROFIT EARNED BY URBAN AND RURAL MONEY-LENDERS IN THE PUNJAB, AS ESTIMATED BY INCOME-TAX OFFICERS.

District.	INTEREST RATES COMMONLY CHARGED BY		ESTIMATED Net PROFIT EARNED BY	
	Urban Money-lenders.	Rural Money-lenders.	Urban Money-lenders. <sup>1</sup>	Rural Money-lenders.
	Per cent.	Per cent.	Per cent.	Per cent.
Rohtak .. ..	7½ to 9	12 to 18	6 to 7	
Gurgaon .. ..	9 to 12	18 to 24	6 to 7	
Multan, Muzaffargarh and Dera Ghazi Khan.	9 to 12	12 to 18	8	10
Jullundur and Hoshiarpur ..	8 to 12	12 to 15	8	6
Amritsar (A division) ..	6½	18½	5	12
Amritsar (C Division) ..	6½	18½	4½	10
Gurdaspur and Kangra ..	9 to 12	18 to 24	6 to 9	12
Ludhiana .. ..	6 to 9	12 to 15	5½	10
Attock and Mianwali ..	6, 9 & 10½	18½ & 24	..	..
Karnal .. ..	6 to 9	18½	7½	15
Gujrat and Jhelum ..	..	25 to 37½ (unsecured) 18 to 25 (against jewellery).	4 to 5	10 to 12
Hissar .. ..	7½ to 9	12 to 18	6	12
Ambala .. ..	10 to 12	15 to 20	..	..
Lahore <sup>2</sup> .. ..	12 & 15	18½ & 24	12	18
Sialkot .. ..	10 to 13½	18 to 25	8 to 9	12 to 14
Montgomery .. ..	12 to 18	25	..	20
Simla .. ..	9 to 12	..	8	..
Lyallpur .. ..	7½ to 12	12 to 20	6½ to 7	11
Rawalpindi .. ..	..	..	8	12 to 15

The following extract from the Income-tax Officer, Karnal's reply to the questionnaire illustrates the difficulties in arriving at any estimate of net return:—

"Prolonged efforts have been made but it has not been found possible to get actual figures from account books to show the average rate per cent per annum earned by an ordinary urban money-lender. In the first place, there being only small towns and those too having not only urban population but possessing mixed population, there is no money-lender who sticks exclusively to urban money-lending, by which is meant money-lending amongst businessmen. Secondly, money-lenders, a part of whose business consists in urban money-lending, do not keep a record of actual capital invested, nor work it out from year to year. However, the matter has been discussed with various persons who are considered to be in a position to advise on the subject and, as a result

<sup>1</sup>In some cases these estimates are explained in the oral evidence. For urban rates see pages 209 (Lyallpur), 185, 193 (Amritsar), 200 (Rawalpindi), 176-77 (Lahore). For rural rates see, 164, 1054 (Rohtak and Hissar), 221 (Multan), 209 (Lyallpur), 198 (Gurdaspur), 193 (Amritsar), 170-71 (Jullundur), and 200 (Rawalpindi).

<sup>2</sup>Very little is advanced to trade; see *Ev.* i 180.

of that discussion, I have arrived at the conclusion that, generally speaking, 7½ per cent is earned, which is based roughly on the following calculations :—

	Rs.
Interest charged on say Rs. 10,000 at 9 per cent per annum	.. 900
Deduct for bad debts and business expenses 20 per cent.	.. 180
Net	.. <u>720</u>

which works out to 7.2 per cent per annum.

In regard to rural money-lending also, I have to note with regret that the system of accounts employed in this district is still more crude, being of one bahi type. Consequently, necessary data could not be obtained, inspite of protracted efforts, to work out, on the basis of actual figures, the average rate earned on a period of not less than 5 years. During the last two or three years, however, the village sahumars have begun to realise the desirability of keeping accounts on double entry system to show the return on their capital. But the pity is that capital is reckoned only at the time of starting the book of original entry and is not worked out year after year to show its augmentation or diminution. However, information has been collected after long efforts to show three years' net return upon the total capital employed. As a result of investigation as well as of discussion, a net return of 15 per cent per annum appears to be earned by a rural money-lender, keeping in view the fact that such a money-lender does not confine his activities to the advance and receipt of cash only but gives and takes grain also (which is invariably profitable) and cattle (which dealing is more often a source of loss than of profit) and occasionally incurs a bad debt and supervision charges which reduce the net return."

STATEMENT No. 14

COURT OF WARDS ESTATES—INDEBTEDNESS OF TENANTS.

Serial No.	District.	Estate.	Number of tenants under inquiry.	Amount of land cultivated by them.	Total amount owed by No. 4 to all creditors.	AMOUNT IN COLUMN No. 6 SECURED BY.		Commonest rates of interest.
						Jewellery.	Other forms of property.	
1.	2	3	4	5	6	7	8	9
				Acres.	Rs.	Rs.	Rs.	
1	Jullundur .. ..	Kartarpur .. ..	6	62	6,500	..	1,000	18½, 12½, 15, 12½ and 25.
2	Shahpur .. ..	Tarkhanwala .. ..	82	2,341	1,000	..	..	No interest paid.
3	Shahpur .. ..	Mitha Tiwana .. ..	242	4,510	1,400	..	..	Ditto.
4	Jhelum .. ..	Chugh .. ..	174	1,390	29,021 Plus 447 bi-ghas of wheat.	..	2,700	24.
5	Attock .. ..	Dhrak .. ..	93	1,295	28,350	750	..	12½ to 37½.
6	Karnal .. ..	Sidhowal .. ..	24	274	27,944	225	19,250°	18½.
7	Karnal .. ..	Arnauli .. ..	2	28	310	..	..	18½.

STATEMENT No. 14—CONCLUDED.

COURT OF WARDS ESTATES—INDEBTEDNESS OF TENANTS—CONCLUDED.

Serial No.	District.	Estate.	Number of tenants under inquiry.	Amount of land cultivated by them.	Total amount owed by No. 4 to all creditors.	AMOUNT IN COLUMN No. 6 SECURED BY		Commonest rates of interest.
						Jewellery.	Other forms of property.	
1	2	3	4	5	6	7	8	9
				Acres.	Rs.	Rs.	Rs.	
8	Karnal .. ..	Jharanli .. ..	24	144	8,190	..	..	25.
9	Jhang .. ..	Shah Jewana .. ..	25	695	12,000	..	..	18½ to 24.
10	Lahore .. ..	Rani Chaunian .. ..	11	137	4,760	550	..	24.
11	Ferozepore .. ..	Mamdot .. ..	1,554	61,264	3,00,000	15,000	..	18½ to 37½.
12	Multan .. ..	Shujabad .. ..	56	1,520	6,781	126	..	18½.
13	Multan .. ..	Dahkola .. ..	240	3,274	25,237	52	200	18½.
14	Mianwali .. ..	Kalabagh .. ..	607	9,060	15,433	4,910	..	37½.
15	Dera Ghazi Khan .. ..	Lighari .. ..	39	435	5,805	200	660	18½.
		Total .. ..	3,179	86,429	4,67,731	21,813	23,810	

NOTE.—Figures for the remaining estates not available.

SUMMARY OF THE STATEMENT.

Average tenant's holding .. ..	..	..	..	..	27 acres
Average debt .. ..	..	..	..	..	Rs. 147
Percentage of debt—					
(a) Secured .. ..	..	..	..	..	9.8
(b) Secured by jewellery .. ..	..	..	..	..	4.7

## STATEMENT No. 15.

## Co-OPERATIVE MORTGAGE BANKS IN THE PUNJAB.

1.	Number of loans issued since the banks were started .. ..	1,632
2.	Total amount advanced since the banks were started .. ..	Rs. 31.52 lakhs.
3.	Amount of principal outstanding on the 1st March 1930 .. ..	Rs. 21.17 lakhs.
4.	Average amount of all loans—	
	(a) made since the banks were started .. ..	Rs. 1,931.
	(b) outstanding on 1st March 1930 .. ..	Rs. 1,448.
5.	Area mortgaged as security for No. 3 (above) .. ..	60,930 acres.
6.	Average amount outstanding per acre mortgaged .. ..	Rs. 35
7.	Number of borrowers from whom No. 3 is due .. ..	1,462
8.	Number of borrowers referred to in No. 7 owning—	
	(a) 10 acres or less .. ..	259
	(b) more than 10 acres but not more than 25 .. ..	455
	(c) more than 25 acres but not more than 100 .. ..	436
	(d) more than 100 acres .. ..	50
9.	Percentage of borrowers owning 25 acres or less to total number of borrowers .. ..	60
10.	How many outstanding loans exceed Rs. 5,000 .. ..	46
11.	Number of defaulters on 1st March 1930 .. ..	499
12.	Amount in respect of which they are in default on account of—	
	(a) Principal .. ..	Rs. 1.76 lakhs.
	(b) Interest .. ..	Rs. 64,000.
13.	Number of persons—	
	(a) against whom legal proceedings have had to be taken .. ..	290
	(b) Imprisoned since the banks were started .. ..	36

<sup>1</sup>Figures for Jhang not available.



14. <sup>1</sup> Number of cases in which—		
(a) one instalment .. ..	230	
(b) two instalments .. ..	106	
(c) three or more instalments .. ..	115	
have been postponed since the start.		
15. How much has been advanced since the start for—		
(a) repayment of old debt .. ..	Rs. 14.47 lakhs.	
(b) redemption of land.. ..	Rs. 14.70 lakhs.	
(c) improvement of land .. ..	Rs. 2.17 lakhs.	
(d) purchase of land .. ..	Rs. 19,000.	
16. Total area redeemed through the bank	21,338 acres.	
17. Maximum loan admissible	.. In one bank (Gujranwala) Rs. 15,000; Rs. 10,000 in seven banks; Rs. 5,000 in three banks, and Rs. 2,500 in Sonapat.	
18. Minimum loan admissible	.. From Rs. 200 (Gurgaon) to Rs. 900 (Lyallpur).	
19. No recoveries have been made from sureties, but 232 sureties have had to be proceeded against.		
20. In three cases a bank has had to take possession of mortgaged land.		
21. Number of mortgage banks	.. 12 :—	
	<i>Head-quarters.</i>	<i>When started.</i>
(1) Jhang .. ..	..	1920
(2) Mianwali .. ..	..	1924
(3) Sonapat .. ..	..	1925
(4) Gurgaon .. ..	..	1926
(5) Lyallpur .. ..	..	1926
(6) Toba Tek Singh .. ..	..	1926
(7) Samundri .. ..	..	1926
(8) Sheikhupura .. ..	..	1926
(9) Gujranwala .. ..	..	1927
(10) Shahpur .. ..	..	1927
(11) Naraingarh .. ..	..	1928
(12) Bhalwal .. ..	..	1929

<sup>1</sup>Postponement is ordinarily allowed only in so far as land revenue is suspended or remitted. This has been adhered to in all but 74 of these cases, 71 of which are in Gurgaon, an area that is suffering acutely from famine.

## STATEMENT No. 16.

APPROXIMATE STORAGE CAPACITY OF GRAIN GODOWNS, KOTHAS, ETC.,  
IN CERTAIN TOWNS AND MARKETS IN THE PUNJAB AND APPROXI-  
MATE AMOUNT OF GRAIN STORED IN THEM.\*

(In maunds, 000s omitted.)

Town or market.	Approximate storage capa- city.	STORED.		
		1927-28.	1928-29.	
FEROZPORE.	Ferozepore ..	500	150	185
	Abohar ..	1,300	350	300
	Fazilka ..	800	175	150
	Muktsar ..	600	175	125
	Moga ..	350	200	200
	Gujranwala ..	147	..	115
JULLUNDUR.	Jullundur City..	592	182	250
	Jullundur Can- tonment.	175	37	25
	Nakodar ..	405	107	130
	Nurmahal ..	430	..	21
	Nawashahr ..	490	72	40
LUDHIANA. SHEIKHUPURA.	Kasur ..	640	(448 for both seasons).	
	Sheikhupura ..	310	(297 for both seasons).	
	Chuharkana ..	200	(90 for both seasons).	
	Warburton ..	417	(26 for both seasons).	
	Ludhiana ..	380	225	115
MONTGOMERY.	Jagraon ..	325	180	180
	Khanna ..	80	60	40
	Montgomery ..	200	110	130
	Chichawatni ..	300	140	200
	Arifwala ..	100	40	70
Okara ..	500	200	250	

\*Figures kindly supplied by the Manager, Northern India Branches, Imperial Bank, Lahore, and the Agent, Imperial Bank, Lyallpur.

## STATEMENT No. 16—CONTINUED.

APPROXIMATE STORAGE CAPACITY OF GRAIN GODOWNS, KOTHAS, ETC.,  
IN CERTAIN TOWNS AND MARKETS IN THE PUNJAB AND  
APPROXIMATE AMOUNT OF GRAIN STORED IN THEM.\*

(In maunds, 000s omitted).

Town or market.	Approximate storage capacity.	STORED.		
		1927-28.	1928-29.	
MULTAN.	Khanewal ..	266	(225 for both seasons).	
	Mian Channun ..	407	(115 for both seasons).	
	Jahania ..	44	(33 for both seasons).	
SHAHPUR.	Sargodha ..	1,000	900	365
	Pnullerwan ..	375	170	200
	Sillanwali ..	260	162	135
	Pindi Baha-uddin.	213	116	142
	Bhalwal ..	210	116	173
LYALL- PUR.	Gojra ..	500	..	200
	Toba Tek Singh	325	..	188
Total ..	12,941	3,141	3,929	
Total for each district—		plus (1,234 for both seasons).		
Ferozepore ..	3,550	1,050	960	
Gujranwala ..	147	..	115	
Jullundur ..	2,092	398	466	
Kasur (Lahore) ..	640	(448 for both seasons).		
Sheikhupura ..	927	(413 for both seasons).		
Ludhiana ..	785	465	325	
Montgomery ..	1,100	490	650	
Multan ..	717	(373 for both seasons).		
Shahpur ..	2,058	768	1,015	
Lyallpur ..	825	..	388	

\* Figures kindly supplied by the Manager, Northern India Branches, Imperial Bank, Lahore, and the Agent, Imperial Bank, Lyallpur.

## STATEMENT No. 16—CONCLUDED.

## LOWER CHENAB COLONY.

(In bags, 000s omitted).

Mandi.	Maximum storage capacity (bags).	HIGHEST STORED (IN BAGS).	
		1928-29.	1929-30.
Lyallpur ..	500	200	250
Jaranwala ..	325	125	250
Tandlianwala ..	325	75	150
Nankana Sahib ..	200	35	55
Chak Jhumra ..	150	30	45
Chiniot ..	350	5	15
Sangla Hill ..	250	30	40
Marh Balochan ..	30	2	4
Khangah Dogran ..	50	6	9
Sukheki ..	40	2	6
<b>Total</b> ..	<b>2,220</b>	<b>510</b>	<b>824</b>

**STATEMENT**  
**BORROWINGS BY MEMBERS OF AGRICULTURAL CO-OPERATIVE**  
**CLASS A AND**

Serial No.	District.	Number of societies under inquiry.	Amount borrowed during the year.	Number of members who borrowed.	Number of members who did not borrow.	Percentage of column 6 to total number of members.
1	2	3	4	5	6	7
			Rs. (Lakhs).			
1	Hissar ..	57	2.33	1,804	518	22
2	Attock and Mianwali	63	1.33	1,750	698	23
3	Amritsar ..	60	2.61	1,723	692	23
4	Jullundur ..	100	6.03	3,677	2,794	43
5	Multan and Montgomery ..	58	1.82	1,360	802	37
6	Lahore ..	30	1.71	639	626	49
7	Ambala and Ludhiana ..	91	3.14	2,371	1,063	31
8	Rawalpindi and Jhelum ..	74	1.58	1,697	1,064	38
9	Ferozepore ..	64	1.25	1,314	753	36
10	Muzaffargarh and Dera Ghazi Khan	13	.11	208	127	33
11	Lyalpur and Jhang	82	4.99	2,096	1,341	39
12	Hoshiarpur ..	90	2.67	2,065	2,581	56
13	Rohtak and Karnal	52	1.86	1,331	860	39
14	Gurdaspur ..	85	2.40	1,813	921	34
15	Sialkot ..	81	3.68	2,052	1,197	37
16	Kangra ..	31	.72	498	859	63
17	Gujranwala and Sheikhpura ..	80	3.76	2,109	1,217	37
18	Shahpur ..	63	2.96	1,666	1,083	39
19	Gurgaon ..	38	1.01	1,127	227	17
	<b>GRAND TOTAL</b>	1,212	45.96	31,300	19,423	38

## No. 17 A.

## CREDIT SOCIETIES IN THE YEAR ENDING 31st JULY 1929.

## B SOCIETIES.

Number entirely free of debt.	Percentage of column 8 to total number of members.	Number of loans taken during the year.	Average number of loans per borrower.	Average amount of loan taken.	Amount on loan on the 31st July 1929.	Number of members from whom amount in column 13 was due.	Average loan per member referred to in column 14.
8	9	10	11	12	13	14	15
				Rs.	Rs. (Lakhs).		
131	6	2,415	1.3	96	3.81	2,056	186
133	5	2,279	1.3	59	2.19	2,165	101
180	7	2,622	1.5	99	5.06	2,219	227
1,324	20	5,833	1.5	103	8.80	4,686	188
278	13	2,233	1.6	82	3.00	1,843	163
163	13	762	1.2	225	4.51	1,074	419
389	11	3,712	1.6	85	5.83	2,945	199
334	12	2,174	1.3	72	2.46	2,426	101
206	10	1,783	1.4	70	3.53	1,924	184
72	21	247	1.1	44	.20	330	62
517	15	3,470	1.6	144	7.95	2,700	294
1,347	29	2,867	1.4	93	4.63	3,125	148
304	14	2,672	2.0	69	3.72	1,697	219
251	9	2,921	1.6	82	4.17	2,330	178
307	9	3,507	1.7	105	6.87	2,987	230
419	31	709	1.4	101	1.13	917	123
492	15	2,960	1.4	127	6.50	2,654	244
241	9	2,347	1.4	126	6.43	2,380	270
62	5	2,038	1.8	49	1.99	2,507	80
7,150	14	47,551	1.5	97	82.77	42,965	193

**STATEMENT**  
**BORROWINGS BY MEMBERS OF AGRICULTURAL CO-OPERATIVE**  
**CLASS C—**

Serial No.	Circle.	Number of societies under inquiry.	Amount borrowed during the year,	Number of members who borrowed.	Number of members who did not borrow.	Percentage of column 5 to total number of members.
1	2	3	4	5	6	7
			Rs. (Lakhs).			
1	Hissar ..	73	.96	1,373	492	26
2	Attock and Mianwali	167	1.25	2,254	1,774	44
3	Amritsar ..	100	2.38	1,955	1,537	44
4	Jullundur ..	100	2.21	1,965	2,467	55
5	Multan and Montgomery ..	158	1.84	1,747	1,728	49
6	Lahore ..	78	1.32	889	1,646	65
7	Ambala and Ludhiana ..	99	1.96	1,565	1,774	53
8	Rawalpindi and Jhelum ..	95	.69	993	1,413	58
9	Ferozepore ..	74	.88	883	947	52
10	Muzaffargarh and Dera Ghazi Khan	77	.49	811	1,036	56
11	Lyallpur and Jhang	78	2.35	1,321	1,472	53
12	Hoshiarpur ..	100	1.32	1,312	2,600	66
13	Rohtak and Karnal	138	1.50	1,546	2,216	59
14	Gurdaspur ..	125	1.65	1,755	1,312	43
15	Sialkot ..	139	1.74	1,482	2,143	59
16	Kangra ..	109	1.03	894	2,110	70
17	Gujranwala and Sheikhpura.	130	3.21	2,378	1,951	45
18	Shahpur ..	137	2.20	1,738	2,276	57
19	Gurgaon ..	132	2.20	2,993	887	23
	<b>GRAND TOTAL ..</b>	<b>2,129</b>	<b>31.18</b>	<b>29,854</b>	<b>31,781</b>	<b>53</b>

No. 17-B.  
**CREDIT SOCIETIES IN THE YEAR ENDING 31st JULY 1929.**  
**SOCIETIES.**

Number entirely free of debt.	Percentage of column 7 to total number of members.	Number of loans taken during the year.	Average number of loans per borrower.	Average amount of loan taken.	Amount on loan on the 31st July 1929.	Number of members from whom amount in column 12 was due.	Average loan per member referred to in column 13.
8	9	10	11	12	13	14	15
61	3	1,725	1.3	Rs. 55	Rs. (Lakhs). 2.32	1,917	121
306	7	2,243	1	56	2.99	3,470	86
219	6	2,808	1.4	85	6.68	3,405	196
759	17	2,512	1.3	88	5.29	3,341	158
407	11	2,276	1.3	81	4.92	3,187	154
188	7	997	1.1	132	5.37	2,358	269
327	9	2,360	1.5	83	3.80	2,437	156
286	11	1,170	1.2	59	1.95	2,023	96
167	9	1,090	1.2	81	2.99	1,545	200
253	13	911	1.1	54	1.08	1,663	65
369	13	1,873	1.4	126	6.79	2,392	284
985	25	1,667	1.3	79	3.81	2,709	141
303	8	2,097	1.4	72	5.32	3,297	161
268	9	2,308	1.3	72	5.15	2,746	187
272	9	2,070	1.4	84	7.02	3,362	209
920	36	1,144	1.3	90	2.46	2,079	118
467	11	2,915	1.2	110	8.88	4,111	216
350	9	2,257	1.3	98	5.75	3,702	155
89	2	5,606	1.9	39	5.33	3,780	141
6,995	11	40,029	1.7	78	87.90	53,524	164



## STATEMENT No. 18.

STATEMENT OF FIGURES SHOWING THE AMOUNT PAID TO PERSONS RESIDING IN THE PUNJAB BY WAY OF MILITARY PENSIONS FOR THE YEARS 1927-28 AND 1928-29.

Serial No.	Name of Post Office.	For the year 1927-28.	For the year 1928-29.
		Rs. (lakhs).	Rs. (lakhs).
1	Ambala .. .. .	2.70	2.62
2	Amritsar .. .. .	8.03	7.79
3	Dera Ghazi Khan .. .. .	.11	.10
4	Dharamsala .. .. .	9.16	9.04
5	Ferozepore .. .. .	4.44	4.56
6	Gujranwala .. .. .	2.07	1.13
7	Gurdaspur .. .. .	4.17	3.91
8	Gurgaon .. .. .	6.60	6.65
9	Hissar .. .. .	7.60	7.51
10	Hoshiarpur .. .. .	7.94	8.68
11	Jullundur .. .. .	4.59	4.66
12	Jhang .. .. .	.45	.25
13	Karnal .. .. .	.54	.53
14	Lahore .. .. .	3.41	3.40
15	Ludhiana .. .. .	12.34	12.17
16	Lyallpur .. .. .	2.05	2.02
17	Montgomery .. .. .	4.47	4.47
18	Multan .. .. .	2.16	2.13
19	Muzaffargarh .. .. .	.08	0.7
20	Rohtak .. .. .	7.67	7.61
21	Simla .. .. .	.42	0.41
22	Sialkot .. .. .	3.85	3.79
23	Sheikhupura .. .. .	.83	1.66
24	Campbellpur .. .. .	3.60	3.99
25	Gujrat .. .. .	7.47	7.86
26	Jhelum .. .. .	13.80	13.24
27	Mianwali .. .. .	1.02	1.18
28	Rawalpindi .. .. .	12.90	13.42
29	Sargodha .. .. .	2.66	3.36
30	Shahpur .. .. .	1.54	.83
	Total .. .. .	138.67	139.04

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**STATEMENT No. 19.**

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STATEMENT No. 19.

COURT OF WARDS ESTATES—RETURN ON LAND FOR THE THREE YEARS ENDING 1928-29 (ALL FIGURES REPRESENT THE AVERAGE PER ANNUM).

Serial No.	District.	Estate.	AREA.		Value of land.	Gross income.	Net income.	Land Revenue.	REMARKS.
			Culti-vated.	Unculti-vated.					
1	2	3	4 (a)	4 (b)	5	6	7	8	9
			Acres.	Acres.	Rs.	Rs.	Rs.	Rs.	
1	Shahpur ..	Tarkhanwala ..	2,318	517	7,13,419	22,423	16,145	3,505	
2	Do. ..	Mitha Tiwana ..	4,424	7,136	14,14,300	25,497	19,308	2,894	
3	Attock ..	Dorak ..	3,877	2,145	4,00,000	16,090	10,675	Not avail- able.	
4	Karnal ..	Sidhowal ..	1,444	3	2,25,625	41,206	14,558	6,918	
5	Do. ..	Arnauli ..	540	508	92,662	12,292	9,526	866	
6	Do. ..	Jharsali ..	222	435	33,140	6,976	4,834	403	
7	Ferozepore ..	Butler ..	1,700	121	9,04,000	5,048	3,252	3,320	
8	Do. ..	Mamdol ..	61,324	7,355	1,48,21,333	4,36,817	3,32,527	58,428	
9	Gurgaon ..	Yarrukhnagar ..	3,659	2,864	4,93,120	12,784	9,828	1,516	Figures for 1928-29 only, others not avail- able.
10	Jhang ..	Shahjewan ..	5,650	4,096	7,46,385	65,234	40,740	13,077	
11	Lahore ..	S. Kauri Singh ..	1,193	442	6,36,123	21,019	14,762	3,828	Figures for one year only 1928-29.

13	Do.	..	Rani Channian	..	2,818	1,572	4,84,400	47,141	32,618	5,915	
13	Do.	..	M. Iftikhar-ud-Din	..	1,340	788	4,64,400	45,138	36,498	4,629	
14	Amritsar	..	Nowshera Nangli	..	930	161	3,62,825	8,646	4,545	1,071	Figures for one year only, 1928-29.
15	Ludhiana	..	Ber	..	504	408	1,77,000	12,388	7,623	1,859	
16	Ambala	..	Buris	..	3,012	1,218	4,36,945	21,065	10,418	5,538	
17	Do.	..	Manauti	..	2,843	1,631	6,82,880	22,479	8,746	8,529	Figures for one year, 1928-29.
18	Do.	..	Sohana	..	88	163	49,600	537	-441	474	
19	Do.	..	Ramgarh	..	649	1,556	78,720	3,494	1,630	1,176	Figures for one year, 1928-29.
20	Mianwali	..	Jalpans	..	5,583	10,088	7,54,518	66,068	45,384	10,576	
21	Do.	..	Kalabagh	..	8,492	64,526	35,63,276	1,32,438	1,00,523	9,604	
22	Multan	..	Shujabad	..	1,493	2,072	6,95,750	17,024	8,747	4,109	For 2 years only not in existence in 1926-27.
23	Do.	..	Dubkalan	..	3,274	3,731	10,32,704	53,085	27,712	10,442	
24	Jullundur	..	Kartarpur	..	9,817	2,206	6,85,400	54,054	13,500	8,435	Figures for 1928-29 only.
25	Hoshiarpur	..	Amb	..	1,330	1,689	2,00,480	8,395	-221	4,123	
26	Do.	..	Bhabour	..	772	1,150	1,02,720	7,954	5,776	2,393	
27	Do.	..	Anandpur	..	900	1,309	3,68,680	16,426	9,144	4,861	
28	Dera Ghazi Khan	..	Khan Bahadur Nawab Muhammad Jama Khan.	..	15,241	98,090	12,64,280	85,908	5,560	18,289	Figures for 1927-28 and 1928-29.
29	Do.	..	Khan Bahadur Din Muhammad Khan.	..	2,509	19,808	2,01,866	19,393	3,396	2,952	
<b>Total</b>					<b>147,997</b>	<b>241,788</b>	<b>3,20,06,845</b>	<b>12,87,009</b>	<b>7,97,703</b>	<b>2,00,330</b>	

*Summary of statement of Court of Wards' Estates.*

(a) Total area .. .. .	389,785 acres.
(b) Cultivated area .. .. .	147,997 "
(c) Percentage of (b) to (a) .. .. .	38 per cent.
Percentage of (b) to total cultivated area in the Punjab (excluding Govern- ment land) .. .. .	0.55 "
(d) Percentage of cultivated <sup>1</sup> to total area (excluding Government land) in the Punjab .. .. .	66.6 "
	Rs.
(e) Value of land .. .. .	3,20,06,845
(f) Average value per acre .. .. .	82
(g) Average gross return per acre .. .. .	3.3
(h) Average net return per acre .. .. .	2.1
(i) Average net return per cent on the value of land .. .. .	2.5 per cent.
(j) Average land revenue per cultivated area :	
	Rs. A. P.
(i) under court of wards .. .. .	21 6 4
(ii) in the Punjab in 1928-29 .. .. .	11 10 1

<sup>1</sup>Land Revenue Administration Report, 1928-29.<sup>2</sup>Excluding figures for Derak estate in Attock district because figures of land revenue are not available for the estate.

STATEMENT No. 20.

STATEMENT SHOWING THE AVERAGE ANNUAL RETURN ON THE PURCHASE OF 10 BONDS OF EACH GOVERNMENT OF INDIA ISSUE FROM 1916 TO 1928.

Name.	Year of issue.	Price of issue.	Rate of interest payable on the issue.	Present price as shown in 'Capital' on 19th December 1929.	Date of redemption.	Total interest earned up to end of 1929.	Total of columns 5 and 7.	Total, Profit (+) or Loss (-).	Average annual return per cent on sum invested.
1	2	3	4	5	6	7	8	9	10
		Rs. A. P.		Rs. A. P.		Rs.	Rs. A. P.	Rs. A. P.	
4% 1916-17 Loan	1916-17	1,000 0 0	4%	910 0 0	1931-36	480	1,390 0 0	+390 0 0	3.25
5% War Loans, 1917	1917	950 0 0	5%	963 12 0	1929-47	600	1,563 12 0	+613 12 0	5.38
5% 1919	1919	990 0 0	5%	1,013 2 0	1945-55	500	1,513 2 0	+523 2 0	5.28
6% Bonds, 1921	1921	1,000 0 0	6%	1,012 8 0	1931	480	1,492 8 0	+492 8 0	6.15
6% Bonds, 1922	1922	1,000 0 0	6%	1,023 2 0	1932	420	1,443 2 0	+443 2 0	6.33
5% Bonds, 1923	1923	982 8 0	5%	1,002 8 0	1933	300	1,302 8 0	+320 0 0	5.42
4% Bonds, 1926	1926	880 0 0	4%	770 0 0	1960-70	120	890 0 0	+10 0 0	0.37
4% Bonds, 1927	1927	945 0 0	4%	901 4 0	1934-37	80	981 4 0	+36 4 0	1.91
4½% Loans, 1928	1928	940 0 0	4½%	865 10 0	1955-60	45	910 10 0	-29 6 0	Loss of 3.12 per cent per annum.
4½% Bonds, 1928	1928	975 0 0	4½%	956 4 0	1934	45	1,001 4 0	+26 4 0	2.69

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## STATEMENT No. 21.

## AMOUNT INVESTED IN POSTAL CASH CERTIFICATES IN THE PUNJAB.\*

Year.					Rs. (Lakhs)-
1924-25	..	..	..	..	62
1925-26	..	..	..	..	83
1926-27	..	..	..	..	69
1927-28	..	..	..	..	57
1928-29	..	..	..	..	50
Total				..	3,21
Total outstanding as undischarged at the end of 1928-29				..	2,98

## District.

*Amount invested in  
the five years ending  
1928-29 in the dis-  
tricts showing the  
largest investments.*

					Rs. (Lakhs)-
Lahore	..	..	..	..	44.74
Rawalpindi	..	..	..	..	92.93
Simla	..	..	..	..	28.66
Ambala	..	..	..	..	17.93†
Jhelum	..	..	..	..	15.86
Ludhiana	..	..	..	..	13.57
Amritsar	..	..	..	..	11.93

\*Information kindly supplied by the Postmaster-General, Punjab.

†The size of this figure is due to the fact that all Phulkian States purchased cash certificates through the Ambala Head Office.

**STATEMENT No. 22.**  
**REALIZATIONS IN MONEY DECREES IN THE PUNJAB.**

1	2			3			4		
	TOTAL VALUE OF DECREES IN EXECUTION FOR			TOTAL AMOUNT REALIZED DURING			PERCENTAGE OF COLUMN 3 TO COLUMN 2.		
	District.			1926.	1927.	1928.	1926.	1927.	1928.
	1926.	1927.	1928.	1926.	1927.	1928.	1926.	1927.	1928.
	Rs. in lakhs.								
Hissar ..	18	15	15	4	5	4	21	31	25
Gurgaon ..	6	7	9	1	1	3	26	21	24
Karnal ..	16	16	62	4	3	5	24	20	8
Rohtak ..	18	14	15	5	3	4	26	24	28
Ambala ..	24	20	18	7	5	9	30	22	48
Simla ..	13	12	14	6	3	4	45	22	29
Hooshiarpur ..	25	28	23	7	5	5	27	18	24
Kangra ..	9	9	8	2	3	3	18	36	35
Jullundur ..	20	20	26	7	6	9	33	29	34
Ludhiana ..	12	15	16	4	5	7	35	32	41
Ferozepore ..	23	41	35	7	9	8	31	23	24
Lahore ..	90	77	1,19	18	16	26	20	21	22
Amritsar ..	47	50	50	9	15	14	20	29	29
Gurdaspur ..	19	17	16	7	7	7	39	40	44
Sialkot ..	27	24	20	7	5	5	26	20	24
Gujranwala ..	19	16	23	5	5	7	26	32	31
Gujrat ..	13	13	15	4	4	5	29	29	34
Shahpur ..	19	23	19	5	6	6	27	26	30
Jhang ..	17	17	19	4	4	5	23	26	27
Jhelum ..	18	15	14	3	4	4	15	29	25
Rawalpindi ..	17	13	13	3	4	4	18	34	31
Attock ..	9	12	11	2	3	3	24	28	28
Mianwali ..	12	10	13	2	3	2	20	25	19
Montgomery ..	14	13	12	4	3	2	32	26	19
Lyalpur ..	21	21	21	8	7	6	37	33	28
Sheikhupura ..	11	13	27	3	3	10	26	24	35
Kulu ..	2	1	2	1	1	1	15	18	21
Multan ..	27	18	23	5	4	4	18	21	17
Muzaffargarh ..	13	15	11	3	4	3	25	27	28
D. G. Khan ..	7	10	10	3	3	3	38	35	36
Total ..	5,86	5,75	6,80	1,49	1,49	1,76	25	26	26



**STATEMENT No. 23.**  
**GURGAON VILLAGE ENQUIRIES.**

In February and March of this year the Assistant Registrar, Gurgaon, had intensive inquiries carried out by his Inspectors in three or more villages in each of the six tehsils of the District. The more interesting statistical results have been tabulated below :—

Serial No.	Village.	Popula- tion.	Number of families or houses.	Chief caste.	AREA.		Total debt.	mortgage debt.	Percentage that mort- gage debt bears to total debt,	Land Revenue multiple of total debt.
					Total.	Cultivated.				
1	2	3	4	5	6	7	8	9	10	11
					Acres.	Acres.	Rs.	Rs.		
1	Jurola .. ..	404	82	Jats .. ..	785	637	39,550	3,880	10	57
2	Wazirpur .. ..	466	101	Rajputs .. ..	1,781	894	61,480	3,464	6	61
3	Khawarpur .. ..	368	76	Ahirs .. ..	724	561	25,108	N/A	N/A	36
4	Sakras .. ..	2,536	989	Meos .. ..	4,471	4,169	5,56,500	3,51,500	63	56
5	Patakpur .. ..	200	45	Meos .. ..	422	406	14,000	5,000	36	7
6	Nagina .. ..	3,179	690	Meos .. ..	334	2,666	1,00,000	90,000	60	22
7	Nandikhera .. ..	1,136	302	Khanzadas .. ..	1,926	1,796	1,59,975	95,975	60	40
8	Shamsabad .. ..	Not avail- able.	25	Giwaras .. ..	300	265	1,904	N/A	N/A	5
9	Bhedas .. ..	846	280	Meos .. ..	2,626	1,570	1,25,000	75,000	60	36
10	Khauli Kankar .. ..	196	47	Meos .. ..	826	676	5,609	325	6	8.5
11	Bajghera .. ..	Not avail- able.	47	Rajputs .. ..	1,119	655	35,940	28,070	78	25
12	Goalpuri .. ..	Ditto	89	Meos .. ..	493	472	32,026	20,496	64	50
13	Palla .. ..	209	50	Hindoo Chohan .. ..	651	367	18,000	3,800	16	13
14	Aitmadpur .. ..	100	33	Hindoo Gujars .. ..	792	335	25,000	13,000	52	31
15	Wazirpur (Ballabgarh tehsil).	111	28	Muslim Rajputs .. ..	604	370	10,000	6,000	60	12

16	Jatauli ..	572	120	Jats ..	1,060	669	24,266	5,592	23	13
17	Aghwanpur ..	221	56	Chamars and Hindu Rajputs.	846	712	44,333	20,400	46	31
18	Durgapur ..	339	66	Hindu Jats ..	818	609	42,723	19,810	46	30
19	Shahjahanpur ..	5,000	800	Hir ..	2,437	1,775	91,000	30,000	33	35
20	Bolni ..	1,300	250	Do. ..	990	648	12,300	3,300	27	13
21	Sanseri ..	400	80	Do. ..	439	402	5,450	1,850	34	11
	Total ..	17,583	4,256	..	24,444	20,654	14,30,164	7,46,662	..	..

SUMMARY.

(i) Average debt per	(a) family .. .. .	Rs.	336
	(b) head .. .. .	Rs.	77*
		Per cent.	
(ii) Percentage of mortgage debt to total debt	.. .. .	..	52
(iii) Total debt is 32 times the Land Revenue (Rs. 44,838).			
(iv) The commonest rates of interest vary from 18 to 25 per cent.			
(v) The value of irrigated land is generally put at Rs. 200 to Rs. 300 an acre and of unirrigated at Rs. 100 to Rs. 200. In the last three villages the corresponding figures are Rs. 500 to Rs. 550 and Rs. 300 to Rs. 320.			
	* Excluding figures of debt of those villages for which population figures are not available.		

NOTE ON THE VILLAGES IN BALLABGARH TEHSIL.

Only three of these villages have any kind of bazaar or market. Eight have not even a shop. These are largely served by hawkers. Shopping is usually done on a credit basis, accounts being settled at each harvest. Payment is often made in grain, credited to them, so the villagers say, at a seer below the market rate. A certain number take their produce to market, and there they have to pay the usual miscellaneous charges, including *gaushals* and *Ramilis*. Accounts are settled by the commission agents on the very day of sale. A few hold up their produce for a rise in price. Savings are generally employed in repayment of debt. Debt is increasing. The common rates of interest are 18½ and 25 per cent. In two villages it is said that 18½ has been the prevailing rate for 25 years, and in another that it has been reduced to this from 24 per cent.

STATEMENT No. 24.

STAMP DUTY CHARGED ON CERTAIN KINDS OF INSTRUMENTS IN THE PUNJAB.

Serial No.	Description of instrument.	Duty charged before 15th January 1923.	Duty enhanced from 15th January 1923 (Indian Stamp Punjab Amendment Act VIII of 1922).	Duty enhanced from 1st October 1923 (Indian Stamp Amendment Act, XLIII of 1923).	Duty enhanced from 1st March 1925 (Indian Stamp (Punjab Amendment) Act, I of 1924).	Duty remitted or enhanced from 1st July 1927 (Indian Finance Act, V of 1927).
1	2	3	4	5	6	7
1	<p><i>Bills of Exchange</i> (not being a bond, bank note or currency note).</p> <p>(a) Where payable on demand.</p> <p>(b) Where payable otherwise than on demand but not more than one year after date or sight.</p> <p>(c) Where payable at more than one year after date or sight.</p>	<p>One anna .. ..</p> <p>From annas three when bill does not exceed Rs. 200 to Rs. 27 when it does not exceed Rs. 30,000 and Rs. 9 for every additional Rs. 10,000 or part thereof in excess of Rs. 30,000.</p> <p>From annas two if the amount of the bill did not exceed Rs. 10 to Rs. 5 if it did not exceed Rs. 1,000 and Rs. 2-8-0 for every additional Rs. 500 or part thereof.</p>	<p>.. .. *</p> <p>.. .. *</p> <p>From annas two if the amount of the bill does not exceed Rs. 10 to Rs. 7-8-0 if it does not exceed Rs. 1,000 and Rs. 3-12-0 for every additional Rs. 500 or part thereof.</p>	<p>.. .. *</p> <p>.. .. *</p> <p>.. .. *</p>	<p>.. .. *</p> <p>.. .. *</p> <p>.. .. *</p>	<p>Duty remitted. *</p> <p>.. .. *</p> <p>.. .. *</p>

2	<i>Hundis</i> — (a) Darshani ..	..	The same duty as for bills of exchange where payable on demand No. 1 (a), a hundi is a bill of exchange,—vide section 2 (2) of the Indian Stamp Act, 1899.	*	*	*	Duty remitted.
	(b) Mudati ..	..	The same as in the case of Nos. 1 (b) and (c) above.	The same as in the case of Nos. 1 (b) and (c) above.	*	*	*
3	<i>Bonds</i> ..	..	From annas two if the amount of the bill did not exceed Rs. 10 to Rs. 5 if it did not exceed Rs. 1,000 and Rs. 2-8-0 for every additional Rs. 500 or part thereof.	From annas two if the amount of the bill does not exceed Rs. 10 to Rs. 7-8-0 if it does not exceed Rs. 1,000 and Rs. 3-12-0 for every additional Rs. 500 or part thereof.	*	*	*
4	<i>Promises</i> — (a) Where payable on demand.		The same duty as on bills of exchange (No. 1 above) according as it is payable on demand or payable otherwise than on demand as the case may be.	*	(a) From anna one when the value does not exceed Rs. 250 to annas four, when it exceeds Rs. 1,000.	*	*
	(b) Where payable otherwise than on demand.	..	..	*	(b) The same as on a bill of exchange (Nos. 1 (b) and (c) above) for the same amount payable otherwise than on demand.	*	*
5	<i>Bills of lading</i> —† ..	..	Four annas ..	Eight annas ..	*	*	*

\*Indicates no change.

†N.B.—If a bill of lading is drawn in parts, the proper stamp therefor must be borne by each one of the set.

STATEMENT No. 24—CONCLUDED.

STAMP DUTY CHARGED ON CERTAIN KINDS OF INSTRUMENTS IN THE PUNJAB—CONCLUDED.

Serial No.	Description of instrument.	Duty charged before 15th January 1923.	Duty enhanced from 15th January 1923 (Indian Stamp Punjab Amendment Act, VIII of 1922).	Duty enhanced from 1st October 1923 (Indian Stamp Amendment Act, XLIII of 1923).	Duty enhanced from 1st March 1925 (Indian Stamp (Punjab Amendment) Act, I of 1924).	Duty remitted or enhanced from 1st July 1927 (Indian Finance Act, V of 1927).
1	2	3	4	5	6	7
6	<p><i>Mortgage Debentures</i>, being a marketable security transferable—</p> <p>(a) by endorsement or by a separate instrument of transfer.</p> <p>(b) by delivery ..</p>	<p>The same duty as a Bottomry bond for the same amount, viz., from annas two where the amount or value secured did not exceed Rs. 10 to Rs. 5 where the amount did not exceed Rs. 1,000 and Rs. 2-8-0 for every additional Rs. 500 or part thereof.</p> <p>The same duty as a conveyance for a consideration equal to the face amount of the debenture. From annas eight where the amount did not exceed Rs. 50 to Rs. 10 where the amount did not exceed Rs. 1,000 and Rs. 5 for every additional Rs. 500 or part thereof.</p>	<p>From annas three when the amount does not exceed Rs. 10 to Rs. 7-8-0 where it does not exceed Rs. 1,000 and Rs. 3-12-0 for every additional Rs. 500 or part thereof.</p> <p>From annas twelve where the amount does not exceed Rs. 50 to Rs. 15 where it does not exceed Rs. 1,000 and Rs. 7-8-0 for every additional Rs. 500 or part thereof.</p>	*	<p>*</p> <p>A mortgage debenture in respect of immovable property within a municipality. Cantonment or Notified Area Committee shall be chargeable with a stamp duty at double the rate given in column 4 of this statement against this entry.</p>	*

\*Indicates no change.

## STATEMENT No. 25.

SUPPLY BILLS ISSUED BY GOVERNMENT TREASURIES  
IN THE PUNJAB IN THE THREE YEARS, 1926-29.

TABLE I.—Local.

Serial No.	Name.	1926-27.		1927-28.		1928-29.	
		Number.	Rupees.	Number.	Rupees.	Number.	Rupees.
1	Dera Ghazi Khan ..	11	46,200	1	2,000	13	15,500
2	Hissar ..	14	52,700	3	38,500	4	5,900
3	Dharamsala ..	26	56,500	23	44,800	24	53,000
4	Mianwali ..	1	8,000	..	..	..	..
5	Lahore ..	2	14,000	1	5,000	..	..
6	Ferozepore ..	..	..	1	20,000	..	..
	Total ..	54	1,77,400	29	1,10,300	41	74,400

TABLE II.—Foreign (i.e., issued on other Provincial Governments).

Serial No.	Name.	1926-27.		1927-28.		1928-29.	
		Number.	Rupees.	Number.	Rupees.	Number.	Rupees.
1	Dera Ghazi Khan ..	51	26,800	9	23,700	12	1,21,000
2	Dharamsala ..	3	4,200	15	17,200	40	35,300
3	Hissar ..	12	29,300	11	27,100	12	74,900
4	Mianwali ..	3	12,000	2	2,000	6	32,900
5	Hoshiarpur ..	1	2,900	..	..	..	..
6	Jullundur ..	..	..	..	..	1	2,500
	Total ..	70	75,300	37	70,000	77	2,66,600

Detailed rules for the issue of Supply Bills are given in Chapter VII of the Resource Manual. It may be explained that the Imperial Bank under its agreement with the Government of India gives every facility to the public for the transfer of money between places where it has branches at rates not exceeding those laid down by the Controller of Currency. In order to provide similar facilities for the transfer of money to and from places where there is no branch of the Imperial Bank and to decrease the remittances of notes through the post by the public, currency telegraphic transfers and supply bills are issued to the public by Government treasuries in accordance with the following rules:—

- (a) A Treasury Officer at a place where there is a branch of the Imperial Bank of India may issue a currency transfer or a supply bill on another treasury where there is no branch of the Bank after obtaining the sanction of the Deputy Controller of the Currency.
- (b) A Treasury Officer at a treasury where there is no branch of the Imperial Bank of India may issue a currency transfer or a supply bill on Calcutta, Bombay, Madras, Rangoon, Cawnpore, Lahore or Karachi without obtaining the sanction of any higher authority.
- (c) A Treasury Officer at a place where there is no branch of the Imperial Bank of India may issue currency transfer or a supply bill on another treasury after obtaining the sanction of the Deputy Controller of the Currency.

## STATEMENT No. 26.

APPROXIMATE GROSS VALUE OF AGRICULTURAL PRODUCE  
OF THE PUNJAB IN THE THREE YEARS ENDING WITH  
1928-29 (IN CRORES OF RUPEES).\*

Serial No.	Crops.	1926-27.	1927-28.	1928-29.	
1	Wheat .. ..	35.4	27.9	35.7	
2	Barley .. ..	2.2	1.8	2.6	
3	Rice .. ..	4.4	4.3	4.5	
4	Maise .. ..	3.6	4.1	4.5	
5	Bajra .. ..	3.8	3.4	3.7	
6	Jowar .. ..	1.2	1.2	1.1	
7	Gram .. ..	12.9	9.1	7.7	
8	Oilseeds .. ..	3.0	3.4	3.5	
9	Sugarcane .. ..	6.4	5.5	4.0	
10	Cotton cleaned {	Desi .. ..	3.8	5.4	5.5
		American .. ..	3.5	4.7	4.2
	Total .. ..	7.3	10.1	9.7	
11	Fodder crops .. ..	10.9	11.2	11.8	
12	Straw (bhoosa) .. ..	11.9	9.5	12.4	
	GRAND TOTAL .. ..	103.0	91.5	102.1	

For the three years the average annual value was 98.80.

NOTE.— (a) Tea, tobacco, fruit, vegetables and chillies are not included in the above.  
(b) According to the annual reports of the Irrigation Department the value of crops on the canal irrigated area was—

	Rs. (crores).
1926-27 .. ..	43.43
1927-28 .. ..	41.14

\*Figures kindly supplied by the Director of Land Records.

## STATEMENT No. 27.

AVERAGE BANK RATE (FIGURES IN COLUMNS 2 AND 3 SUPPLIED BY THE  
IMPERIAL BANK, LAHORE).

1	2	3	4
Years.	1st half-year.	2nd half-year.	Whole year.
1927 ..	6.508	4.950	5.732
1928 ..	6.945	5.456	6.200
1929 ..	6.878	5.788	6.333

## STATEMENT No. 28.

PRICE OF LAND.

Year.	PRICE PER ACRE.	
	Total area.	Cultivated area.
	Ra.	Ra.
1896-97 .. .. .	43	78
1897-98 .. .. .	44	81
1898-99 .. .. .	46	83
1899-1900 .. .. .	47	81
1900-01 .. .. .	46	83
1901-02 .. .. .	41	71
1902-03 .. .. .	41	71
1903-04 .. .. .	50	85
1904-05 .. .. .	53	86
1905-06 .. .. .	52	85
1906-07 .. .. .	58	103
1907-08 .. .. .	58	101
1908-09 .. .. .	61	114
1909-10 .. .. .	67	121
1910-11 .. .. .	75	129
1911-12 .. .. .	76	123
1912-13 .. .. .	71	107
1913-14 .. .. .	144	249
1914-15 .. .. .	109	180
1915-16 .. .. .	99	216
1916-17 .. .. .	111	227
1917-18 .. .. .	147	252
1918-19 .. .. .	122	184
1919-20 .. .. .	176	275
1920-21 .. .. .	221	345
1921-22 .. .. .	222	385
1922-23 .. .. .	191	314
1923-24 .. .. .	234	383
1924-25 .. .. .	251	438
1925-26 .. .. .	285	477
1926-27 .. .. .	244	368
1927-28 .. .. .	261	402
1928-29 .. .. .	210	377



## STATEMENT No. 29,

## WELLS SUNK IN THE PUNJAB.

Year (ending 30th September).	Wells sunk at private expenses.	Wells sunk with advances under the Land Improvement Loans Act (XIX of 1883).
1	2	3
1919 .. .. .	2,532	172
1920 .. .. .	2,526	288
1921 .. .. .	3,157	257
1922 .. .. .	4,255	362
1923 .. .. .	3,665	335
1924 .. .. .	3,298	318
1925 .. .. .	2,430	285
1926 .. .. .	3,407	344
1927 .. .. .	3,360	352
1928 .. .. .	2,551	511
Total of the 10 years .. .. .	31,181	3,224
Annual average .. .. .	3,118	322

## Total No. of Masonry Wells in the Punjab.

1918-19 .. .. .	.. 258,689
1923-24 .. .. .	.. 267,913
1928-29 .. .. .	.. 286,134

**STATEMENT No. 80:**  
**THE LAND IMPROVEMENT LOANS ACT, XIX OF 1883.**

Name of the year.	Amount advanced.	Amount recovered.	Amount outstanding at the end of the year.	Rate of interest	Loans made by the Co-operative mortgage banks to their members.	Main purposes for which the Improvement loans were made.
<i>Rupee figures are given in lakhs.</i>						
Year ending 1918 .. ..	..	..	12.00	..	..	
Year ending 30th September 1919	1.82	2.16	11.65	6½	..	Repairs and construction of wells.
Year ending 30th September 1920	1.87	2.09	11.52	6½	..	Ditto.
Year ending 30th September 1921	4.13	1.78	13.89	6½	..	Ditto.
Year ending 30th September 1922	4.05	1.70	16.24	7½	..	Construction of new wells.
Year ending 30th September 1923	3.71	2.00	17.95	7½	..	Ditto.
Total ..	15.63	9.73	..	..	..	
Year ending 30th September 1924	2.73	2.07	18.61	7½	..	Construction of new wells.
Year ending 30th September 1925	3.78	2.09	20.29	6½	..	Ditto.
Year ending 30th September 1926	4.73	2.13	23.01	6½	5.77	Ditto.
Year ending 30th September 1927	5.61	2.25	26.14	6	4.88	
Year ending 30th September 1928	8.40	2.56	32.35	6	8.35	Sinking of wells and repairing of old wells.
Total ..	25.15	11.10	..	..	..	
GRAND TOTAL ..	40.73	20.83	..	..	..	

**STATEMENT No. 31.**  
**THE AGRICULTURISTS LOANS ACT, XII OF 1884.**

Name of the year.	Amount advanced.	Amount recovered.	Amount outstanding at the end of the year.	Amount written off as irrecoverable under the Agriculturists Loans Act.	Rate of Interest.	Amount advanced by Agricultural Credit Societies (unlimited) to their members.	Amount recovered by Agricultural Societies from their members.
1	2	3	4	5	6	7	8
<i>Figures are given in lakhs.</i>							
Year ending 1918 .. ..	..	..	3.40	..	Per cent.	..	..
Year ending 30th September 1919	8.96	3.76	8.57	.025	6½	47.40	38.79
Year ending 30th September 1920	3.12	4.38	7.29	.016	6½	67.19	49.36
Year ending 30th September 1921	35.03	2.93	38.72	.444	6½	82.89	41.72
Year ending 30th September 1922	20.32	28.35	30.69	.002	7½	79.30	47.60
Year ending 30th September 1923	4.12	18.09	16.60	.073	7½	71.87	54.89
Total ..	71.55	57.51	..	.560	..	348.65	232.36
Year ending 30th September 1924	4.27	11.09	9.74	.042	7½	101.88	72.40
Year ending 30th September 1925	15.67	6.52	18.37	.576	6½	158.82	94.43
Year ending 30th September 1926	11.63	7.85	20.24	2.124	6½	177.25	112.89
Year ending 30th September 1927	7.65	10.16	16.50	1.011	6	220.23	127.89
Year ending 30th September 1928	15.89	8.30	23.74	.564	6	236.59	152.76
Total ..	55.11	43.92	..	4.317	..	894.76	560.37
GRAND TOTAL ..	126.66	101.43	..	4.877	..	1,243.41	792.73

Figures shown in columns 7 and 8 are for the years ending 31st July instead of 30th September.



## GLOSSARY.

<i>Abadkar</i>	.. Peasant grantee in a canal colony.
<i>Anna</i>	.. One-sixteenth of a rupee.
<i>Arhti</i>	.. Commission agent.
<i>Asami</i>	.. A person dealing with a money-lender.
<i>Bahi</i>	.. Account book.
<i>Bajra</i>	.. Spiked millet.
<i>Bania</i>	.. A Hindu shop-keeper and money-lender.
<i>Baradari</i>	.. Literally brotherhood, but applied to all who have common family ties, however distant.
<i>Barani</i>	.. Land depending upon rain for cultivation.
<i>Basti</i>	.. A suburb village.
<i>Be-izzati</i>	.. Loss of izzat ; disgrace.
<i>Benami</i>	.. Applied to a usufructuary mortgage taken by an agriculturist nominally on his account but actually on behalf of a non-agriculturist money-lender, to enable the latter to evade the provisions of the Land Alienation Act. The agriculturist executes a bond in favour of the money-lender for the amount in question.
<i>Beopari</i>	.. Trader.
<i>Bijak</i>	.. Invoice.
<i>Bilti</i>	.. Railway receipt.
<i>Chaudhry</i>	.. The head or leader of a group, <i>e.g.</i> , a group of those following a particular trade in a town.
<i>Chhatak</i>	.. One-sixteenth of a seer.
<i>Chhoot</i>	.. An allowance or deduction of interest made when a loan is repaid.
<i>Chhora</i>	.. The discount retained by a money-lender when a loan is made.
<i>Crone</i>	.. 100 lakhs, <i>i.e.</i> , 10 million rupees, at 1s. 6d. to the rupee, worth £ 750,000.
<i>Dalal</i>	.. A broker.
<i>Dal</i>	.. Pulse boiled with spice.
<i>Danda</i>	.. Stick.
<i>Darshani Hundi</i>	.. A hundi payable at sight.

<i>Darwan</i>	..	Gate-keeper.
<i>Daryai</i>	..	Silk cloth, generally coloured.
<i>Dasawar</i>	..	Export.
<i>Deputy Commissioner</i>	..	The administrative head of a district.
<i>Desi cotton</i>	..	Indigenous cotton.
<i>Dhami</i>	..	Commission paid by the buyer.
<i>Dharwai (or dhanwai)</i>	..	Primarily a weighman, but other business may be done as well.
<i>Dharamarth</i>	..	A charge made by a commission agent for charity.
<i>Dharmao</i>	..	The same as <i>Dharamarth</i> .
<i>Dheri</i>	..	A heap of grain.
<i>Gadh chhora</i>	..	The same as <i>chhora</i> .
<i>Garbar</i>	..	Trouble.
<i>Gaushala</i>	..	An alms house for aged or infirm cattle; also applied to the charge made by commission agents for the maintenance of a <i>gaushala</i> .
<i>Gola</i>	..	A ball of thread.
<i>Gur</i>	..	Unrefined sugar.
<i>Guzara</i>	..	Livelihood.
<i>Haisiyat</i>	..	Social position with particular reference to economic status.
<i>Hamsaya</i>	..	A friendly neighbour.
<i>Hundi</i>	..	Internal bill of exchange.
<i>Ilaga</i>	..	Neighbourhood.
<i>Izzat</i>	..	Social position and personal honour.
<i>Jangli</i>	..	Original inhabitants of the canal colonies.
<i>Jat</i>	..	One of the chief landowning tribes in the Punjab.
<i>Jins</i>	..	Grain.
<i>Jotshi</i>	..	Astrologer.
<i>Kachha</i>	..	Unmetalled (applied to a road): the opposite of <i>pucca</i> .
<i>Kadha</i>	..	The same as <i>chhora</i> .
<i>Kaj</i>	..	Death ceremony and funeral feast.
<i>Kamin</i>	..	Village menial or labourer.
<i>Kanda</i>	..	A beam-scale.
<i>Kapas</i>	..	Unginned cotton.

<i>Kasera</i>	.. A dealer in utensils.
<i>Khaddar</i>	.. Plain hand-woven cloth.
<i>Khaddi</i>	.. Loom.
<i>Kharbuza</i>	.. Melon.
<i>Khata</i>	.. Ledger.
<i>Khazanchi</i>	.. Treasurer.
<i>Khes</i>	.. A hand-woven blanket.
<i>Kiriyana</i>	.. Petty groceries.
<i>Kishtbandi</i>	.. Fixing of instalments.
<i>Khoja</i>	.. A Muslim trading caste.
<i>Kotha</i>	.. A room for the storage of grain, etc.
<i>Kulah</i>	.. A kind of skull cap worn with the turban to keep it in shape.
<i>Kurta</i>	.. Shirt.
<i>Lakh</i>	.. 100,000 rupees; at 1s. 6d. to the rupee, worth £ 7,500.
<i>Lakhpati</i>	.. A very rich man.
<i>Landa</i>	.. A script used by traders for their book-keeping.
<i>Latha</i>	.. White machine-made cloth.
<i>Lehaz</i>	.. Undue favour.
<i>Lota</i>	.. An earthen vessel.
<i>Lungi</i>	.. A silk turban.
<i>Lun-tel</i>	.. A petty grocer.
<i>Mahajan</i>	.. A Hindu trading and money-lending caste.
<i>Mandi</i>	.. Market.
<i>Maund</i>	.. 82.28 lbs.
<i>Mazdur</i>	.. Labourer.
<i>Mela</i>	.. Fair.
<i>Miadi Hundi</i>	.. Bill of exchange payable after a specified period.
<i>Muddati Hundi</i>	.. The same as <i>Miadi Hundi</i> .
<i>Muklawā</i>	.. The ceremony of a bride going to her husband's house after the consummation of her marriage.
<i>Munim</i>	.. An accountant.
<i>Mustajari</i>	.. Usufructuary mortgage for at most 20 years.

<i>Paohotra</i>	...	The 5 per cent commission paid to the village headman for the collection of land revenue.
<i>Parchun</i>	..	See <i>kiriyana</i> .
<i>Patri</i>	..	Dry cotton pods, leaves, etc.
<i>Pheriwala</i>	..	Hawker, pedlar.
<i>Phuti</i>	..	Unginned cotton.
<i>Pind pakauri</i>	..	Petty shop-keeping in villages.
<i>Pucca</i>	..	As applied to a road, metalled; as applied to a house, made of stone or burnt bricks: the opposite of <i>kachha</i> .
<i>Pugree</i>	..	Turban.
<i>Rais</i>	..	A citizen of position.
<i>Rokar</i>	..	Cash book.
<i>Roznamcha</i>	..	Day book.
<i>Rupee</i>	..	The Indian standard coin, now stabilized at 1s. 6d.
<i>Sawai</i>	..	25 per cent interest, applied to dealings in grain.
<i>Seer</i>	..	One-fortieth part of maund, about 2½lbs.
<i>Settlement Officer</i>	..	The officer charged with the revision of land revenue, which is done periodically.
<i>Sitta</i>	..	Speculation.
<i>Shikasta</i>	..	A vernacular shorthand; used in book keeping.
<i>Tahband</i>	..	Skirt worn by Muhammadans.
<i>Tahsil or tehsil</i>	..	A sub-division of a district: in the Punjab, there are usually from 3 to 5 in a district.
<i>Takari</i>	..	A pair of scales.
<i>Teli</i>	..	Oilpresser.
<i>Than</i>	..	Whole piece of manufactured cloth.
<i>Thathiar</i>	..	A brass smith.
<i>Tolai</i>		Weighment.
<i>Toria</i>	..	An oilseed.
<i>Walayat</i>	..	Foreign countries.
<i>zemindar</i>	..	One who owns land, however little.



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THE SUPERINTENDENT, GOVERNMENT PRINTING, PUNJAB,  
8 PBIC-655-25-8-30-SGPP Lahore.

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## CHAPTER VII.—MARKETING.

74. In 1928, to obtain more light upon certain aspects of marketing in the province, the Registrar, Co-operative Societies, Punjab, carried out two detailed inquiries through Assistant Registrars, one in Shahpur and the other in selected colony markets. He has embodied the results in a note which should be read in connection with this chapter, as we shall have frequent occasions to refer to it. It will be found in Note E.<sup>1</sup> In Note F we give a brief account of the way wool, potatoes, fruit and gur are marketed at certain important centres.<sup>2</sup> Together these two notes give some idea of how the chief crops are marketed in the Punjab. The Shahpur inquiry brings out clearly the fact that the grower generally sells his produce in the village.<sup>3</sup> Hardly 10 per cent of the 117 persons concerned took their produce to market, and only one of these was a small holder.<sup>4</sup> All the information available shows that this is generally characteristic of the Punjab, though not universal.<sup>5</sup> In Shahpur itself the Income-tax Officer estimates that 85 per cent of the growers sell their produce in the village;<sup>6</sup> and in an inquiry held into the marketing of cotton in 1927-28 it was found that over 80 per cent of the cotton was sold in this way.<sup>7</sup> The village survey reports of the Board of Economic Inquiry tell much the same tale. In both Gaggar Bhana (Amritsar)<sup>8</sup> and Gijhi (Rohtak) the growers prefer to sell their produce locally; and in Tehong (Jullundur) they only sell in the market when they have to go there for shopping. In Kala Gaddi Thaman, Chak 73-G.B. (Lyallpur), probably the most advanced in this respect of all the villages surveyed, it was found that 67 per cent of the cotton, and 46 per cent of the grain, were sold in the village.

75. According to the Assistant Registrar, Shahpur, the chief reason for this is debt, which obliges the debtor to sell through his creditor, who is generally the village shopkeeper. Other witnesses before us said the same, and in a sense it can hardly be disputed, for debt imposes an obligation from which it is difficult to escape. But it may be doubted

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<sup>1</sup>P. 194.

<sup>2</sup>P. 210.

<sup>3</sup>See Note E (p. 196).

<sup>4</sup>As defined in paragraph 2 of Note E (p. 194).

<sup>5</sup>The majority of the cultivators round Sonepat market their own gur [see Note F (p. 214).]

<sup>6</sup>Note F.

<sup>7</sup>Report on an Investigation into the Finance and Marketing of Cultivators' Cotton in the Punjab, 1927-28.

<sup>8</sup>*Op. cit.*, p. 166.

whether a great many more would market their produce even if they were not in debt. In the Cotton Inquiry Report it was found that, though 83 per cent of the crop was sold in the village,<sup>1</sup> only 54 per cent of the growers were in debt.<sup>2</sup> Similarly the Assistant Registrar, Lyallpur, reckons that only 10 per cent market their produce as against probably 20 per cent not in debt. It would seem that the ordinary grower actually prefers to sell in the village, though not necessarily through his creditor. For this the Cotton Inquiry Report gives the following reasons :—

- (i) the inconvenience of taking the produce to market,
- (ii) the lack of adequate information about rates,
- (iii) the suspicions raised owing to the secret settling of rates,
- (iv) deductions being agreed to by the commission agents without the consent of the seller, and
- (v) the commission agent acting chiefly in the interest of the buyer.<sup>3</sup>

76. All these points have been touched upon in Note E. In regard to the first, it is sufficient to recall (i) Roads. the fact that in 1928 of the 598 miles of roads serving the six markets dealt with in the second inquiry only 95 were metalled, and that of the unmetalled roads only one was in fair condition.<sup>4</sup> The man who has much to sell may be willing to put up with bad roads, but the small holder, who is the commonest type in the Punjab, may not think it worth while. Of the 82 small holders dealt with in the Shahpur inquiry only one took his produce to market.

77. Both inquiries suggest that information about prices is inadequate. The Cotton Inquiry Report states (ii) Lack of Information. that they are rarely ascertained before the cotton is sold. "There seems no doubt that growers are very much in the dark as regards fluctuations in the rates, and that such information only filters through to them very slowly."<sup>5</sup> On the other hand, the President of the Amritsar Grain and Sugar Association, who owns a ginning factory at Kairon in the Amritsar district, informed us that in the central Punjab cultivators were sufficiently well acquainted with prices, for markets were not very far from each other and people kept each other informed as they passed on the road. "They have a sort of wireless amongst themselves," he said. A higher price in Patti than Kairon brings everyone to Patti, and, if next day the price is higher at Kairon, they all flock back there. "If I want to buy raw cotton, I pay two annas a maund more and the next day my arrivals will be

<sup>1</sup>*Op. cit.*, p. 11.

<sup>2</sup>*Ibid.*, p. 3.

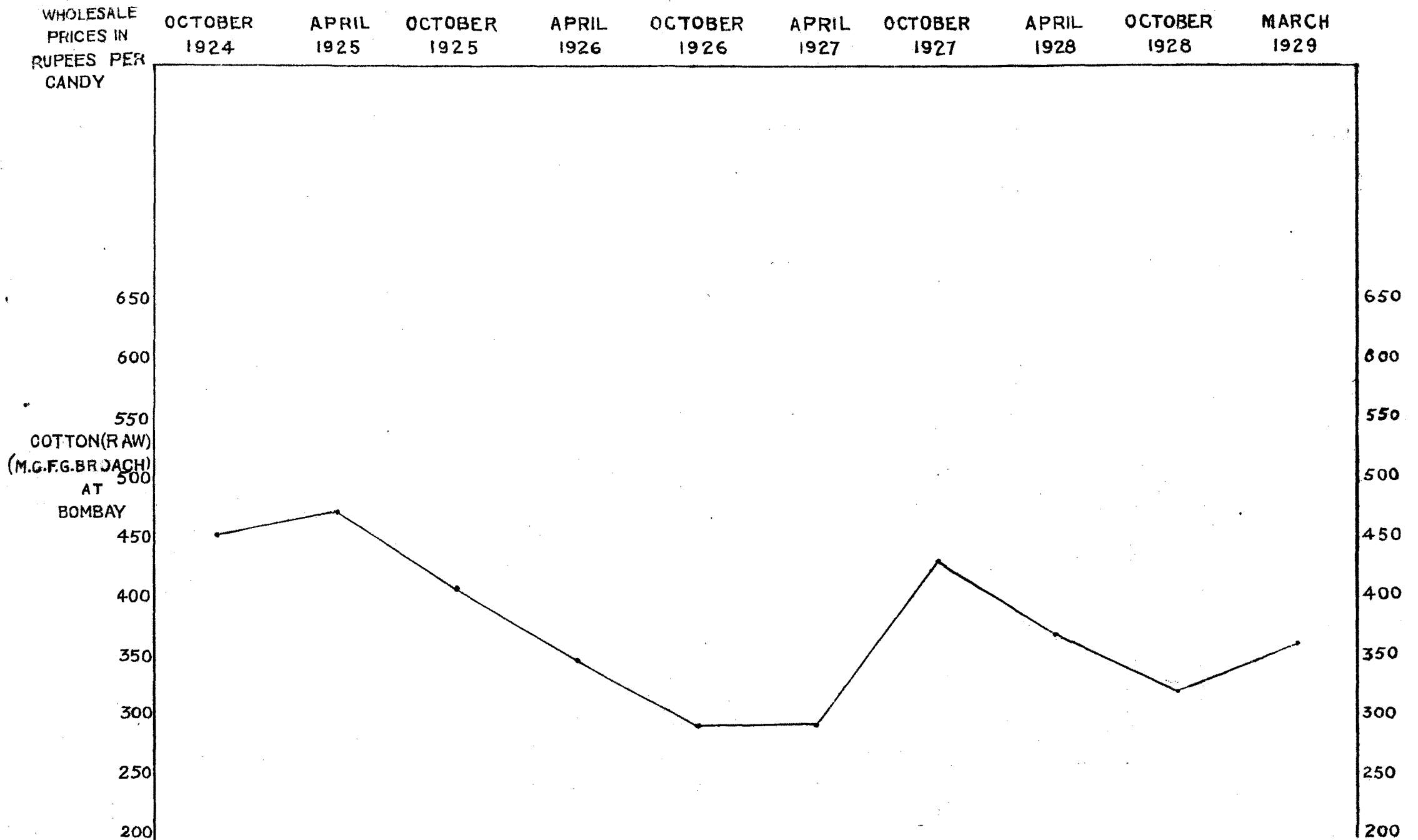
<sup>3</sup>*Ibid.*, p. 1.

<sup>4</sup>P. 199.

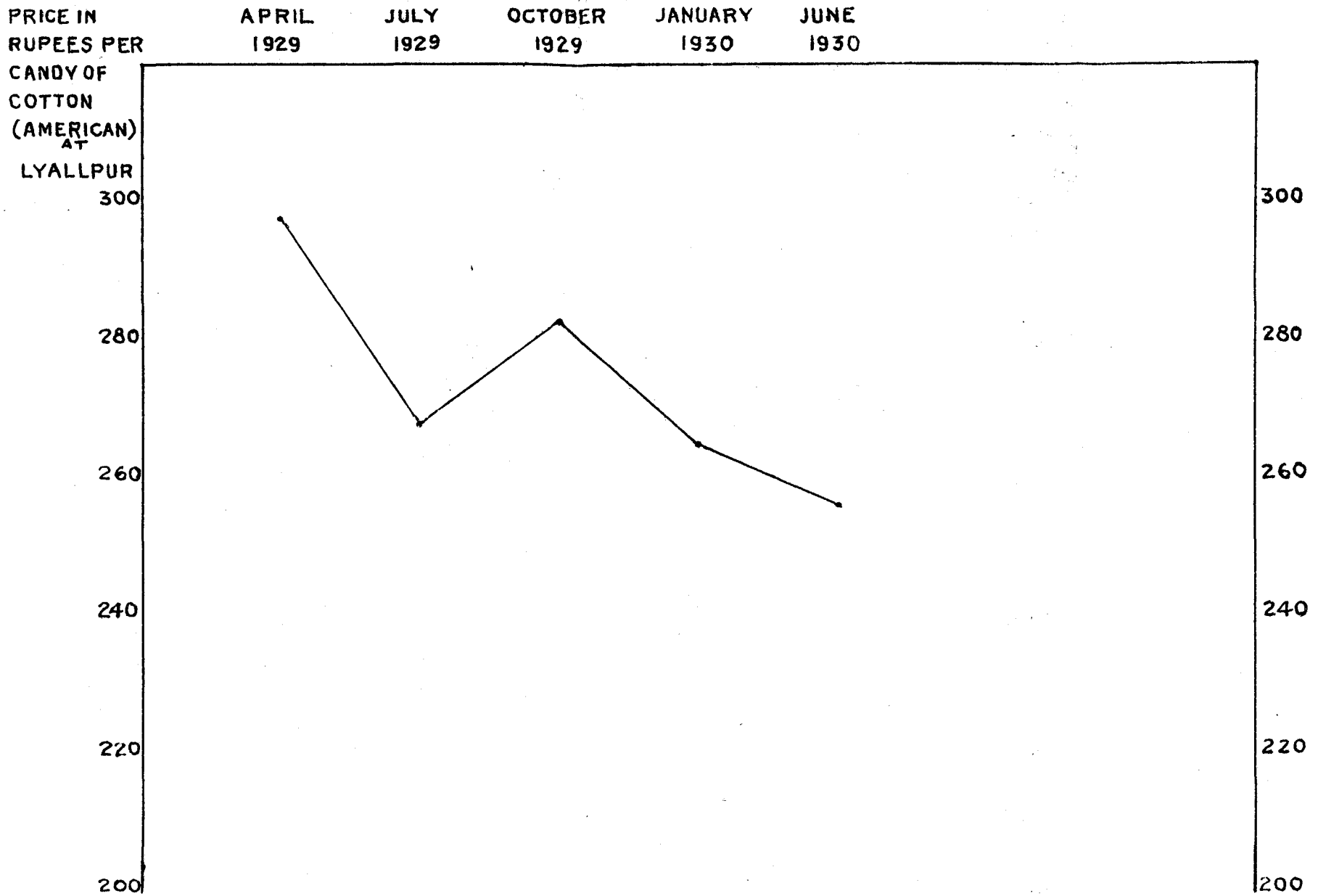
<sup>5</sup>*Ibid.*, pp. 12-13.



Graph showing fluctuations in the wholesale price of cotton during the period October 1924 to March 1929 (at Bombay).



Graph showing fluctuations in the wholesale price of cotton during the period April 1929 to June 1930 at Lyallpur.

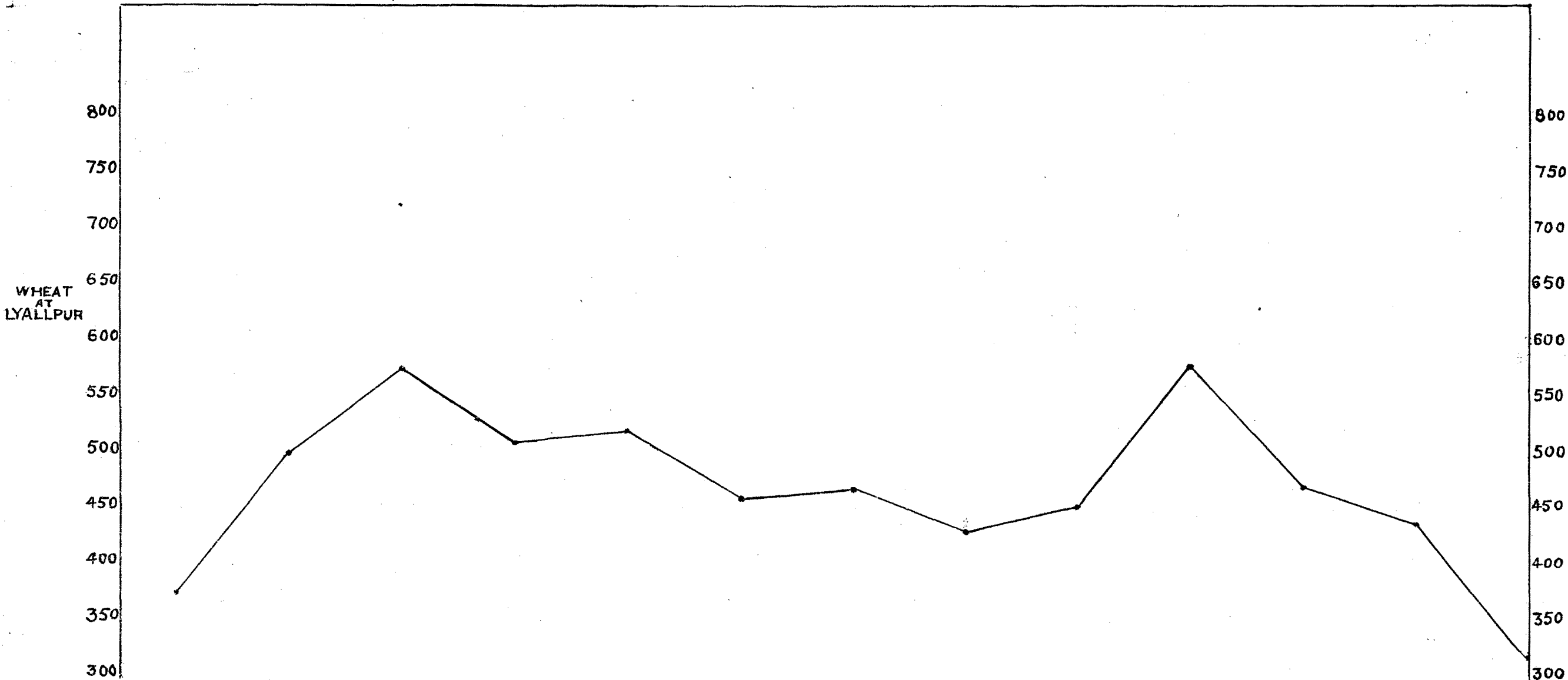


Graph showing fluctuations in the wholesale price of wheat during the period April 1924 to April 1930.

WHOLE SALE PRICES  
IN

RUPEES PER 100 MAUNDS

	APRIL 1924	OCTOBER 1924	APRIL 1925	OCTOBER 1925	APRIL 1926	OCTOBER 1926	APRIL 1927	OCTOBER 1927	APRIL 1928	OCTOBER 1928	APRIL 1929	OCTOBER 1929	APRIL 1930
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was no reluctance on the part of the Bank to rediscount his hundis, and it did this at  $\frac{1}{2}$  per cent or so above the bank rate. It also assisted him with remittance, and if it charged him a little more than a joint stock bank, it was because he offered much less business.<sup>1</sup> One banker said he got all the facilities that he could expect from joint stock banks, but it was a difficulty in dealing with the Imperial Bank that under the terms of the Imperial Bank of India Act it was obliged to ask for a second signature unconnected with the first before an advance could be made. In one respect he felt inconvenienced. The amount of accommodation that he could expect from a bank depended to some extent upon the credit of his clients. This might be seriously, but only temporarily, affected by trade or agricultural depression, and that reacted upon his own credit.<sup>2</sup> There is evidence that of late credit has been shaken in this way, and standing alone with depleted resources, the indigenous banker is not so well placed as he was to meet the difficulty.

193. We have considered most carefully whether it would be possible to revive indigenous banking. Some witnesses were hopeful, but none laid before us any scheme that appeared to us to be practicable. It is suggested that commercial banks might discount their bills more freely, and that the Imperial Bank in its turn should rediscount them, subject to the usual precautions, when presented by a joint stock bank. But the question of discounting and rediscounting is largely a matter of security, and we have received no evidence to show that good security does not already command all the banking facilities to which it is entitled. As explained, the decline of the indigenous banker is due to the great development of commercial banking in the province, and if this development continues it is only a matter of time before the indigenous banker becomes extinct or survives only as a curious relic of an order that has passed away. To attempt to revive him on a large scale is not, therefore, likely to succeed. His house has collapsed and would have to be almost entirely rebuilt.<sup>3</sup> But, though he appears to be doomed, there is no reason why his end should be prematurely hastened. The longer, indeed, it can be delayed, the better for business, for he has played a great part in the finance of the past, and there is still much left for him to do. If and when, therefore, a Reserve Bank comes into being, we trust that in determining its constitution, scope, and powers the indigenous banker will not be forgotten.

194. We received a complaint from several bankers that they were prejudiced by the searching scrutiny to which Income-tax Officers subjected their

<sup>1</sup> *Ev. ii.* 687, 689-90.

<sup>2</sup> *Ev. ii.* 787.

<sup>3</sup> *Cf. Ev. ii.* 905.

In Gujranwala cases were frequent when the co-operative movement was in its infancy, but are now very rare. This is because it was found that, as soon as accounts were cleared, men started borrowing again. The arrangements made, too, were too favourable to the money-lender, and enabled him to recover what might otherwise have been irrecoverable.

In the last three years twenty societies in Ferozepore have advanced a total of over a lakh for the liquidation of old debt. But the results so far are not very promising. Repayments are irregular, and one member, the president of a society, obtained a loan of Rs. 30,000 2½ years ago and has repaid nothing.

The most satisfactory examples come from Sialkot. There sixty societies compounded the debts of 509 members. The Assistant Registrar describes the methods followed thus :—

“The committee approach the money-lender and ask him to settle the accounts of certain members of the society. The money-lender will then tell them the amount, including interest, up to date. A round sum is offered to him and, after some haggling, agreement is reached and composition is effected as follows :—

- (1) cattle are given to sahu-kars for amounts which are sometimes higher than market prices ;
- (2) grain, bhusa, etc., are handed over to the sahu-kars ;
- (3) partial repayments are made in cash ; and
- (4) in some cases concessions are also obtained regarding the amount of interest, etc.

Repayments are thus made partly in cash and partly in kind, but never in services. In some cases instalments are fixed after making a substantial repayment, and at times interest ceases to run from the time of payment of a lump sum.

Some interesting cases may be mentioned :—

In Narowal tehsil in four cases the whole amount was borrowed from the societies and the sahu-kars' loans cleared off. The amount thus paid was Rs. 3,000. In three other cases payment was made by members from their own savings, and also some cattle were given. The amount thus cleared off was Rs. 1,200.

In Mundeke Muslim society in Daska tehsil a member owed Rs. 2,000 to a sahu-kar. The member gave him produce worth Rs. 600, and the sahu-kar offered to accept Rs. 600 in place of the remaining Rs. 1,400 if it were paid in cash. The society at once lent him Rs. 600. This gave the sahu-kar a shock, and he tried to budge from his promise, but eventually yielded to the influence of the society and accepted the amount.

In another society (Adamke Gharbi) two members who were brothers owed Rs. 1,100 principal and Rs. 300 interest. The society

made the sahuکار give up his claim for half the interest and paid him the remaining amount in full.

Uddowar society composed the loans of two members as follows :—

(a) Two head of cattle for Rs. 200, 1½ kanals land mortgaged to another agriculturist for Rs. 200 and instalments without interest for two years for the balance of Rs. 300. It is interesting to note that the sahuکار sold one of the cattle for Rs. 33 only.

(b) Four head of cattle for Rs. 400, 56 maunds of wheat for Rs. 231, and the remaining balance, Rs. 1,500, was to be paid in instalments extending over six years without interest."

#### PART 4—HOARDING IN CASH.

All Income-tax Officers are agreed that hoarding is not common now. In Montgomery, however, ignorant

Can you express any opinion on the subject of hoarding, as to—

(i) Whether it is common? practice is obsolete.

According to Assistant Registrars, hoarding is rare, except in the districts of Muzaffargarh, Ambala, and Hissar, and in the tehsils of Thanesar (Karnal) and Gohana (Rohtak).

Both Income-tax Officers and Assistant Registrars report that the habit is diminishing, except (according to the Assistant Registrar concerned) in Hissar. The Assistant Registrar, Sialkot, made a special enquiry in ten villages of Pasrur tehsil and found no case of hoarding in seven of them. In the remaining three villages the number of those who hoard is negligible. A similar enquiry in three villages in Gurgaon tehsil and three in Palwal tehsil revealed no case of hoarding. Owing to famine in the last two years, 90 per cent of the families in the three villages in Gurgaon are said to have pawned their ornaments with sahuکار. In Jullundur and Sargodha hoarding is disappearing.

According to the Income-tax Officers concerned, the habit still lingers amongst agriculturists in Gurdaspur, widows in Amritsar, the childless in Lahore and amongst Janglis in Montgomery. It persists too amongst the Banias of Rohtak and Hissar, but mostly in the form of jewellery.

According to the Assistant Registrars, it is practised in greater or less degree by women and menials in Muzaffargarh and Dera Ghazi Khan; by menials and Muhammadan artisans in Sialkot; by Hindu widows, menials and Muhammadans who object to taking interest in Jullundur; by rural money-lenders and village menials in Ambala; by shopkeepers and agriculturist money-lenders in Hissar; by shopkeepers in Gurgaon; by nomadic tribes in Karnal; and by the Janglis of the canal colonies. The latter in Sheikhpura are said to be giving up the habit and buying land instead. Women, especially Hindu

loans are taken by traders anxious to get the benefit of a lower rate of interest than would otherwise be possible, and in Lahore<sup>1</sup> and Lyallpur funds are sometimes raised by rediscounting the jewellery pawned with another money-lender.' The secrecy of this type of business appeals particularly to money-lenders who wish to avoid income-tax.

Household utensils are pawned in most districts, but nowhere to any great extent; and generally only by the menial classes, who have little jewellery to pledge. Standing crops, cattle, carts, and clothes are also occasionally pledged, and in many districts stores of grain and cotton. In Gurdaspur, possibly following the example of the Imperial Bank, money-lenders are beginning to insist upon possession of the produce by having it locked up in a godown and then taking charge of the key. Other things taken in pledge are cane crushers, boiling pans, and stocks of fodder in the central Punjab; Persian-wheels (and cane crushers) in Muzaffargarh, charsas<sup>2</sup> in Gurgaon; rickshaws in Simla; tonga ponies in Amritsar;<sup>3</sup> and, it is said, lorries in Sialkot. According to a Deputy Registrar, in the central Punjab even marriageable girls are informally pledged when loans are required for their marriage. There is a tacit understanding that the loan will be repaid from the bride-price paid by the bridegroom's family, and the money-lender is often employed as a go-between to arrange the marriage. This apparently is not a new custom—the Deputy Registrar has known of it for twelve years—but it is said to be on the increase. The reason given for this is that the sahuakar is trying to strengthen his weakening hold over the zemindar by finding new forms of security.<sup>4</sup> In Montgomery, Multan, Muzaffargarh, and Dera Ghazi Khan, according to a practice called *bhanoti*, cultivators obtain loans on the security of their crops, agreeing in return to sell the produce to their creditors at a fixed price usually much below the anticipated market rate. Up to 60 per cent of the value of the crop will be advanced, and the advance may be made as soon as the crop germinates.

The proportion varies with the nature of the goods pawned, and to some extent with the security of the borrower.

(iii) What proportion of the value of the goods pawned will be advanced? In the case of gold jewellery, from 50 to 75 per cent of the value will be advanced, and in Sialkot the proportion goes as high as 80 per cent. For silver it varies from 33 to 50 per cent, and for copper and brass utensils, Persian-wheels, etc., from 30 to 40 per cent. An ample margin is necessary to cover depreciation, a possible fall in prices, and the accumulation of unpaid interest.

<sup>1</sup>Ev. i. 395.

<sup>2</sup>Leather buckets used at a well.

<sup>3</sup>Ev. i. 185.

<sup>4</sup>Ev. i. 314.

21. In every market, except Sonapat, bids are registered secretly. The seller brings his produce to the market, and if it is grain, unloads it on the platform before his agent's shop, and if it is cotton, leaves it standing in the cart that has brought it in. Once a day, often in the afternoon, the brokers go the round of the market and passing from shop to shop strike their bargains with the commission agents. They indicate their bids by taking the agent's hand under a cloth and making hidden signs with their fingers. After taking the bids and consulting the seller if he happens to be present, the agent declares the highest bid and the bargain is struck. Cotton is sold in the same way, except that after being sold it is taken off to the factory to be weighed, whereas grain is weighed then and there. This system of secret bidding works well enough so long as brokers go their round in groups, for then the accepted bid is declared in the presence of all; but with a single broker there is the possibility of collusion between broker and agent, and on the whole the system of open bidding prevalent at Sonapat seems to be better.<sup>1</sup> Sonapat has another advantage. There superior and inferior produce are sold separately, and the superior naturally sells at a premium. But elsewhere, partly to save time, a consideration of importance in the busy season, when the colony markets are congested with produce, and partly because there is a "tendency all the world over for local buyers to pay a flat rate for good and poor quality alike,"<sup>2</sup> little attempt is made in the case of grain to separate one kind from another.

There are other methods of sale peculiar to different markets. For example, in Multan there are the fixed and unfixed contracts described in the Cotton Inquiry Report.<sup>3</sup> This report also states that some owners of big estates in Multan send their daily cotton pickings to their commission agents for storage, and when a sufficiently large quantity is accumulated have the whole quantity auctioned. The Shahpur inquiry shows that in that district too auctions of both wheat and cotton are sometimes held by big landlords in their villages.<sup>4</sup>

22. A word may be said here as to the way village prices are fixed in the canal colonies. The commonest system is for the grower to make over his produce to the village shopkeeper from time to time as it is harvested on the understanding that the price will be fixed later. In the case of wheat, this will probably be done within two or three weeks; but with cotton it may be a matter of two or three months, since picking starts in October and does not finish till January. The prices may be fixed in a variety of ways. The most usual method is for three or four of the leading zemindars in the village to settle matters with the shop-

<sup>1</sup>This system prevails in some other markets in the southern Punjab, e.g., Bahadurgarh, but not in all, e.g., Rohtak (*Ev. ii.* 766).

<sup>2</sup>*Op. cit.*, p. 35.

<sup>3</sup>*Ibid.*, p. 34.

<sup>4</sup>Paragraph 7.



keeper direct, and the prices so fixed become the accepted prices of the village. Or a panchayat may be convened and prices fixed in general conclave by the lambardar or local weighman (*dharwai*). Or, again, the prices current in the market on a fixed date, which is always the same and which was originally chosen for its auspicious character, may be taken, subject to the necessary deduction on account of the cost of transport from village to market and the usual market charges. Or, similarly, in the case of cotton, any date within 90 days may be taken at the choice of the grower, provided of course this is done either before or on the date itself.<sup>1</sup>

23. Within narrow limits prices rise and fall according to the supply and demand of each market, but their broader movements are governed by private advices received from the outside world: from Karachi, Liverpool, and Hamburg in the case of wheat; from Bombay and New York in the case of cotton. Considering the importance of regular and accurate information on this point, it is surprising to find that no arrangement has anywhere been made to supply it. Telegrams giving cotton prices in Bombay used to be posted in the more important cotton markets twice a week from the beginning of November to the end of February, the district boards and municipalities concerned meeting the cost. But the practice has recently been discontinued, to the obvious disadvantage of the cultivator, who, unlike the trader, is not in a position to obtain the information for himself. The difference between the two is well illustrated by the enterprise of a commission agent at Okara, who has had set up a wireless at his house and uses it for obtaining market quotations from Bombay.

24. The charges that have to be paid by sellers of grain vary from Rs. 2-2-3 per cent at Gojra to Rs. 2-14-6 at Chichawatni, but Re. 1 to Re. 1-4-0 may be saved by dealing with the local co-operative commission shop. The charges for cotton show wider variation, and amount to only 13 annas in Sonepat and to as much as Rs. 3-4-0 in Lyallpur.<sup>2</sup> The corresponding charge for grain at Lyallpur is Rs. 2-5-6 and is made up as follows:—

	Rs.	A.	P.
Commission .. .. .	0	12	6
Weighment .. .. .	0	3	9
Palladari (paid to the palladar who fills the scales and does other miscellaneous work) ..	0	3	9
Brokerage .. .. .	0	1	3
Shagirdi (for agent's apprentices) ..	0	1	3
Miscellaneous charges in kind .. .. .	0	13	6
Dharmao (for religion) .. .. .	0	1	3
Gaushala .. .. .	0	0	3
Total .. .. .	2	5	6

<sup>1</sup>*Ib.* ii. 759.

<sup>2</sup>*Cotton Enquiry Report*, p. vii. The report gives Rs. 3-3-0; for Lyallpur at present it is Rs. 3-4-0.

The part played by the commission agent in rural finance is not less important than in marketing. Ordinarily he advances money to a village shop-keeper in the hope that the latter will bring him produce for sale. The rate of interest commonly charged varies from  $7\frac{1}{2}$  to 9 per cent. It may go up to 12 per cent in the case of the village shop-keeper whose financial position is not so sound. The village shop-keeper in turn lends capital, which may be his own or may be borrowed from the commission agent, to the zemindar who has to pay his taxes and to meet the expenses of a marriage or some other domestic ceremony. The rate of interest charged by the village shop-keeper from the zemindar varies from 12 to 24 per cent. The most common rates of interest are 15 and 18 per cent.

The demand for capital is intensive in the months of June and July, when the commission agent has to borrow money from the three banks in Sargodha: (1) Imperial Bank of India, (2) The Punjab National Bank, Limited, (3) the People's Bank of Northern India, Limited. Money is advanced by these banks on personal security as well as against goods. In the latter case, which is more common, 75 per cent of the value of the stock is advanced by the banks for six months. The rates of interest vary with the banks. For instance, the Imperial Bank of India charges 6 to 7 per cent per annum, whereas the rate of interest charged by the Punjab National Bank, Limited, and the Peoples Bank of Northern India, Limited, varies from 9 to 12 per cent. Most of the lending business against the security of produce is transacted by the Imperial Bank of India. The commission agents being persons of local importance, the banks do not hesitate to advance money to them. Moreover, these agents command good credit in the district with the result that their relatives and others often deposit their surplus money with them. In winter when the raw cotton is sold, the zemindars pay their debts to the village shop-keepers, who in turn settle their accounts with the commission agents, who are thus enabled to pay back their loans to the banks from whom they originally borrowed. Thus the financial circle goes on. Owing to the unfavourable trade conditions during the last three years and the failure of the crops, the village shop-keepers have suffered, in consequence of which the commission agents are now advancing money direct to the zemindars.

It is difficult to gauge the exact amount of capital invested in the trade at Sargodha and other mandis. Enquiries from the commission agents and the Income-tax Officer's own experience suggest the following estimates:—

					Rs.
(a) Sargodha	..	..	..	..	45,00,000
(b) Phullarwan	..	..	..	..	22,50,000
(c) Bhalwal	..	..	..	..	16,50,000
(d) Sillanwali	..	..	..	..	9,00,000
			Total	..	<u>93,00,000</u>

One-third of the total capital may be estimated to have been borrowed from banks.