

THE
PUNJAB PROVINCIAL BANKING
ENQUIRY COMMITTEE,
1929-30.

EVIDENCE.

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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Punjab Provincial Banking Enquiry Committee.

QUESTIONNAIRE.

(NOTE.—The following memorandum is published in order to assist witnesses in the preparation of their evidence. It is not desired that they should deal with all the questions raised. Replies should be sent to the Secretary, the Punjab Banking Enquiry Committee, Lahore, not later than the 15th March.)

PART I.—INTERNAL REMITTANCES AND NEGOTIABLE INSTRUMENTS.

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

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

2. (i) What part is played by negotiable instruments in the internal trade of the province, *e.g.*, by bearer and order cheques, *mudati* and *darshani* hundis, debentures transferable to bearer or by endorsement and bills of lading ?

(ii) Would a reduction in the stamp duty payable on these documents be likely to result in the encouragement of trade ?

3. (i) With a view to securing that negotiable instruments fulfil their proper part in Indian commerce, are you in favour of creating by law a type of instrument which, once drawn payable to bearer, will always remain payable to bearer ?

(ii) Should legislation designed to secure this end cover both cheques and other forms of negotiable instruments, such as hundis ?

(iii) If you are in favour of such legislation, do you consider that there is any need for protection in the case of hundis analogous to that provided by "crossing" in the case of bearer cheques ?

Supply bills. 4. (i) To what extent do supply bills facilitate internal remittances ?

(ii) Have you experienced any difficulties in obtaining them ?

(iii) Can you suggest any modification in the rules governing their issue which is likely to increase their utility ?

(iv) Would you extend their issue to treasuries that do not issue them at present ?

5. Have you had any difficulty in obtaining currency notes of the denominations desired? If so, what remedy do you suggest?

Currency notes.

6. (i) Should the duty on bills of exchange payable otherwise than on demand be abolished or reduced? If it should be reduced, to what extent is reduction recommended?

Bills of exchange.

(ii) Should any distinction be made between bills of exchange payable not more than one year after date or sight and those payable at more than one year after date or sight?

(iii) What, in actual practice, are the different periods for which commercial bills of exchange are drawn, and for what purposes?

(iv) Are bills of exchange payable at more than one year after date or sight common, and for what purposes are they used?

(v) Will the abolition or reduction of the duty on bills of exchange affect the duty on bonds, which at present is the same as that on bills of exchange payable at more than one year after date or sight?

7. Can you suggest any means for the extension, cheapening and improvement of the Post Office agency for handling internal remittances, e.g., by the collection of bills and cheques, a reduction in money order charges, etc.?

Post-Office.

8. (i) What different classes of hundis are current in your trade-centre or district? What are the peculiarities of each? Please give examples of wording.

Hundis.

(ii) Are hundis in your area held by middlemen, merchants or commission agents? Do they pass freely from hand to hand?

(iii) Are the hundis of your area discounted only in that area? Or are they ever sent elsewhere to be discounted or rediscounted?

(iv) Has any diminution of hundi business occurred in the last 25 or 30 years? If so—

(a) what is it due to?

(b) what measures, if any, should be taken to revive it?

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

9. (i) Is it possible to borrow money during the process of marketing on the security of any kind of instrument of ownership, for instance, railway receipts, invoices, etc.?

Railway receipts, etc.

(ii) Is any difficulty experienced in using such instruments in this manner? If so, can you suggest any method of removing it?

10. (i) Do railway receipts (*bilth*) change hands in your business with or without endorsement?

(ii) Would it facilitate business if they were made negotiable?

11. (i) Are *bijaks* and *sattas* negotiable in your town or district?

Bijaks and sattas.

(ii) If not, would it be an advantage if they became negotiable either by custom or by law?

PART II.—MARKETING.

1. (i) In what ways are the principal crops of your district; e.g., wheat, barley, gram, cotton, gur, rice, oil-seeds, fodder and fruit, brought to market?

(ii) Do the methods of marketing vary according as the crop is one mainly used for domestic consumption, or one mainly sold in the market?

2. How far is grain stored in *kothas*, bank godowns, etc., used as security for obtaining credit?

Storage.

3. (i) Please see the note appended on the system of licensed warehouses in the United States of America.

Licensed warehouses.

Do you think that such a system is feasible in India?

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

4. (i) What are the various parts played in your district by the Imperial Bank of India, the joint stock banks,

Credit facilities.

the co-operative banks, indigenous bankers, professional money-lenders, grain merchants and other financial organizations in respect of the marketing of crops?

(ii) Are the existing credit facilities for marketing adequate and sufficiently attractive? If not, can you make any suggestions for increasing or improving them?

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

(ii) Is there scope for improvement in this direction?

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

PART III.—FINANCING OF FOREIGN TRADE.

1. Describe the part played by any class of bank, banker, importing or exporting firm with which you are familiar in the financing of the foreign trade of India, so far as the Punjab is concerned, during any of the following stages:—

(a) *Export Trade* (e.g., wheat, barley, gram, cotton, oil-seeds, hides and wool)—

(i) from the village to the mandi; and

- (ii) from the mandi to the exporting ports.
- (b) *Import Trade* (e.g., piece-goods, sugar, machinery and metals)—
- (i) from the importing ports to distributing centres, such as Amritsar and Delhi ; and
- (ii) from the distributing centres to the consumer.
2. (i) On what terms is this financing done at each stage ?
- (ii) Are any serious difficulties experienced ?
- (iii) Have you any suggestions to make for removing them or for improving existing financial facilities ?
3. It has been suggested that the grower of produce in India does not get the full value of his produce on account of—
- (a) the speculative buying and selling activities of firms and companies who deal in the export trade ; and
- (b) prices being controlled by these and other bodies—
- (i) State any views you may have on the subject, and supplement them, if possible, by relevant facts and figures within your knowledge.
- (ii) Have you any observations to make with a view to ensuring growers of produce a better return ?
4. (i) How are the charges incidental to export and import, e.g., interest, insurance and brokerage, commonly financed ?
- (ii) How far do the interest charges vary with the class of business and type of financing agency ?

PART IV.—SMALL INDUSTRIES.

1. If there are in your area or district any small subsidiary industries allied or supplemental to agriculture with which you are acquainted, e.g., dairy farming, gur-making, cotton-ginning, sericulture, tanning, thatching, sugar-refining, hand-spinning, weaving, poultry-farming, growth and manufacture of tobacco, vegetable, fruit or flower-growing, and the making of ropes, bricks, implements, household utensils and furniture and well gear, please state—
- (i) what is their financial condition ;
- (ii) whether you can suggest any means of improving them or enabling the producer to get a better return for his produce ?
- Urban. 2. (i) How are the cottage or art industries of your area financed ?
- (ii) What part is played by middlemen and large dealers in this ?

3. (i) Are you acquainted with the working of any co-operative artisans' societies? If so, do you consider that co-operative organization is the best way of financing small industries so as to give the work-man a fair return for his labour?

(ii) If not, can you suggest any better method?

4. If you have any experience of the working of the Punjab Industrial Loans Act of 1923, state whether it has served its purpose.

NOTE.—In answering the questions in this section, please differentiate between men and women, so far as the financing of their respective operations differ.

PART V.—INDIGENOUS FINANCE.

Section I.—Indigenous Banking.

NOTE 1.—By indigenous banking is meant all banks and bankers other than the Imperial Bank of India, the exchange banks, joint stock banks and co-operative banks. It includes any individual or private firm receiving deposits, dealing in hundis or enjoying a cash credit with a bank.

NOTE 2.—If information is given regarding any particular business, its name should not be mentioned.

1. If you are closely acquainted with any indigenous banking business (as defined above), please answer, so far as you can, the following questions:—

Details of business.

- (a) What different kinds of business does it do?
- (b) If business other than banking is done, is banking primary or secondary?
- (c) (i) Is agriculture, trade or industry financed, or all three?
(ii) What amount of capital is invested in each?
- (d) (i) How much of this capital is borrowed?
(ii) In what form, e.g., deposit or loan or against hundis, is it borrowed, and from what class of person?
(iii) What rates of interest are paid for it?
(iv) What further charges are commonly incurred by way of brokerage, discount, stamp duties, etc.?
- (e) What has been the *net* return upon the total capital employed in each of the last three years?
- (f) What (i) bad debts, (ii) other expenses, have been deducted from gross profit for the purpose of calculating net profit?
- (g) In the case of secured loans—
(i) What type of security is taken?
(ii) How is the property taken in security, whether movable or immovable, valued?

- (iii) What is the maximum proportion of its value that will be advanced ?
- (iv) Approximately what ratio do secured loans bear to unsecured ?
- (h) Under what circumstances is a secured loan made rather than an unsecured ?
- (i) In what circumstances, and in what form, are cash credits allowed ?
- (j) Are clients required to—
 - (i) produce sureties ; and
 - (ii) state the objects for which loan is needed ?
- (k) If objects are stated and recorded, what percentage of the loans are made for productive objects ?
- (l) Are loans ordinarily given for fixed periods ? If so, on what general principles are—
 - (i) the periods fixed ; and
 - (ii) the loans renewed ?
- (m) To what extent are demands for loans refused on account of—
 - (i) inadequate security ; and
 - (ii) inadequate capital ?

If possible, give figures for the last three years.
- (n) (i) Approximately what percentage of clients repay their loans punctually without being pressed to do so ?
 - (ii) What measures are usually taken to effect recovery when payment is not made on due date ?
 - (iii) At what point are judicial proceedings generally taken ?
- (o) (i) What difficulties have been experienced in recovering debts through courts of law ?
 - (ii) For any case that has occurred in the last five years, give the following figures :—
 - (1) the amount claimed in each case by way of (i) principal, and (ii) interest ;
 - (2) the amount decreed under both heads ;
 - (3) the amount recovered under each head (i) through the court, and (ii) outside the court ;
 - (4) the time taken to make the recovery through the court ; and
 - (5) the expenses (a detailed list should be given) incurred in the whole proceedings.

(p) If loans and recoveries are made in grain—

(i) How far do the methods described above not apply to such transactions?

(ii) What proportion of the total banking business is represented by them?

(q) (i) To what extent, and in what form, does the business obtain assistance from the Imperial Bank of India or any joint stock bank when in need of funds?

(ii) Are there any defects in the present system of obtaining such assistance? If so, can you suggest any improvement?

(r) What forms of documents are used? Samples of the hundis, promissory notes, deposit receipts, etc., used should, if possible, be given.

(s) How far is the information given above typical of indigenous banking in your town or district?

2. If you are not in a position to give the detailed information asked for above, but have a general acquaintance

General circumstances. with indigenous banking in your town or district, state generally what you know of the methods employed in the light of the questions put in No. 1.

3. Has indigenous banking declined in your town or district in the last 25 or 30 years? If so—

Comparison with the past.

(i) What are your grounds for thinking this?

(ii) What are the reasons for the decline?

(iii) Is it desirable to revive this form of banking?

4. Do you think that the rates of interest commonly in force at present could be reduced by better organization

Rates of interest. on the part of either lenders or borrowers? If so, what form should this improved organization take?

5. (i) Are indigenous bankers in your locality hampered in their business by the existence of any prejudice

Popular attitude.

against them? If so, what is it due to?

(ii) Would its removal be to the advantage of the borrower?

6. (i) Is there any legal or other facility that you would extend to indigenous bankers for the purpose of consolidating and improving their system?

Special facilities.

(ii) If so, in whose interest do you advocate this (e.g., borrower, lender, etc.)?

7. (i) Can you indicate any defects in the present system of indigenous banking?

Defects.

(ii) If so, how would you remedy them?

8. (i) Are there times of the year when money lies idle in the hands of indigenous bankers? If so, can you give any figures?

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

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

9. (i) Is the indigenous banking system in your locality in any way connected with the principal money markets, whether within or without the province? If so, what is the nature of that connexion?

If there is no such connexion, do you consider it (a) possible, and (b) desirable, to create it?

(ii) With the object of creating the connexion mentioned in (i), which, if any, of the following methods would you prefer:—

- (1) the establishment of a branch of some joint stock bank in every district where at present one does not exist;
- (2) the establishment of a local joint stock bank with a local directorate in every district where at present there is no branch of a joint stock bank;
- (3) the establishment of agencies of joint stock banks or the Imperial Bank of India, held by local indigenous bankers; or
- (4) the amalgamation of the business of the local indigenous bankers into a joint stock bank owned and controlled by those local indigenous bankers?

(iii) In case you favour either the first or second of these proposals, how would you propose to avoid the danger that—

- (1) the new joint stock bank would by competition swallow up the indigenous bankers;
- (2) the new joint stock bank might fail to make adequate use of the local knowledge and experience of the indigenous bankers;
- (3) the new joint stock bank might not inspire confidence in the depositing public of the locality;
- (4) the local branch of a joint stock bank in a small centre might not invest its deposits in the locality, but transfer them to its headquarters for investment in a larger trade centre.

(iv) If you favour the fourth proposal made in No. (ii), how would you avoid the following difficulties:—

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

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

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

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

(ii) If so, should the indigenous banks be linked directly with the central reserve bank or through a joint stock bank?

10. Have you any further suggestion to make for linking the indigenous banking system with the joint stock banking system and the Imperial Bank of India?

Section II.—Money-lending.

NOTE 1.—This section deals with any firm or individual doing a money-lending business other than those included in section I.

NOTE 2.—If information is given regarding any particular business, its name should not be mentioned.

1. If you are closely acquainted with any money-lending business (as defined above), please answer, so far as you can, the following questions:—

Details of business.

- (a) What different kinds of business does it do?
- (b) If business other than money-lending is done, is money-lending primary or secondary?
- (c) (i) Is agriculture, trade or industry financed, or all three?
(ii) What amount of capital is invested in each?
- (d) (i) Is any part of this capital borrowed? If so—
(ii) In what form (e.g., deposit or loan) is it borrowed, and from what class of person?
(iii) What rates of interest are paid for it?
- (e) What has been the *net* return upon the total capital employed in each of the last three years?
- (f) What (i) bad debts, (ii) other expenses, have been deducted from gross profit for the purpose of calculating net profit?
- (g) In the case of secured loans—
(i) What type of security is taken?
(ii) How is the property taken in security, whether movable or immovable, valued?

- (iii) What is the maximum proportion of its value that will be advanced ?
- (iv) Approximately what ratio do secured loans bear to unsecured ?
- (h) Under what circumstances is a secured loan made rather than an unsecured ?
- (i) Are clients required to
 - (i) produce sureties ;
 - (ii) state the objects for which a loan is needed ?
- (j) If objects are stated and recorded, what percentage of the loans are made for productive objects ?
- (k) Are loans ordinarily given for fixed periods ? If so, on what general principles are—
 - (i) the periods fixed ; and
 - (ii) the loans renewed ?
- (l) To what extent are demands for loans refused on account of—
 - (i) inadequate security ; and
 - (ii) inadequate capital ?

If possible, give figures for the last three years.
- (m) (i) Approximately what percentage of clients repay their loans punctually without being pressed to do so ?
- (ii) What measures are usually taken to effect recovery when payment is not made on due date ?
- (iii) At what point are judicial proceedings generally taken ?
- (n) (i) What difficulties have been experienced in recovering debts through courts of law ?
- (ii) For any case that has occurred in the last five years, give the following figures :—
 - (1) the amount claimed in each case by way of (i) principal, and (ii) interest ;
 - (2) the amount decreed under both heads ;
 - (3) the amount recovered under each head, (i) through the court, and (ii) outside the court ;
 - (4) the time taken to make the recovery through the court ;
 - (5) the expenses (a detailed list should be given) incurred in the whole proceedings.
- (o) If loans and recoveries are made in grain—
 - (i) How far do the methods described above not apply to such transactions ?
 - (ii) What proportion of the total business is represented by them ?

- (p) What forms of documents are used? Samples of the promissory notes, deposit receipts, etc., used should, if possible, be given.
- (q) How far is the information given above typical of money-lending business in your town or district?
2. If you are not in a position to give the detailed information asked for above, but have a general acquaintance with money-lending in your town or district, state generally what you know of the methods employed in the light of the questions put in No. 1.
3. Has money-lending declined in your town or district in the last 25 or 30 years? If so—
- Comparison with the past.
- (i) what are your grounds for thinking this?
- (ii) What are the reasons for the decline?
- (iii) Has the decline been to the advantage or disadvantage of the borrower? Give reasons for any opinion expressed.
4. Do you think that the rates of interest commonly in force at present could be reduced by better organization on the part of either lenders or borrowers? If so, what form should this improved organization take?
- Rates of interest.
5. Are the better class money-lenders in your locality hampered in their business by the existence of any prejudice against them? If so, what is it due to?
- Popular attitude.
6. (i) Is there any legal or other facility that you would extend to them for the purpose of consolidating and improving their system?
- Special facilities.
- (ii) If so, in whose interest do you advocate this (i.e., borrower or lender)?
7. (i) What do you consider are the chief defects in the present money-lending system?
- Defects.
- (ii) How would you remedy them?
8. (i) Are there times of the year when money lies idle in the hands of money-lenders? If so, can you give any figures?
- Idle money.
- (ii) What happens to this money at such times? Is there a tendency for it to be concentrated in important trade centres?
- (iii) Is it possible so to improve the organization of lending and borrowing that these funds remain in the district, and find remunerative employment there?

9. Is it possible or desirable to set up a class of licensed or registered money-lenders, with special facilities and privileges, whose operations may be controlled by the State in the interests of agriculture, small-scale trade and small-scale industries? If so—

- (i) What facilities and privileges do you recommend?
 (ii) What restrictions would you impose?

PART VI.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

1. Do you consider the existing banking resources in your area adequate? If not, give reasons.

Cash certificates. 2. (i) Are postal cash certificates popular?

- (ii) Can any steps be taken to increase their popularity, *e.g.*, by—
 (a) revision of the rates of interest; or
 (b) changing the present terms of issue?

3. (i) Do post office savings banks afford adequate facilities to the investing public?

Post office savings banks.

(ii) If not, what suggestions can you make for improving or extending these facilities?

(iii) What classes at present take advantage of them?

(iv) What measures would you suggest to attract other classes?

4. (i) It is often alleged that the rates of interest on postal cash certificates and treasury bills are so favourable that they lead to competition between Government and banks in attracting money. Do you agree in this view? If so, on what grounds?

(ii) Do you regard such competition as healthy?

5. Are you in favour of granting any special facilities to the small investor, whether urban or rural, for buying Government securities? If so, what do you recommend?

Purchase of securities.

6. What facilities are at present afforded by the various financial agencies in your town or district for the purchase and sale of securities other than those of Government?

7. Is there any class of person in your town or district which—

(i) habitually saves; or

(ii) is in the habit of keeping accounts of income and expenditure (other than those relating to business) with a view to saving?

8. (i) How do the classes of people with whom you are best acquainted deal with money not required for their normal expenditure?

(ii) With whom do they keep such money?

(iii) Does it generally bear interest?

(iv) For what special purposes, if any, is it kept?

9. (i) Are there any facilities in your town or district other than those offered by the post office for the investment or deposit of small sums? If so—

(ii) What is the smallest sum that is accepted?

(iii) Can these facilities be extended?

10. (i) What do farmers do with their surplus funds in a prosperous year?

Agriculturist
lender.

money-

(ii) Do agriculturists lend to fellow-agriculturists in your area? If so, is this confined to particular castes?

(iii) Are they increasing in number (give any available figures)?

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

Growth of banking and
investment.

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

(iii) Can you suggest any means of educating the people to invest their savings in productive undertakings?

Cheques.

12. (i) What classes of the population use cheques?

(ii) Do you think that the cheque habit is growing? If so, on what grounds?

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

(i) any increase in the use of cheques;

(ii) the opening of more accounts?

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

15. (i) Have you any suggestions to make regarding the use of vernacular scripts in banking? if so—

Scripts.

(ii) Would you permit the use of the present scripts used by indigenous bankers and other merchants (sarafi)?

(iii) Would you insist on the use of a single script?

16. If you have any means of judging, please state what you think has been the result of the opening in recent years of new branches of the Imperial Bank of India, especially with respect to the following matters:—

Imperial Bank.

(i) the encouragement of the investment habit;

(ii) the promotion of internal trade and industry;

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

(iv) the increase of facilities for agricultural credit; and

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

**Supplementary Questionnaire for Assistant Registrars,
Co-operative Societies.**

1. Roughly what percentage of members of agricultural credit societies repay their loans without being pressed either by the society's committee or by the co-operative staff. [For the purposes of answering this question, selected sub-inspectors and all inspectors who are promoted sub-inspectors should be consulted, also differentiate between (1) A and B societies, and (2) co-operative societies.]

2. 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 land? 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?

(NOTE.—In view of the floods in the Western Punjab and the great scarcity in the south it would be instructive in this connection to have a detailed enquiry made in, say, three villages in each of the worst affected tahsils.)

3. (i) On the whole do you think that in your circle the ordinary cultivator secures as much capital as he requires for all his legitimate needs?

(ii) Do you consider that he would be the better for securing more or less than he can get at present?

(iii) Please submit a statement giving the following information for ten agricultural credit societies in each sub-inspector's circle. If possible, five of the ten societies should belong to class A or B, and a separate consolidated return should be submitted for (a) A and B societies; and (b) C societies:—

- (a) Number of societies.
- (b) Amount borrowed by members from them in 1928-29.
- (c) Number of members who borrowed.
- (d) Number of members who did not borrow.
- (e) Number of (d) entirely free of debt of all kinds.
- (f) Number of loans taken during the year.
- (g) The total amount on loan on the 31st July 1929.
- (h) The number of members from whom (g) was due.
- (i) The average amount of loan per member referred to in (h).

4. An examination of the figures given in statement XXIV of the Land Revenue Administration Reports for the last ten years suggests that mortgage debt is rapidly increasing, for every year the amount of money raised by mortgage (column 11) greatly exceeds the amount of debt discharged by redemption (column 16). Can you throw any light upon the causes of this?

5. (i) Do you ever come across persons who wish to improve their lands, *e.g.*, by sinking a well or making a *band*, but being unable to do so owing to their having been unable to obtain the necessary capital?

(ii) Have you any reason to suppose that the village money-lender does not advance freely for land improvement when asked to do so?

(iii) In paragraph 360 of their report the Royal Commission on Agriculture wrote as follows:—

“Such demand as exists for long-term loans arises, in present conditions, far more from the desire to get better terms for old debts than from any wish to increase the productive capacity of the land. Why the pace of improvement is so slow, why more wells are not being sunk in areas in which they are known to be profitable, or, to put it differently, why the wells sunk last year were not sunk five or fifteen years ago, are questions which call for careful enquiry.”

Have you made any enquiry on the subject? If so, with what result?

(iv) Have you anything to add to what is said by the Royal Commission in regard to the working of the Land Improvement Act in paragraph 359 of their report?

6. (i) Have you anything to add to what is said in paragraph 362 of the same report in regard to the Agriculturists Loans Act?

(ii) If you have any experience of the working of this Act, please state whether you would confine its use to times of emergency, *e.g.*, of drought and flood, or whether you advocate its use in normal times as well?

(iii) Would you apply it to members of co-operative societies? If so, how?

(iv) 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 (six per cent). 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?

7. Do you regard the attached memo. 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?

8. Broadly, what proportion of the members of agricultural credit societies in your circle borrow from money-lenders as well as from their societies. Differentiate between (1) A and B societies; and (2) C societies.

Dealings of co-operators with money-lenders.

9. 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?

10. Can you express any opinion on the subject of hoarding, as to—

Hoarding.

- (i) whether it is common ;
- (ii) whether it is diminishing ;
- (iii) amongst what classes it is most common ;
- (iv) what form it usually takes, e.g., cash or jewellery ?

11. (a) Do you think that the purchase of jewellery is decreasing? If so—

Jewellery.

- (i) on what grounds do you think this ;
- (ii) what are the reasons for the decrease ;
- (iii) what is being done with the money saved in this way ?

(b) If there is a canal colony in your circle, please ascertain the amount spent upon jewellery in the last three years in two typical villages in each tehsil concerned. If possible, one of the two villages should be one in which there has been a better-living society for the last three years, and the other one in which there is no better-living society. The results should be tabulated for each set of villages separately, and should show—

- (1) population of the village ;
- (2) the number of families from whom enquiries were made ;
- (3) the number of (2) belonging to the local better-living society (if any) ;
- (4) the number of marriages celebrated by (2) in each year :
- (5) the amount spent each year ; and
- (6) the general condition of the harvests in each year.

12. (i) Do all classes of rural money-lenders in your circle lend on the security of jewellery, or is this type of business confined to special classes?

Pawn-broking.

(ii) Is other movable property besides jewellery accepted as security?

(iii) What proportion of the value of the goods pawned will be advanced?

(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?

(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 ?

(vii) How far do interest rates vary according as goods are pawned or only personal security is offered ?

(viii) Do they vary with the amount and duration of the loan ?

(ix) Do money-lenders ever complain of losses in connexion with their pawnbroking business ? If so, how do losses arise ?

(x) Under what circumstances are pawnbroking loans made rather than unsecured loans ? For example, to what extent are they made at the instance of the borrower in order to secure more favourable terms, and to what extent at the instance of the money-lender in order to obtain better security ?

(xi) Can you give any estimate of the proportion that pawnbroker loans bear to total rural debt in your circle ?

13. (i) On the whole can the analysis of the objects of loans given in each year's annual report be trusted as generally representing the objects for which members of credit societies borrow ?

Objects of loans.

(ii) To what extent does the head "debt" in this connexion represent debt recently incurred rather than old debt incurred before the member joined the society.

14 Co-operative societies at present enjoy a number of financial concessions from Government, e.g., partial relief from income-tax and money-order fees and special postal savings bank facilities. If one, and one only, of these concessions were to be extended with the object of facilitating the growth of co-operative finance in the province, which concession would you recommend for extension, and in what form ? Or would you rather recommend some new concession ?

Financial concessions.

15. (i) What are—

Savings.

- (a) central banks ;
- (b) banking unions,

in your circle doing at present to encourage savings, particularly of small sums, apart from the general acceptance of deposits ?

(ii) Having regard to their resources, do you think it would be possible for them to do more ?

(iii) If there are any commission shops in your circle, state whether they are of any service in attracting deposits ?

(iv) If you have any experience of the working of a central bank branch, would you advocate the establishment by central banks of branches for the purpose of attracting deposits ? In replying, please bear in mind the difficulty of operating a branch satisfactorily.

(v) What is the smallest sum ordinarily accepted in deposit by—

(a) central banks ;

(b) banking unions,

in your circle ?

(vi) What was the total number of savings bank accounts in (a) central banks, and (b) banking unions, in your circle on the 1st February 1930 ?

(vii) What are the *common* rates of interest allowed on savings bank accounts in (a) central banks, and (b) banking unions, in your circle ?

(viii) How many days' notice of withdrawal must *usually* be given in the case of savings bank accounts in (a) central banks, and (b) banking unions ? Are the rules rigidly enforced ?

16. (i) To what extent are cheques (including cheque bonds) used in the co-operative movement in your circle ?

Cheques.

(ii) Could their use be further extended with safety to all concerned ?

17. (i) If there is a land mortgage bank in your circle, are you satisfied with its progress ?

Mortgage banks.

(ii) Do you think it will be possible to extend such banks ? If not, why ?

(iii) What conditions are necessary to their success ?

(iv) What at present are their chief weaknesses ?

(v) How can these weaknesses best be remedied ?

18. Is there any serious competition in your circle between co-operative banks and the Imperial Bank or any joint stock bank ? If so, what form does it take ?

Competition with joint stock banks.

19. (i) By what different methods are funds transmitted between central banking institutions and primary societies in your circle ?

Transmission of funds.

(ii) Which is the method most commonly adopted ?

(iii) Is there any measure that you would recommend for further facilitating transmission ?

20. Does any central bank in your circle do any banking business other than what is common to all central banks, *e.g.*, discounting hundis, etc. ? If so, please give details.

21. If any central bank has secured an overdraft from the Imperial Bank on the security of the pro-notes of its affiliated societies, please state—

Advances against pro-notes of primary societies.

(i) the exact nature of the arrangement ;

(ii) the extent to which effect has been given to it, and, if little or no effect has been given to it, the reasons why?

22. Has any central banking institution in your circle made an advance to a society during the last three years expressly for—
Special loans for repay-
ment of debt and land improvement.

(i) the repayment of old debts, including the redemption of mortgaged land;

(ii) land improvement,

If so, how much has been advanced in each case, and for what periods?

23. (a) Is it the practice for landlords to make advances to their tenants? If so—
Dealings between land-
lord and tenant.

(i) are such advances made for all purposes;

(ii) what are the customary terms;

(iii) do the terms differ in the case of a Muhammadan landlord?

(b) Is it anywhere the practice for tenants to make advances to their landlords? If so, what are the usual terms?

24. (i) What was the amount of (a) principal, and (b) interest, written off as irrecoverable by agricultural credit societies finally liquidated during 1928-29.
Bad debts.

(ii) Please estimate, however roughly, what percentage bad debts bear to the amount advanced by agricultural credit societies?

(iii) What is the amount written off as irrecoverable by (a) central banks, and (b) banking unions, in your circle during the last ten years by way of (1) principal, and (2) interest?

25. Is there a strong demand for more credit societies in your circle? If so, is it being fully satisfied? If it is not being fully satisfied, what are the reasons of this, e.g., is it due to lack of staff, or of money?

CO-OPERATIVE BANKING AND FINANCE.

Special Questionnaire for Financial Adviser to the Co-operative Department.

1. (i) What relations exist between co-operative societies (including commission shops), and

- (a) the Imperial Bank ;
- (b) joint stock banks ; and
- (c) indigenous banks (if any) ?

(ii) Could these relations be improved in any way with advantage to the co-operative movement ?

2. Is there any serious competition in any part of the province between co-operative banks and either (a) or (b) above ?

3. (i) Is the amount of capital available for financing the co-operative movement in the province sufficient for present needs ?

(ii) If so, assuming the present rate of expansion, do you think it likely to be sufficient for the needs of the next five years.

(iii) If not, can you estimate the approximate amount of additional capital required, and suggest the best means of raising it ?

4. (i) For the purpose of encouraging co-operative finance, which of the concessions enjoyed by co-operative societies (*e.g.*, income-tax relief, remittance by money order and remittance transfer receipt) do you consider the most valuable ?

(ii) Would you advocate any further concessions from the same point of view ?

5. As a banker, do you regard the figures given in paragraph 21 of the last annual report (1929) as satisfactory ? They show that about 49 per cent of the short-term loans taken in 1928-29 were repaid on due date.

6. (i) What are—

- (a) central banks ;
- (b) banking unions,

doing at present to encourage savings, particularly of small sums, apart from the general acceptance of deposits ?

(ii) Do you think it would be possible for them to do more—see, for instance, the Home Safe Service scheme of the Midland Bank described in the papers below ?

(iii) Are commission shops of any service in attracting deposits ? (The question of enabling them to assist in this way was considered in 1928.)

(iv) Would you advocate the establishment by central banks of branches for the same purpose, bearing in mind the difficulty of operating a branch satisfactorily ?

(v) What is the smallest sum ordinarily accepted in deposit by—

(a) central banks ;

(b) banking unions ?

7. (i) To what extent are cheques (including cheque bonds) used in the co-operative movement ?

(ii) Could their use be further extended with safety to all concerned ?

(iii) To what extent are cheques in the vernacular accepted by—

(a) central banks ;

(b) banking unions ?

(iv) In the case of vernacular cheques, what precautions are taken to prevent fraud or error ? Are these precautions sufficient ?

(v) In the light of your experience of the use of vernacular cheques in the co-operative movement, do you think that they could be more freely used by joint stock banks ? If so, subject to what precautions ?

8. (i) Are you satisfied with the progress made by land mortgage banks in the Punjab ?

(ii) Do you think it will be possible to extend them all over the province ? If not, why ?

(iii) What at present are their chief weaknesses ?

(iv) How far can these weaknesses be remedied ?

9. Have you any suggestions to make for strengthening and extending the present system of co-operative banking and finance ?

Supplementary Questionnaire for Income-tax Officers.

1. (i) In your circle what are the *commonest* rates of interest charged and in- charged by (a) urban, and (b) rural, money-lenders ?
Interest earned.

(ii) Taking a period of not less than five years, what would you say was the average rate per cent per annum earned by the ordinary urban and rural money-lenders, respectively, on their capital ?

2. (i) Do all classes of money-lenders in your circle lend on the security of jewellery, or is this type of business confined to special classes ?
Pawnbroking.

(ii) Is other movable property besides jewellery accepted as security ?

(iii) What proportion of the value of the goods pawned will be advanced ?

(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 ?

(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 ?

(vii) How far do interest rates vary according as goods are pawned or only personal security is offered ?

(viii) Do they vary with the amount and duration of the loan ?

(ix) Do money-lenders ever complain of losses in connection with their pawnbroking business ? If so, how do losses arise ?

(x) Under what circumstances are pawnbroking loans made rather than unsecured loans ? For example, to what extent are they made at the instance of the borrower in order to secure more favourable terms, and to what extent at the instance of the money-lender in order to obtain better security ?

In your reply distinguish between the urban and the rural money-lender.

3. Can you express any opinion on the subject of hoarding, as to—
Hoarding.

(i) whether it is common ;

(ii) whether it is diminishing ;

(iii) amongst what classes it is most common ;

(iv) what form it usually takes, *e.g.*, cash or jewellery ?

4. Do you think that the purchase of jewellery is decreasing ?
If so—

Jewellery.

(i) on what grounds do you think this ;

(ii) what are the reasons for the decrease ;

(iii) what is being done with the money saved in this way ?

5. An examination of the figures given in statement XXIV of the Land Revenue Administration Reports for the last ten years suggests that mortgage debt is rapidly increasing, for every year the amount of money raised by mortgage (column 11) greatly exceeds the amount of debt discharged by redemption (column 16). Can you throw any light upon the cause of this?

6. On page 100 of L. C. Jain's "Indigenous Banking in India" a comparison is made between interest rates in the past and the present. Mr. Jain has collected actual figures from a mass of old account books of one of the oldest indigenous banking firms in the United Provinces, and makes out from these figures that the rate of interest on loans against valuables has gone up from $7\frac{1}{2}$ per cent in 1867 to 12 per cent in 1927 (see also the detailed table on pages 250-51). If any Income-tax Officer can see his way to making a similar enquiry, the results should be most interesting. If necessary, a copy of Mr. Jain's book can be sent him for reference. To be of real value, the enquiry would have to cover a period of at least 20 years. Mr. Jain's covered 60.

Urban Industries—Inquiry into the Finance of Cotton-ginning, etc.

A. Name of town or market _____.

B. Nature of business _____.

1. What is the total amount of capital invested in the business; how much of this capital is borrowed from:—

- (a) joint stock banks;
- (b) Mahajans; and
- (c) other sources.

2. On what terms is 1(a) borrowed, as to—

- (a) security;
- (b) interest; and
- (c) period?

3. How do the rates of interest charged by 1(a) and (b) compare with the rates commonly charged in connexion with other forms of business in the locality? If there is any important difference, please indicate reasons.

4. Is the business in any way hampered by—

- (a) difficulty in obtaining sufficient capital;
- (b) high interest charges; and
- (c) any other financial factor, e.g., absence of banking facilities?

5. How is the cotton or oil marketed? What charges normally arise in marketing? Do you consider any of these charges either:—

- (a) excessive; or
- (b) avoidable?

If so, how do you suggest they should be reduced or avoided?

Rural Industries—Inquiry into the Finance of the Weaving and Shoemaking Industries.

1. Industry under inquiry——
2. Name of village, with tehsil and district——
3. Number of families under inquiry——
4. Number of their workers engaged in the industry——
5. How many of No. 3 own land ?
6. How many acres do they own ?
7. How many families are free of debt ?
8. How much is owed by the rest ?
9. How much of the amount owed has been incurred for carrying on the industry ?

NOTE.—This question will doubtless be difficult to answer: if it is answered for some families, and not for others, the number of families for which it is answered should be stated.

10. For what periods are loans for carrying on the industry commonly taken ?
11. On what type of security are they generally taken ?
12. (i) What are the commonest rates of interest paid for them ?
(ii) Do these rates vary with the nature of the security offered ?
If so, give details.
13. From what class of money-lender are these loans generally taken ?

NOTE.—In your reply distinguish between (i) professional money-lenders; (ii) agriculturist money-lenders; and (iii) money-lending middlemen with an interest in the industry.

14. Does your enquiry suggest that the rates of interest or any other financial factor have had a prejudicial effect upon the industry ?
If so, give details and reasons.
15. During the last three years have any families in the village —
(i) given up the industry ; or
(ii) taken to the industry ?
In both cases give —
(a) the number of families concerned ; and
(b) the number of workers in (a).
16. Do any of the families under enquiry use improved appliances ?
If so —
(i) how many families ;
(ii) how many workers have they ;
(iii) how much did the appliances cost ;
(iv) how many borrowed to acquire them ;

- (v) at what rates did they borrow ;
- (vi) in the case of loans more than a year old, how much has—
 - (a) been repaid ; and
 - (b) remains unpaid ;
- (vii) has the use of the improved appliances improved their financial position? If so, how do you gauge this ?

NOTE.—The best way of gauging it would be to ascertain in a few cases whether *net* income has increased.

17. (i) How many of the families under enquiry live solely by the industry ?
 - (ii) How many members have they ?
18. In the light of your whole enquiry, state—
 - (i) whether the industry is declining, and, if so, how far this is due to any financial factor, and how far to other causes ; and
 - (ii) how far the industry depends upon agriculture ?

QUESTIONS FOR THE POSTAL DEPARTMENT.

(A) Head Postmasters.

(1) (a) Number of literate and illiterate depositors (separately), in head office and sub and branch offices, who had their savings bank accounts open at the close of the year 1912-13, 1917-18, 1922-23 and 1927-28.

(b) Total balance at credit of each class (*viz.*, literate and illiterate) of depositors at the close of the years mentioned above in respect of head office and sub and branch offices (separately).

(2) Number of offices (head office, sub and branch offices) doing—

(a) savings bank work during the years 1912-13, 1917-18, 1922-23 and 1927-28.

(b) Cash certificate work during 1922-23 and 1927-28, and the total number of offices (head office and sub and branch offices) in existence during the years mentioned against (a).

(c) Number of offices of each class performing cash certificate work when cash certificates were first issued (*viz.*, 1st April 1917), and the number of offices doing cash certificate work on 1st January 1930.

(3) (a) Total number of Muhammadan depositors who had their savings bank accounts open at the close of the years 1917-18 and 1927-28, and the number of such accounts which were *no interest* accounts.

(b) Total balance at the credit of these two classes of savings bank accounts at the close of the years 1917-18 and 1927-28. Information about (a) and (b) is to be furnished separately in respect of head office and sub and branch offices.

(4) (a) Total number, and total value, of money orders issued from and paid at head office, sub and branch offices (separately) during the years 1926-27, 1927-28 and 1928-29.

(b) Total number and total value of V.P.P.s and insured articles separately booked at head office and each sub and branch offices during the years mentioned in (a) above.

(B) Superintendents.

(1) What classes of people keep the savings bank deposits in the post office, and what roughly is the proportion of the deposits of each of these classes to the total?

(2) (a) Are the advantages of savings bank business sufficiently known to the public in your area?

(b) What further facilities would you suggest to make this class of business more popular?

(3) Do you think that, if the post office opens current accounts bearing no interest, or a nominal rate of interest, withdrawable by cheque, it will attract any substantial deposits from the various classes of people in your jurisdiction.

(4) Is it possible to remove the restriction of one month's notice for withdrawal in case of public accounts, as prescribed in rule 42 (M) of the savings bank rules, when funds are available, and could not the necessity of addressing the Postmaster-General for according sanction in such cases be dispensed with?

Questions for the High Court of Judicature at Lahore and other Judicial Officers.

NOTE.—A table of relevant figures extracted from the Civil Justice Reports in question is attached for facility of reference.

1. (i) Do the bulk of these suits arise out of money-lending operations?

Suits for money or movable property by bankers and shopkeepers against agriculturists.

- (ii) Can the steady rise in their number from 57,203 in 1923 to 90,816 in 1928 be explained?

2. This has risen from 90 days in 1923 to 138 in 1928. Is it a legitimate inference that this has materially increased the difficulty of money-lenders in recovering their dues from clients whom they are obliged to sue?

3. Only about a quarter of the amount payable to decree-holders and sought to be recovered is realized every year through the courts. The annual reports state, however, that a "good number of these 'infructuous' applications have been satisfied out of court wholly or partly."

- (i) Can the amount recovered in this way be roughly estimated?

- (ii) Is it a legitimate inference that the balance [*i. e.*, about $\frac{3}{4}$ ths of the amount payable and sought to be recovered, less the amount estimated under (i)] represents irrecoverable debt?

- (iii) Is there reason to suppose that a substantial part of the amount not realized constitutes interest charges? If so, can the proportion be roughly determined?

4. The figures suggest that the proceedings for recovery have been considerably tightened up in the last three years; yet in the same period the percentage of recovery has scarcely changed. Is it a legitimate inference that—

Arrest and sale.

- (i) a large number of judgment-debtors are unable to pay what is decreed against them; and

- (ii) money-lenders tend to advance considerably more than they can reasonably expect to recover?

5. The number of petitioners has increased from 1,131 in 1923 to 2,792 in 1928, and of applications allowed from 384 to 1,772. Is it a legitimate inference that the tendency referred to in question 4 (ii) is increasing? If so, can this be explained?

Insolvency proceedings.

6. In their report the Civil Justice Committee of 1924-25 wrote as follows :—

Advance by money-lenders.

“ A large number of money decrees prove infructuous not because there is anything vicious or cumbersome about the system of execution, but because of the simple fact that the judgment-debtors were never able to pay what they borrowed. Money-lenders in India often lend money to persons who, even at the time of borrowing, had little or nothing from which they could hope to repay the loan. The attraction of a high rate of interest is not seldom too strong for the ordinary mahajan to resist, and leads him into lending money without proper security. And in the fact that he sometimes recovers from one or two persons an enormous amount of money for the little that he lent, lies perhaps the secret of this apparent want of prudence. In drawing inference from figures as to infructuous decrees, one has to make a large allowance for this class of decrees and for the decrees obtained at some considerable cost on the off-chance of making something on a future day from a judgment-debtor who has nothing.”

How far does this apply to the Punjab ?

7. Having regard to the figures referred to above, should the rates of interest commonly charged by money-lenders in (a) urban, and (b) rural, areas be regarded as reasonable ?

8. (i) In their report the Royal Commission on Agriculture in India write as follows :—
Usurious Loans Act.

*“ The evidence we received showed conclusively that the Act is practically a dead letter in all provinces, but, as we heard no evidence from civil judges, we are not in a position to offer an opinion as to the reasons why so little has been made of its provisions. We therefore recommend that in every province an enquiry should be made into the causes of the failure to utilize the Act.”

Has this enquiry been made ? If so, with what results ?

(ii) The Royal Commission state further in regard to the Act—

“ If its provisions were fully utilized, this would go far to relieve the country of some of the worst evils of uncontrolled usury.”

Do the Hon'ble Judges accept this view ?

* Vide page 438, paragraph 365, of the Report of the Royal Commission on Agriculture.

The figures below are taken from the Civil Justice Reports for 1923 to 1928 :—

1. *Suits for money or movable property by bankers and shopkeepers against agriculturists—*

| | | | |
|---------|----|----|---|
| 1923 | .. | .. | 57,203 |
| 1924 .. | .. | .. | 59,808 |
| 1925 .. | .. | .. | 134,678 (Period of limitation reduced from 6 years to 3). |
| 1926 .. | .. | .. | 68,078 |
| 1927 .. | .. | .. | 75,455 |
| 1928 .. | .. | .. | 90,316 |

2. *Average duration of contested civil suits—*

| | | | | |
|---------|----|----|----|----------|
| 1923 .. | .. | .. | .. | 90 days. |
| 1928 .. | .. | .. | .. | 138 .. |

3. *Execution proceedings—*

| | | | <i>Amount realized, in lakhs.</i> | <i>Percentage of realizations (Presumably to the total amount sought to be realized).</i> |
|---------|----|----|-----------------------------------|---|
| | | | Rs. | |
| 1923 .. | .. | .. | 94 | 22 |
| 1924 .. | .. | .. | 104 | 24 |
| 1925 .. | .. | .. | 125 | 26 |
| 1926 .. | .. | .. | 149 | 25 |
| 1927 .. | .. | .. | 149 | 26 |
| 1928 .. | .. | .. | 176 | 26 |

4. *Arrest and sale—*

| | | <i>Judgment-debtors imprisoned.</i> | <i>Persons arrested, but released without imprisonment.</i> | <i>Cases in which immovable property was sold.</i> |
|------|----|-------------------------------------|---|--|
| 1923 | .. | 435 | 3,745 | 2,090 |
| 1924 | .. | 564 | 3,855 | 2,519 |
| 1925 | .. | 669 | 4,566 | 2,369 |
| 1926 | .. | 1,663 | 10,573 | 3,601 |
| 1927 | .. | 2,227 | 11,760 | 4,434 |
| 1928 | .. | 2,552 | 13,408 | 5,031 |

5. *Insolvency proceedings—*

| | | | | <i>Petitions.</i> | <i>Applications allowed.</i> |
|------|----|----|----|-------------------|----------------------------------|
| 1923 | .. | .. | .. | 1,131 | 384 |
| 1924 | .. | .. | .. | 1,228 | 484 |
| 1925 | .. | .. | .. | 1,506 | 673 |
| 1926 | .. | .. | .. | 2,125 | 928 |
| 1927 | .. | .. | .. | 2,538 | 943 |
| 1928 | .. | .. | .. | 2,792 | 1,772 |

**Special Questionnaire for Managers of Court of Wards
Estates.**

1. If the estate for which you are responsible does any money-lending by way of advances to tenants, etc., please answer, so far as you can, the following questions :—
- Money-lending.
- (i) What amount of capital is on loan ?
 - (ii) What rates of interest are paid for it ?
 - (iii) What has been the *net* return upon it during each of the last three years ?
 - (iv) What—
 - (a) bad debts ; and
 - (b) other expenses,
 have been deducted from gross profit for the purpose of calculating net profit ?
 - (v) In the case of secured loans—
 - (a) what type of security is taken ;
 - (b) how is the property taken in security, whether movable or immovable, valued ; and
 - (c) what is the maximum proportion of its value that will be advanced ?
 - (vi) Under what circumstances is a secured loan made rather than an unsecured ?
 - (vii) Are clients required to—
 - (a) produce sureties ; and
 - (b) state the objects for which a loan is needed ?
 - (viii) If objects are stated and recorded, what percentage of the loans are made for productive objects ?
 - (ix) Are loans ordinarily given for fixed periods ? If so, on what general principles are—
 - (a) the periods fixed ; and
 - (b) the loans renewed ?
 - (x) To what extent are demands for loans refused on account of—
 - (a) inadequate security ;
 - (b) inadequate capital ;
 If possible, give figures for the last three years ?
 - (xi) (a) Approximately what percentage of clients repay their loans punctually without being pressed to do so ?
 - (b) What measures are usually taken to effect recovery when payment is not made on due date ?
 - (c) At what point are judicial proceedings generally taken ?
 - (xii) (a) What difficulties have been experienced in recovering debts through courts of law ?

(b) For any case that has occurred in the last five years, give the following figures :—

- (1) the amount claimed in each case by way of—
 - (a) principal, and
 - (b) interest ;
- (2) the amount decreed under both heads ;
- (3) the amount recovered under each head (a) through the courts ; and (b) outside the court ;
- (4) the time taken to make the recovery through the court ;
- (5) the expenses (a detailed list should be given) incurred in the whole proceedings.

(xiii) If loans and recoveries are made in grain—

- (a) how far do the methods described above not apply to such transactions ; and
- (b) what proportion of the total business is represented by them ?

(xiv) How far is the information given above typical of money-lending business in your town or district ?

2. (a) Is it the practice in your district (or tehsil) for landlords to make advances to their tenants ? If so—

Dealings between landlord and tenant.

- (i) are such advances made for all purposes ;
- (ii) what are the customary terms ;
- (iii) do the terms differ in the case of a Muhammadan landlord ?

(b) In your district (or tehsil) is it anywhere the practice for tenants to make advances to their landlords ? If so, what are the usual terms ?

3. (i) What is the total amount owed by the estate ?

Composition of old debt.

- (ii) What rates of interest are payable on it ?
- (iii) Have you effected any composition of old debt—
 - (a) between the estate and its creditors ;
 - (b) between the estate and its debtors ?

If so, please give particulars noting especially, the amount of (1) principal, and (2) interest, given up by the creditor party.

4. Do you think that the rates of interest commonly in force at present could be reduced by better organization on the part of either lenders or borrowers ? If so, what form should this improved organization take ?

Rates of interest.

5. Are the better class money-lenders in your locality hampered in their business by the existence of any prejudice against them. If so, what is it due to ?

Popular attitude.

6. (i) Is there any legal or other facility that you would extend to them for the purpose of consolidating and improving their system ?

Special facilities.

(ii) If so, in whose interest do you advocate this (i.e., borrower or lender)?

7. (i) What do you consider are the chief defects in the present money-lending system?

Defects.

(ii) How would you remedy them?

8. (i) Are there times of the year when money lies idle in the hands of money-lenders? If so, can you give any figures?

Idle money.

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

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

9. Is it possible or desirable to set up a class of licensed or registered money-lenders, with special facilities and privileges, whose operations may be controlled by the State in the interests of agriculture, small-scale trade and small-scale industries? If so—

Licensing of money-lenders.

(i) what facilities and privileges do you recommend;

(ii) what restrictions would you impose?

10. Can you express any opinion on the subject of hoarding as to—

Hoarding.

(i) whether it is common;

(ii) whether it is diminishing;

(iii) amongst what classes it is not common; and

(iv) what form it usually takes, e.g., cash or jewellery?

11. (a) Do you think that the purchase of jewellery is decreasing? If so—

Jewellery.

(i) on what grounds do you think this;

(ii) what are the reasons for the decrease;

(iii) what is being done with the money saved in this way?

(b) What is the value of the jewellery held by the estate?

12. If there are tenants upon your estate, please prepare a statement in the following form:—

Indebtedness of tenants.

(a) number of tenants under enquiry;

(b) amount of land cultivated by them;

(c) total amount owed by (a) to all creditors;

(d) how much of (c) is secured by (i) jewellery, and (ii) any other form of property; and

(e) commonest rates of interest paid.

NOTE 1.—The information to be of any value should be obtained by personal enquiry.

NOTE 2.—If any of the tenants are occupancy tenants, a separate return should be prepared for them.

13. Please prepare another statement showing for the last three years for which figures are available :—
Return on land as an investment.

- (a) area of the estate (1) cultivated, and (2) uncultivated, excluding urban house property ;
- (b) value of (a) ;
- (c) total gross income of the estate, *excluding* income from urban house property, money-lending in any form, sale of land and securities and jagir or talukdari income ; and
- (d) total net income.

NOTE.—To calculate this, deduct the following charges from (c) :—

- (1) land revenue and cesses—if any part of the land under consideration is held free of land revenue, the amount that would otherwise be payable should be stated and included in the amount deducted ;
- (2) ward's rate ;
- (3) cost of manager and staff ;
- (4) miscellaneous charges connected with the ordinary running of the estate (apart from any urban house property).

Do not include any expenses on account of :—

- (i) urban house property ;
- (ii) money-lending or advances of any kind ;
- (iii) purchase of land or securities ;
- (iv) cost of permanent improvements ;
- (v) personal expenses of the ward and his family ;
- (vi) expenditure on law, domestic ceremonies, servants, stables, etc., except in so far as they have been necessarily incurred to earn (c) ;
- (e) percentage of (d) on (b) ;
- (f) the average amount of land revenue payable on the estate per cultivated acre.

NOTE.—For the purpose of this calculation, please include any sum included in (d) (1) above on account of land held free of land revenue.

It is hoped that the preparation of this statement will not be difficult as most of the information asked for has presumably to be collected for the annual report on the estate.

14. (a) In what ways are the principal crops of the estate marketed ?

Marketing.

(ii) Do the methods of marketing vary according as the crop is one used mainly for domestic consumption, or one mainly sold in the market ?

(iii) How far is grain stored in *kothas*, bank godowns, etc., used as security for obtaining credit ?

(iv) Are the existing credit facilities for marketing adequate and sufficiently attractive ? If not, can you make any suggestions for increasing or improving them ?

15. How much has been spent in each of the last three years on the permanent improvement of the agricultural part of the estate ?

Land improvement.

A note on the working of the Punjab Industrial Loans Act of 1923.

Loans under the Punjab Industrial Loans Act of 1923 were first granted in the year 1926-27. During this year fifteen applications were received for the grant of loans out of which five were accepted and a loan of Rs. 5,000 was granted to each of the five applicants. Five applications were under the consideration of the Department at the close of the year and three were rejected finally on account of insufficient security. One application was withdrawn.

Fourty-two applications for loans were received during the year 1927-28 for the grant of a total amount of Rs. 1,86,000 as advances. Out of these applications, loans were granted to twelve applicants amounting to a total of Rs. 54,300. Twenty-seven applications were pending at the end of the year and one was rejected finally for want of proper security. One was withdrawn and one was recommended to Government as the loan applied for exceeded Rs. 5,000.

During the year 1928-29, 76 new applications were received. In addition to these 27 applications were pending from the previous year. Out of a total of 103 applications loans were granted to 29 applicants, three were rejected for want of necessary securities, one was withdrawn and 55 were not considered suitable on the ground that the amount of loans applied for by individual applicants was so small that no reasonable use could be made of it in individual developments. Fifteen applications were pending at the close of the year. The total amount of money advanced during this year was Rs. 1,08,000 as against 54,300 during the previous year.

During the current financial year about fifty applications were received up to end of February 1930, out of which loans of a total value of Rs. 63,000 have so far been granted to thirteen applicants. It is expected that the total amount of loans for the current year will reach the figure of Rs. 1,00,000 as applications for the balance of this amount have received favourable consideration and the necessary steps for the payment of the amounts during the course of the financial year are being taken.

Two statements showing (1) the amount advanced each year, the amount recovered each year and the amount outstanding at the end of each year for the years 1926-27 to 1929-30 (up to end of February 1930) and (2) the amount of loan advanced each year to each industry for the corresponding years and the number of applicants to whom granted are attached.

It will be noted from statement No. 2 that the largest number of loans have been granted for the development of the weaving and hosiery industries which is explained by the definite policy of this Department to encourage these industries as they afford a vast scope for development and are particularly susceptible to improvement.

Security for loans.—The amount and nature of security required to be hypothecated this Department for the repayment of the loans and all interest due thereon and for the due fulfilment of the conditions of the loans have been enumerated in section 5 of the rules made under section 12 of the Punjab Industrial Loans Act, 1923. The security offered may either consist of immovable property such as dwelling houses, factory premises and land, whether agricultural or urban, or movable property such as machinery and stocks, etc. The applicants are however required to get all movable property insured against fire, loss or accident of any kind and the insurance policy has to be renewed every year (during the currency of the loan). In cases where sufficient security does not already exist, the machinery to be purchased from the amount of the loan sanctioned is also taken into consideration. Loans for the purchase of machinery are made on the production of bills of lading or invoices or railway receipts showing that the sum loaned has been duly expended for the purpose as required by clause (b) of section 12 of the Rules cited above.

Repayment of Loans as a result of the development of the Industry.—Repayments are made automatically by the majority of the borrowers at due dates. From the inspection reports of the accounts of the borrowing concerns, which are periodically made by the Assistant to the Director of Industries, it is borne out that repayments are made from additional profits earned by the borrowing firms as a result of increased investment consequent upon the grant of the loan.

In Rule 7 of the Rules regulating the grant of loans it has been provided that if the borrower so desires the yearly repayment of interest due for the first three years may be remitted at the discretion of the Director of Industries. No request to this effect has so far been received from any borrowing concern which further substantiates the statement made above.

Only three firms and fourteen members of the Jalapur Jattan Weaving Factory have availed themselves of the provision made in Rule 8 of the Rules, and have been given the extension of the periods of repayment beyond the ordinary limit which is five years.

Six firms have taken advantage of the facilities provided for in section 9 of the Rules which relates to the remission of the first three instalments of the principal amount loaned. In the cases of five of these concerns a remission of one year only and in the case of the 6th a remission of 1½ years for the repayment of the first instalment of the principal amount loaned has been sanctioned.

In only one case a portion of the loan advanced, *i.e.*, in excess of the stipulated annual instalment was repaid within six months of the grant of the loan as provided for in section 10 of the Rules.

No loan so far advanced by this Department has been written off as irrecoverable.

Rate of Interest.—In accordance with Rule 6 of the Rules which lays down that the rate of interest on any loan shall be approximately 1 per cent above the Government of India borrowing rate at the time of the grant of the loan, a uniform rate of interest is charged by this Department for all loans granted under the Punjab Industrial Loans Act. This rate continued to be 6 per cent from the period the Act came into operation till 30th November 1929 when in pursuance of the Finance Department Resolution No. 38470-B., dated 28th November 1929, it was raised to 6½ per cent. with effect from 1st December 1929.

The rates of interest charged by banks for industrial loans in cases of selected industries have been given in the attached reports on the financing of these industries submitted by various officers of this Department. The general rate charged by banks for industrial loans varies from 9 to 12 per cent according to the period for which the amount is borrowed, the security offered and the financial status of the borrower.

Statement No. 1.

STATEMENT SHOWING THE LOANS GRANTED, RECOVERED AND OUTSTANDING AT THE END OF EACH YEAR.

| Year. | Outstanding at the commencement of each year. | Granted during the year. | Total of columns 1 and 2. | Principal recovered during the year. | Outstanding at the end of each year. |
|---|---|--------------------------|---------------------------|--------------------------------------|--------------------------------------|
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| 1925-26 | .. | .. | .. | .. | .. |
| 1926-27 | .. | 25,000 | 25,000 | .. | 25,000 |
| 1927-28 | 25,000 | 54,300 | 79,300 | 3,750 | 75,500 |
| 1928-29 | 75,550 | 10,800 | 1,83,550 | 9,500 | 1,74,050 |
| 1929-30 (till to-date) end of February 1930. | 1,74,050 | 63,000 | 2,37,050 | 21,180 | 2,15,870 |

Statement No. 2.

| Nature of industry. | 1926-27. | | 1927-28. | | 1928-29. | | 1929-30. | | TOTAL. | |
|-------------------------------|--------------------------|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|
| | Amount of loan advanced. | Number of applicants. | Amount of loan advanced. | Number of applicants. | Amount of loan advanced. | Number of applicants. | Amount of loan advanced. | Number of applicants. | Amount of loan advanced. | Number of applicants. |
| | Rs. | | Rs. | | Rs. | | Rs. | | Rs. | |
| Weaving Industry .. | 5,000 | 1 | .. | .. | 33,000 | 15* | 24,000 | 2 | 62,000 | 18 |
| Tanning Industry .. | 5,000 | 1 | 10,000 | 2 | .. | .. | 4,000 | 1 | 19,000 | 4 |
| Calico Printing Industry .. | 5,000 | 1 | .. | .. | .. | .. | .. | .. | 5,000 | 1 |
| Film Making Industry .. | 5,000 | 1 | .. | .. | .. | .. | .. | .. | 5,000 | 1 |
| Dairy Farming .. | 5,000 | 1 | .. | .. | 5,000 | 1 | .. | .. | 10,000 | 2 |
| Chemical Industry .. | .. | .. | 10,000 | 2 | .. | .. | .. | .. | 10,000 | 2 |
| Rosha Oil Industry .. | .. | .. | 5,000 | 1 | 5,000 | 1† | .. | .. | 10,000 | 1 |
| Fruit Canning Industry .. | .. | .. | 5,000 | 1 | .. | .. | .. | .. | 5,000 | 1 |
| Woodwork and Carpentry .. | .. | .. | 10,300 | 3 | 16,000 | 4 | .. | .. | 26,300 | 7 |
| Cutlery Industry .. | .. | .. | 10,000 | 2 | .. | .. | 5,000 | 1 | 15,000 | 3 |
| Engineering Industry .. | .. | .. | 4,000 | 1 | .. | .. | 4,000 | 1 | 8,000 | 2 |
| Tennis Gut Making .. | .. | .. | .. | .. | 15,000 | 2 | .. | .. | 15,000 | 2 |
| Oil Milling .. | .. | .. | .. | .. | 15,000 | 1 | .. | .. | 15,000 | 1 |
| Hosiery Manufacture .. | .. | .. | .. | .. | 6,000 | 2 | 16,500 | 5 | 22,500 | 7 |
| Pottery Making .. | .. | .. | .. | .. | 5,000 | 1 | .. | .. | 5,000 | 1 |
| Durree Making .. | .. | .. | .. | .. | 5,000 | 1 | .. | .. | 5,000 | 1 |
| Embroidery Industry .. | .. | .. | .. | .. | 3,000 | 1 | .. | .. | 3,000 | 1 |
| Drawing Instruments Making .. | .. | .. | .. | .. | .. | .. | 7,500 | 2 | 7,500 | 2 |
| Ink Making .. | .. | .. | .. | .. | .. | .. | 2,000 | 1 | 2,000 | 1 |

*This number includes 14 applicants from Jalalpur Jattan to whom loans for Rs. 2,000 each were granted for the formation of a joint stock company and for the purchase of improved handlooms.

†This applicant is the same to whom a loan of Rs. 5,000 was granted in the previous year for the Rosha Oil Industry.

**Oral evidence of Dr. R. C. Rawley, Director of Industries,
Punjab.**

Chairman.—How long have you been Director of Industries ?—Four and-a-half years.

Have these enquiries, which you have sent us, been done by the Industrial Surveyors ?—Yes.

What are their educational qualifications ?—Two of them are Graduates and one is a Matric., but he has had sufficient experience extending over a period of ten years in the Department of Industries.

Are they all experienced in this kind of enquiry ?—All of them have been conducting economic enquiries in the past.

With regard to the Punjab Industrial Loans Act, what are the common reasons for rejecting applications. I see that 87 applications have been rejected in three years as against 46 accepted ?—There are two reasons, (1) insufficiency of the security offered and (2) the nature of industry. That is to say, we generally don't grant loans for cotton ginning or flour milling or for any other industry which has been established in the Punjab for a number of years. We encourage either cottage industries or new forms of industries.

Which do you regard as the established industries ?—Flour-milling, cotton ginning, ice making. We don't grant any loans for such established industries. On the other hand, we help calico printing, weaving, shoe-making, fruit preserving. These are industries which are regarded more or less as cottage industries.

Apart from cottage industries and ginning factories, which are the established industries ?—Cotton ginning, flour-milling, ice-making, and I should also put down oil-milling, because it is done on a very large scale in conjunction with cotton ginning.

Do these loans pay their way at the present rate of interest allowing for over-head charges ?—I think they do. In the majority of cases that I have had the opportunity of examining, these people have made a good use of the money.

Do you allow a margin of 1 per cent. ?—That is the look-out of the Finance Department.

Does it cover the charges incurred ?—If the supervision charges and the scrutinising charges were to be distributed over the money lent, I am afraid it won't.

Could you say at all roughly what margin would be required ?—It all depends upon the amount of loan granted. We only give about a lakh of rupees per annum and that lakh is divided sometimes into twenty, sometimes into thirty and sometimes into fifty parties, but I don't think in any year we have had less than twelve or fifteen parties.

The average loan according to the statement supplied comes to Rs. 4,242 and the number of persons to whom these loans were given

is 59. On that basis what would you say would be a sufficient margin?— I am giving you only a very rough figure. I think we should have to spend on an average Rs. 3,000 per annum as supervision charges. That would come to about 3 per cent on a lakh of rupees.

Up to what amount could you advance without increasing that charge. We could advance up to five lakhs without increasing that charge. There is another fallacy in this method of calculation. My general section, which deals with the loans' cases, deals also with industrial education and three other heads, and it is not possible for us to determine with any degree of accuracy as to what would be the charge of the loans alone.

Supposing you were to expand this loans' business very considerably, some addition to your staff would be necessary?—The increase would be very small; I should think that with about two extra men I could carry on the whole work.

What would be the annual charge?—Two assistants drawing Rs. 100 a month each.

Do you look forward to a considerable expansion of this business?— Yes; I think there is a tremendous scope for that.

Would you agree that a total of 59 loans for a Province of the size of the Punjab is insignificant?—Quite.

What expansion do you look forward to?—In my budget estimate I always make a provision of over a lakh of rupees every year, but on account of financial stringency it is not sanctioned.

I am trying to gauge the possibilities of this Act so far as the financing of cottage industries is concerned. The figures that you have given us would approximate roughly to the amount loaned by a co-operative mortgage bank operating in one tahsil only and here you are dealing with the whole Province. It seems to me that to achieve anything on a provincial scale you would require a very large sum?— Certainly. For instance, take two industries only: hosiery and weaving. Hosiery is expanding in Ludhiana, Jullundur and Sialkot. There is quite a number of people coming forward to borrow money for putting up small factories. In the same way weaving industry would have a tremendous scope also, but for any practical expansion one must have a lot of money, while we have only a lakh of rupees to divide all over the Province.

Having regard to the tendency for machine-made goods to displace hand-made goods, which cottage industries would you say have a promising future?—Hosiery I should put on the top of the list; next weaving, and third, small chemical industries like soap-making.

Do you think that the weaving industry will be able to hold its own against the competition of factories?—So far as silk is concerned, it is doing so, but so far as cotton is concerned, I am unable to say at the present moment as to whether it would hold its own against the

Japanese cotton goods, because they are being imported in very large quantities and manufactured on the mass production lines.

What proportion of the weavers are employed in silk weaving?—Fifty per cent of the total number.

Would you be in favour of giving financial support to a cottage industry whose future was not promising?—It is very difficult to say, unless an experiment is made, as to whether the industry has a promising future or not. Take the case of soap-making; I have been told that quite a lot of people have put up large factories, and yet I am informed by the Forman Christian College that worked on a scientific basis that it can be a success, and they are showing a profit on their balance sheet.

In making these loans do you distinguish between the industries that have a promising future and those that are likely to go under?—My own personal policy in this direction is that experiments should be made with a reasonable amount of caution. I do believe in making experiments, and fortunately for me in three cases the experiments have proved successful. I lent Rs. 5,000 to a man who was making chalks and stationery. I have watched his progress for the last three years, and I find that he has been making a good use of the money and has also made some profit for himself. Then these stationery dealers, who make goods like foot rules and other things, they have made some money. The manufacture of labels for matches is a small industry. It requires a couple of presses and cutting machines. These have also succeeded. These were the experiments which we made when we advanced money, because we had no data at all which could enable us to judge as to whether there was any future for such industries or not.

So far as you can see, this Act could legitimately be used to assist all the existing cottage industries?—I think so.

But to assist them materially I take it that very much more assistance will have to be given than has been given in the past?—Quite so.

Looking at it from that point of view, how much do you think should be advanced within the next five years?—We started with a lakh of rupees and we wanted to raise it to $1\frac{1}{2}$ lakhs, then two lakhs and then to $2\frac{1}{2}$ lakhs. Before I came to the Punjab, this experiment had not been tried, although this Act was passed in the year 1923. The first loan was given by me in 1926, and I did not like to rush into it. I wanted to make cautious experiments. My scale was one lakh, $1\frac{1}{2}$ lakhs, two lakhs and so on.

In ten years' time how much would you have on loan under this scheme?—I should put down a rough figure at about five lakhs in ten years.

Roughly speaking, the over-head charges would be the maintenance of two men on Rs. 100 a month?—Yes.

Would there be any other charges ?—No.

Has any other Province got an Act of this kind ?—They have an Industries Aid Bill in Bihar and Orissa, Madras and the United Provinces.

Do you know how they are working ?—Their method of work is slightly different from ours. They have given assistance to large industries. For instance, in Madras the Government had lent five or six lakhs of rupees to a paper mill which unfortunately failed. They also lent 1½ lakhs to a match factory.

What is the largest amount that has been loaned in the Punjab ?—Rs. 20,000. One item of Rs. 20,000 was lent last year to a weaving company in Ludhiana and another sum of Rs. 20,000 was lent to an acid manufacturer in Rawalpindi.

Are both repaying punctually ?—Yes.

Do other Provinces make small loans ?—I don't think so. They give what they call grants-in-aid. As far as I am able to gather from the proceedings of the United Provinces' Government, I find that Rs. 2,000 are given for experimental purposes as grants-in-aid. Some Provinces do make small loans, but I don't think they follow these lines. As a matter of fact their systems came into existence after our system. The Bengal Government took from us the Industrial Loans Act.

How many Provinces are making loans under special Acts like the one here ?—United Provinces, Bihar and Orissa, and Madras. In Bengal the Bill was rejected by the Council last year.

Have you any idea how their advances compare with ours ?—They have given large loans to big factories.

Do you know what their rates of interest are ?—The rates of interest are the same, at least in the case of the sugar factory in the United Provinces, to which the United Provinces Government have advanced a large loan.

Do you happen to know whether any Province has made more use of this Act than the Punjab ?—My impression is that we have made more use of it than any other Province, but I do not know it as a fact.

Do you know of any such Act in any other country ?—Reading the report of the Czechoslovakia Government in 1928 my impression was that that Government was also lending money to industrialists, and the German Government was also doing the same, but their method is different. They lend money on export trade.

Do you know of any country which encourages cottage industries ?—I do not know.

Can you suggest any alternative way of giving them financial support ?—I think that co-operative finance is the best way if it could be organised. Unfortunately I am not in touch with other co-operative societies, but I have visited almost all the co-operative societies of

weavers in Multan, Pind Dadan Khan and Jullundur, and I found that these people borrow money at a very high rate of interest from the co-operative banks.

What would you call a high rate of interest?—Say, 11 per cent.

Do you regard 11 per cent as a high rate in terms of the rates prevailing in the Province?—It is a high rate in terms of the prices prevailing and the competition in the market.

What would you consider fair for a cottage industry?—For a cottage industry which has to face foreign competition or even Indian competition from mill made products, a rate higher than 9 per cent is, in my opinion, very difficult to pay.

What were the other reasons for the failure of these co-operative societies?—I was given to understand that this high rate of interest was the one reason; another reason was that there was no technical organisation, and they were not able to produce goods according to the modern standard. Take, for instance, the Jalalpur Jattan society. They were producing stuff which they could not sell easily, and they were using looms which were absolutely out of date. They were using old pit looms from which they could not get a production of more than four or five yards a day.

Any other cause?—The two defects already mentioned, *i.e.*, high rate of interest and lack of technical supervision, and the third is bad marketing.

How would you reduce the rates; apart from this Act do you see any other means of doing it?—There is the Swiss method and the Dutch method. In Switzerland they have got merchant manufacturers whose function is to buy raw materials and also to lend machines on hire-purchase system and then collect the finished goods.

Is that not, roughly speaking, what is being done in the Punjab?—The middleman plays very much the same part.

What essential difference is there between that system which you have just described and the one in the Punjab?—I will give you a concrete example. Take the case of Dubied. They are manufacturers of machinery. They export a large number of machines to all parts of the world. Round about their works they have got a number of small villages, and all these villages have been registered in their books. They lend out four or three machines, as the case may be, to a family consisting of, say, four people, and the family has got to pay down 10 per cent of the cost of the machine in cash. The balance is payable within five years. The manufacturers have got connections with other large suppliers of woollen yarn. These yarn merchants also go along with Dubied and supply yarn on long credit system. Every Monday morning the lorry goes, picks up the finished goods, which are brought to the warehouses, and they are bought at piece-rates. Warehousing, marketing, labelling, packing and everything is done by the yarn merchants, who are not only the suppliers of yarn but also the salesmen.

The weavers in that case are virtually the wage earners ?—So long as the modern system of capitalism remains, they will remain wage earners ; it is only a question of calling them by different names.

Would you be in favour of that system rather than the co-operative for this country ?—Co-operative system under the present circumstances will not succeed.

Do you think it would be possible to remove these defects ?—They could be removed if they were well organised technically and as selling agents. The finance of raw material is being done in a very wrong way ; if all the yarn had been bought in a bulk.....

Co-operative societies buy their yarn ?—I don't think so. They have been buying in small quantities.

Do you think it would be possible to organise the co-operative societies in such a way that they would be of greater material assistance ?—Yes.

How would you do it ?—It will have to depend upon the industrial concern you are dealing with.

I am speaking of the weavers ?—They could be improved by having larger technical staff attached to each headquarters, so that the supervision of production could be carried on on the modern lines.

What is your concrete proposal for the 200 societies that exist now ?—I should have qualified mechanics and inspectors who understood the mechanism of the loom and also the manufacture of cloth so as to be able to see that what is being produced is being produced according to the standard specification.

How many inspectors would be required for 200 societies ?—I am afraid we shall have a very large staff. That depends again on the membership of the society.

Taking the membership at between 20-25 members per society what staff would be required ?—One inspector and one mechanic for each society.

What pay would it be necessary to give to these two officials ?—I should start an Inspector on Rs. 120 a month and a mechanic on Rs. 60 or Rs. 70 a month.

That would amount to Rs. 36,000 a month for 200 societies. Do you consider that a practical proposition ?—It is a practical proposition in this way that if you could increase the total value of the production, undoubtedly I think that would not be out of proportion with the outlay. -

Do you think that there would be a corresponding increase in income to the weavers ?—If you take Rs. 180 a month for one society consisting of 25 members, each member must produce, roughly speaking, goods worth Rs. ten a day. That means a production of Rs. 250 a day. Multiply that by thirty and you will get the total monthly production. Rs. 180 on that is not a very high percentage.

The figures given by your Industrial Surveyor suggest that the average earnings of a weaver per day are Re. 0-8-0 or only Rs. fifteen a month. Taking Re. 0-8-0 rate what would be the output?—If they were to produce under this organisation, it would be quite different altogether.

Your estimate of Rs. 7,500 refers to the output under close expert supervision?—Yes.

What would be the corresponding figure without that supervision under normal circumstances?—It depends entirely upon the different families of weavers in different parts of the country. I am basing my calculations on one single unit which I saw in Ludhiana. One man called Benjamen has got a small factory there. He has got improved types of fly-shuttle looms. His total production per month is about Rs. 8,000 to Rs. 10,000.

We are really considering the members of these 200 societies, who I take it, are average hand-loom weavers?—In Pind Dadan Khan the members of the Co-operative Societies came to see me. I went along with them to their homes and I saw their method of working. At the end of the day they might have produced two silk handkerchiefs.

Is that the way that most of the 200 weavers' societies in the Province are working?—That is so.

When you suggest one inspector and one mechanic per society, are you thinking of that type of weaver?—Yes; these very people could be converted into the type that I have described now.

By giving them this expert assistance?—Yes.

Lala Harkishan Lal.—One inspector and one mechanic could not really watch 25 looms spread over half a mile or a mile?—In a small village grouped together it could be done. In Holland they do that, where one mill-owner has got 500 looms under one roof. When he has prepared his beams, he puts about thirty or forty in a lorry and one inspector goes along and distributes them to different families in those small villages, and on a certain date the man comes along and collects them. The finishing of fabrics is again done by the manufacturers.

Taking the average weaver, as we find him to-day, what do you suppose is the monthly output of a weaver's family?—I should think it would be very small. Roughly speaking, on cotton cloth they turn out about eight yards a day and at Re. 0-10-0 a yard it would come to about Rs. five.

That gives an output for 25 families of about Rs. 3,125, and according to your other estimate these 25 families, if properly taught and supervised, would be able to produce twice that amount?—Yes.

The annual cost for these 200 societies would be about 4½ lakhs and that would only assist 5,000 families?—I think if we were to achieve

1/10th of what remains to be achieved, we should have done our duty to the weavers.

Can you suggest any less expensive method which would be effective, though perhaps not so effective as the one which you have just outlined?—Less expensive methods would not enable us to compete with the foreign goods. I have given thought to this problem in season and out of season, and I have not yet been able to evolve a method which would improve the sizing of warps.

Do you consider then that it would be difficult, if not impossible, to get the weavers on to their legs without a very large expenditure of money by Government?—Why Government? Someone else should come into the field who regards it as a business proposition.

Of these three factors (high rate of interest, lack of technical education and lack of marketing facilities) which do you regard as the most important?—All three are equally important, because after all when goods have been produced and cannot be sold, it is just as bad as not having the goods at all. That does happen in the case of a majority of cottage workers in Ludhiana and Jullundur. Men like Benjamen have employed weavers and they have got their canvassers, who go from district to district and sell the goods. Ludhiana is at the present moment supplying silk to Ceylon and Burma. I have seen orders booked up to Rs. 1,000 for shirtings and suitings. This is all done by the salesmen who travel on behalf of the firm at a certain salary and commission. On the other hand, these poor people have not got the idea as to how to sell their goods.

How would you deal then with the marketing difficulties?—I would have an army of salesmen.

Would they also be paid by the Government?—I am not suggesting at present that the Government should come in for everything.

Who will provide this army of salesmen?—I suppose the manufacturers will have to do it. Private enterprise will have to come into the field.

The technical assistance should be provided by the Government and the marketing facilities by the middlemen?—Yes.

Who would provide the cheap money?—I should suggest the joint stock banks, otherwise it would all become State production.

Is there any indication of the joint stock banks coming forward?—They are coming forward to a certain extent.

How many are there in the Punjab that finance weavers?—During the two years I think we have registered two or three companies for weaving industry.

To encourage handloom weaving?—Yes, but not on cottage lines.

Are you in favour of drawing the weaver from the village to the town?—If he is an agriculturist, it would be difficult to draw him away, but if he is a non-agriculturist, then it would depend upon his earnings. If he is earning more at home, he would naturally not come to the town.

Don't you see any means of financing the rural weaver with cheap money without drawing him to the town?—I am afraid I don't.

What do these two companies advance their money at?—They engage weavers. They pay them on piece work.

At what rate do they get their money?—One company has borrowed Rs. 20,000 from us. It is a weaving company at Ludhiana. They have borrowed the money at 1 per cent above the Government of India's borrowing rate. The others get very cheap money.

At what rate?—Varying from 5 to 6 per cent.

Do you think if more joint stock companies of this kind were formed, they would be able to raise money at 9 per cent or less?—I think so.

Do you think that the position of the weaver would be better as a wage earner serving a company rather than living in a village working on his own?—His lot may not be better ultimately, but conditions are at present quite different. In his own home he cannot make much money at all. I should imagine that the rural weaver probably cannot earn more than Re. 0-4-0 at the outset, while the factory weaver gets from Re. one to Rs. two a day according to production.

How many factory weavers are there in the Punjab?—They are mostly scattered in Ludhiana and Amritsar districts.

Are there several thousand?—No.

Several hundred?—Yes.

What is their average earning?—Re. 1-8-0 or Re. 1-12-0 a day.

Who does the valuation of the property offered as security?—The valuation is done by the local revenue officers (Tehsildars). In the case of house property, it is checked by the District Board Engineer and finally verified by my assistant in the office.

When interest or principal is remitted, compound interest is chargeable. Is it chargeable under any other circumstances?—No.

Is it chargeable upon instalments which are in arrears?—No; we give them a certain period of grace.

How much principal is in arrears at the present moment?—It is impossible to say at the present moment. It is in arrears in one or two cases only.

Could you let us have the figures of the amount that was overdue on the 31st March 1930 by way of principal and interest?—Very well.

Have there been any cases of loans being misapplied ?—Not to my knowledge.

What is the smallest loan that can be given under this Act ?—There is no limit fixed at all.

What is the smallest loan actually made ?—Rs. 500.

Are you prepared to make smaller loans ?—Rs. 500 is the smallest amount. In the case of village Chamars we have got a tanning demonstration party which goes from district to district and gives demonstrations to certain people, and after these people have learnt according to our methods, they want assistance to finance their industry.

What amount do you give to such people ?—Rs. 500.

The figures given in these notes show that debts range between Rs. 400 and Rs. 500 per family, which suggest that loans of smaller amounts than Rs. 500 might be useful. Have you considered that ?—As far as I remember, I think Rs. 500 was the amount that I gave two months ago.

I should have thought that Rs. 500 was rather excessive for people who owe only Rs. 400 or Rs. 500 ?—This limit was fixed upon the basis of the figures of production of hides. Normally these people buy hides on credit. They pay for the hides with this money. The hides take about two or three weeks to go through all the process of tanning and during that period they have got nothing to depend upon. At the end of three weeks they sell the hides in the local market and realise their cash. It was estimated by our man that Rs. 400 to Rs. 500 was required to carry out the tanning operations successfully.

Loans less than that would not be of much use ?—In one soaking they have to put in ten hides, and the present value in the market is about Rs. ten or Rs. twelve a hide ; so they have to spend something like Rs. 150 or Rs. 200 on the hides. Then they have got to buy chemicals. The investment to begin with is Rs. 300 or Rs. 400.

If the minimum investment is Rs. 300, why should the minimum loan be Rs. 500 ?—They might be requiring something for their own personal use.

Some of these tanners might have resources of their own ?—I don't know whether they have got many resources. I was in Karnal district two weeks ago. The tanners there wanted a demonstration party to go to every village. I said that it could not be done, as we had only one demonstration party. They said "will you build us the pits." I said "can't you subscribe Rs. ten each to build pits for yourselves." They said "we have not got the money". So they wanted us to build their pits.

To entrust Rs. 500 to such a man is rather a serious responsibility. Would there be any objection to reducing the minimum to Rs. 250 ?—If our assistants advise the reduction of the minimum, in relation to the security offered, we have to do it.

What is the ordinary period of loan?—Five years. The maximum allowed is ten years.

Do you find five years generally sufficient for the purpose?—So far I do.

Have you had to take proceedings against any defaulters up to date?—No.

Under Rule 15 (5) a return has to be made once in every year certified by an auditor showing the profit and loss of each concern that has borrowed. How many of the concerns show a loss?—I have just made a recommendation to Government that this rule should be altered, the reason being that the man borrowing Rs. 500 has got to submit a certificate to us, and the auditor's fee comes to about Rs. 200 which he cannot afford to pay. It appears from the accounts examined so far that nobody has shown a loss.

Do they all show a profit?—They do show some profit.

What is the effective rate of interest in the case of these loans?—You have just mentioned a charge of Rs. 200 on account of auditor's fee. Are there any other charges?—They have to pay Rs. 23 for the registration of the deed, and that is the only charge they have to pay in the beginning, and then this audit charge to which they have now raised an objection.

Is there any other charge?—I don't think so.

In your note it is stated that the Shanker Iron Works, Ambala, have submitted an application for the grant of a loan of Rs. 30,000 under the Act. Is that loan likely to be given?—I don't think so.

Why not?—It is a very large sum. We should be depriving the small investors of the benefits of this Act by giving such a large sum to one man.

Are you reluctant to make loans in excess of Rs. 10,000?—Yes.

How many loans have been made in excess of Rs. 10,000?—Only two.

Does this note on ginning factories apply only to the Lyallpur town or to the whole of the Lyallpur district?—To Lyallpur town.

You speak of advances against block investments. What exactly do you mean by that?—Block investments mean buildings and machinery.

You say that there is a general complaint that the Imperial Bank does not offer the same rates and facilities to Indian firms as it does to the English firms. Is that because in the case of cotton the security of the English firms is better?—I think that complaint is all over India.

We have had complaints that cotton stocks have been deliberately set on fire. Has that anything to do with it?—I think so.

And over-speculation too ?—Yes.

A little further on it is said that some banks while lending money to a number of concerns at one station, appoint only one supervisor for the whole lot and charge each factory Rs. fifty per mensem on account of his salary. Have you verified that complaint ?—That may have been the case in individual cases.

Do you think that allegation is justified ?—I cannot say with any definiteness.

Have you any personal knowledge whether this complaint is correct or not ?—No.

In your note it is stated that it is also a general complaint that the joint stock banks arrange between 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. Would you explain that complaint ?—I don't think it is correct at all. Banks like individuals have their own fancies, and in certain cases they give preference to certain firms, but that preference is not based on any fear or suspicion.

It is stated that the facilities provided by the Imperial Bank of India are only available to a limited number. Why is that ?—The reason being that only a very small number of firms have got their offices or agents in Europe.

But the note suggests that the Punjab National Bank offers better facilities than the Imperial Bank ?

Lal Harkishan Lal.—I will tell you that. The Punjab National Bank has got an agency in England, Midland Bank, London, and they do business through them, while the Imperial Bank is not allowed to do any business outside India except through *bona fide* customers.

Chairman.—Return to the question of the technical staff, for how long would the staff you suggest be required for each society ?—Three years.

Will it be free after that period to pass on to another society ?—Yes.

Lala Harkishan Lal.—You have said that you don't advance money to cotton ginning, flour-milling, oil-milling, oil-crushing and ice-making. Would you advance money to industries like safe-making in Gujranwala ?—Yes.

And to the trunk making in Sialkot and bucket making in Julundur ?—Yes.

How would you shut out competition from there ?—You may be helping a man who cannot compete on favourable terms with other people, and he may come to you and get assistance, and then he would have an advantage over others. How would you distinguish ?—As a rule when we advance money to these industries, we insist upon their putting up modern machinery.

But the other man may also be keen and anxious to do it?—Everybody has not got the necessary security to offer, and we also see to the capability of the man.

Then you would pick out the right man and the duffer must go to the wall?—Lala Sahib, I would suggest your visiting some of these places yourself to have personal knowledge of what they are doing.

The difficulty that I was feeling is that if you begin to assist these industries, then the question is how to choose a man in a place where this industry has been going on for twenty years or so?—We are after all human beings, and as such we are bound to make mistakes also, but as a rule what we do is this that when we advance a loan to a man, we send our man to see what he is doing with the money.

My point is that supposing there are half a dozen people, one of whom is very good and deserves help. What about the other five who are perhaps equally deserving?—We shall try to help them all if we have got the money.

Chairman.—How many of the 87 applications, which have been rejected, were rejected for lack of funds?—I am afraid I cannot tell you off-hand. Generally speaking, towards the end of the year sometimes all the funds are exhausted. A certain number of applications are rejected for want of funds.

Lala Harkishan Lal.—Another question is that you say that hosiery is a very desirable industry, but there must be a limit to that also, as there is a limit to everything. When would you stop?—We have a selection of industries. When we give assistance to one industry we wait and watch the progress, and if the Department is convinced that sufficient progress has been made, its attention is diverted to a new industry.

Then you will always be trying and experimenting in introducing one industry?—Yes.

Chairman.—Is the object of the Act rather to finance experiments than to finance industries?—I should say “finance the industrial experiments.”

The object of the Act then is to finance industrial experiments rather than to finance the industries concerned as a whole?—I should think so; that is my impression at least, my interpretation of the Act. That is the way in which I am applying it.

Do you refuse applications from people who are not experimenting? As I said before, in the case of cotton ginning and oil-milling, *i.e.*, the industries which are already established and are being carried on a large scale, we don't finance.

And in the trades which you finance, do you find a lot of people who are making experiments?—We insist upon their buying machinery and in the case of one cottage industry, *i.e.*, calico printing, I gave them the loan on the distinct understanding that they would come to our

Depôt at Lahore to see the actual process and then use that money in producing calico prints.

Then the object of the Act is to finance new industries?—To encourage industries in adopting new appliances.

In regard to agriculture there are two Acts, one is to finance the ordinary processes of agriculture and the other is to improve the land. To which does this Act correspond?—It corresponds to Improvements Act.

You make no attempt whatever to finance ordinary industries?—No.

Lala Harkishan Lal.—Would not you help the ordinary industries in time of depression?—With one lakh of rupees what can I do.

Government does not lay out any particular sum for taccavi, but in case of famine or scarcity it has given very large sums to enable the agriculturists to tide over the trying period?—My money is not for that purpose.

Could it not be applied in time of depression just like the taccavi loans?—The existing Act cannot be applied. It applies only to improvements. The exact words used are “to encourage industrial developments.”

Leaving that aside, the question sometimes does arise that the co-operative movement could solve the industrial problem also so far as the cottage industries are concerned, but you have not really looked into the matter?—No.

Do you know whether any productive co-operative society, so far as agriculturists are concerned, exists in the Punjab?—No.

But in Europe there are lots of industrial productive societies?—My conception of the co-operative production is that the members themselves are the producers, and in this case the members are not the producers.

The word “co-operation” is employed in one sense in one country and in another sense in another country. Therefore there is no particular description or definition of the word “co-operation” as applied to industries?—From what point of view do you think there are many industrial societies in Europe.

There are at present two institutions in the Punjab, the railway employes' co-operative societies and the Army co-operative societies. Could not a scheme parallel to this be devised by which these weavers could be helped by both the Departments?—The matter has been under discussion for the last three years. The last note that Sardar Sahib wrote was that the Director of Industries should be declared the Joint Registrar of the Industrial Co-operative Societies, and that the industrial societies should be managed by his Department.

Do you think if it could be done, it would be desirable?—I should think it would, but my difficulty is that we cannot have two things running parallel. Now we have our staff which is a limited one, and the Co-operative Department have got their Inspectors who according to our view are not sufficiently trained.

That is the reason why I have asked that in that way the Government money is not being put to the best use. Could not a scheme be devised by which the Government money could be put to the best use and the weavers could be helped?—I must admit that I have not made a special study of the co-operative movement as such, but if I were to study the whole question deeply, I dare say that a method could be found whereby the weavers in particular and the other trades too, such as carpenters, cabinet makers, could have co-operative organisations.

That would be division of labour?—If you have got co-operative production, that would come in, but it is a question which requires handling by an expert and I am not an expert on the co-operative side. My suggestion was that if I could have a man attached to my Department who knew everything about the co-operative movement, then I could direct him technically on the industrial side and let his staff of Inspectors carry on under our guidance.

Do you think then the weaving movement would receive a very good impetus?—I think it is again a question of experiment.

Khan Bahadur Chaudhri Niamat Ullah.—There are 1,108,000 tanners and 1,100,000 weavers in the Punjab according to the Census Report of 1921. What financial help have you rendered these people?—At first we started a tannery for the training of the tanners at Shahdara, but I found that we could not carry on unless we had two or three lakhs of rupees and we closed that tannery. Subsequently we started a tanning demonstration party. This party goes from district to district. The first demonstration was given in the Sialkot district. This demonstration party has visited Sialkot, Jullundur, Karnal and Gurdaspur. At every place they stop for at least six weeks. They give a complete demonstration of the tanning processes in the presence of the Chamars, and subsequently they ask them to bring hides and prepare skins in their presence.

Lala Harkishan Lal.—Do they give demonstration from soaking right up to the end?—Up to the finishing of leather.

How can you finish it in the village?—We have got our own tools and devices. (The witness at this stage explained the mechanism of the tools employed for polishing leather).

Khan Bahadur Chaudhri Niamat Ullah.—Is it not practicable to make co-operative societies of these tanners and for your staff to give them instructions in tanning?—Yes, it is practicable.

Chairman.—Does your Department do anything to assist any industry in marketing?—We have assisted to a certain extent. We have recommended a lot of people to the Indian Stores Department; have sent their samples and got them registered on the list, but marketing in the proper sense, *i.e.*, salesmanship, we have not attempted yet.

Chairman.—The Co-operative Department has made some effort in that direction, though perhaps not a very successful effort?—In agricultural produce you have done more in the Co-operative Department than in the industrial field.

You say that these three problems, finance, technical organisation and marketing, are equally important. Your Department is only concerned with one of them, *i.e.*, technical organisation?—Yes.

And the other two are concerned with the Co-operative Department rather than yours?—Yes.

(Witness withdrew).

The Deputy Controller of the Currency, Calcutta.

QUESTIONS IN REGARD TO SUPPLY BILLS.

1. From the attached statement* it appears that in the three years ending 1928-29, Supply Bills have only been issued from eight treasuries. Why have they not been issued from other treasuries ?
2. What exactly determines whether a Supply Bill should be issued or not ?
3. Has any change been made in the charges for Supply Bills in the last twenty years ?
4. Are any special facilities given to banks which are not available to individuals ?
5. In view of what is said in the attached extract† copy of the memorandum submitted by Mr. Owen Roberts—
 - (a) Are you in favour of reducing the rates ?
 - (b) Would it be possible to simplify the procedure under which Supply Bills are issued ?
 - (c) Would it be possible to make them available at treasuries and selected sub-treasuries at places where there is no branch of the Imperial Bank or a joint stock bank, e.g., by dispensing with the sanction of the Deputy Controller of Currency which now appears to be necessary under Article 159 of the Resource Manual ?

ANSWERS.

1. Presumably because the public have not asked for them. The authority vested in the Deputy Controller of the Currency under Article 159 of the Resource Manual has been vested in the Currency Officer, Lahore, and, so far as I know, neither the Deputy Controller of the Currency nor the Currency Officer has refused the grant of supply bills when asked.

Most of the important commercial centres in the Province are already provided with these facilities through branches of the Imperial Bank under Article 158 of the Resource Manual.

2. Funds must be available, or must be laid down at the treasury to be drawn upon to meet the payments. Except in certain isolated cases where there is no currency chest and where the cost of transport of funds is high, the Currency Department always endeavours to make funds available if adequate notice is given.

3. The charges were materially reduced in 1921 to the present level, and the places at which Supply Bills could be made available were also materially extended at the same time. Previously, the charges and facilities varied to the extent to which Government wished to move funds from what were then known as 'surplus' treasuries.

* *Vide p. 375 Report.*

† *Vide p. 994 Evidence Vol. II.*

4. No.

5. (a) I do not think that, as things stand at present, it would be desirable to reduce the rates. They are not sufficient to cover the expenses involved and they can hardly be considered onerous in view of the procedure which has to be observed (*vide* answer to 5 (b) below). The present rates are also the same as those charged by the Imperial Bank, and these again can hardly cover their costs.

(b) The tender made by a party in notes and coin has to be counted and examined in detail before credit for the stated amount can be given and some delay is thus inevitable in the issue of bills. Any relaxation of this procedure would require the approval of the Provincial Government which is responsible for the order regarding the receipt of money from the public.

(c) For the reasons stated in the answer to question 2 above, the preliminary sanction of the Deputy Controller of the Currency (or the Currency Officer) cannot be dispensed with: otherwise, there is the risk that, if there was a strong demand, *e.g.*, for financing the crop, there might not be funds available at the place of payment. On the other hand, intending remitters with a definite programme need not obtain sanction for each individual remittance if they give sufficient notice of their requirements. The controlling officer will then give a general sanction for the entire amount to be remitted within a stated period. This method is found to work smoothly in the case of the large remittances to the cotton areas in Bombay and the jute areas in Bengal. I might add that in Bombay and Calcutta, where there is a large seasonal demand for remittance by Supply Bill and telegraphic transfer on treasuries and certain sub-treasuries in the respective circles, it has been possible to afford the public the facility of obtaining their remittance through the local head office of the Imperial Bank direct, and I am asking the Bank whether it would be possible to afford similar facilities in Lahore.

Oral evidence of Mr. B. C. Dutt, Currency Officer, Lahore.

Chairman.—Are you the Currency Officer, Lahore?—Yes.

How long have you been there?—Just over three years.

What is your circle?—The Punjab, North-West Frontier Province and Delhi.

Would you explain the currency chest system?—The currency chest may be supposed to be a bit of the currency office, and money is put into the currency chest to help the treasury officers, the sub-treasury officers or the Agents of the Imperial Bank to replenish ordinary normal balances of the treasury in time of need without obtaining a remittance from the currency office.

Has every treasury in the Punjab got a currency chest?—Yes.

And sub-treasuries?—All sub-treasuries in the Punjab except Kot Khai in the Simla district.

How many sub-treasuries are there in the Punjab excluding Kot Khai?—This list of the treasuries and sub-treasuries in the Punjab, which you may keep, will give you the necessary information.

Who has the right of taking funds out of the currency chest?—As regards the treasuries and the branches of the Imperial Bank, the treasury officer and the Agent have got the authority.

And as regards sub-treasuries?—Unless the sub-treasury officer is specially authorised, he cannot take out funds from the sub-chest without the sanction of the treasury officer.

How many officers in charge of the sub-treasuries have been authorized?—I think only three or four have been authorized, but during my time whoever asked for permission got it, provided the circumstances justified this.

What is the total amount in the currency chests approximately?—It is a matter of several crores.

Can an officer authorised to operate a currency chest, take out whatever he likes?—There is no limit unless he exceeds the normal balance fixed for the year. He has to report the transaction at once to the Currency Office where a check is exercised. But the rules lay down that if a transfer takes place from the currency to the treasury in one place, there must be an opposite transfer from the treasury to the currency.

Is that controlled from your office?—Yes; between a treasury and a sub-treasury if they have a complete transaction there, but as between the two treasuries they have to be done in the currency office; that is to say, if one treasury wants to transfer funds from the currency to the treasury, then the opposite transfer will be made in the currency office.

Broadly speaking, then, every treasury and almost every sub-treasury in the Punjab has very ample balance for meeting any unexpected demands upon it?—Yes, and ordinarily we don't restrict the amount to be placed as a currency balance in the treasury either.

Then a very large remittance business could potentially be done through supply bills?—Yes, it could be.

Supposing there was a large demand for remittance through supply bills, would funds be available?—At least in the big centres there will be absolutely no difficulty.

Then why is it that in the past three years supply bills have only been issued from eight treasuries?—We have met with no demand which has been rejected; probably there has been no demand at all.

Can you explain that, when very large sums are remitted in the Punjab and many places are without any obvious facilities for the purpose except the very expensive agency of the Post Office?—I can make a guess only. I think there are private banks like the Punjab National. Some remittance takes place through the Punjab National Bank, as they have got a large number of branches.

But there are a large number of towns that have no branch of a joint stock bank or of the Imperial Bank. What would your explanation be in regard to them?—I cannot give a satisfactory answer.

In the last three years has no application for supply bills been refused?—Only one application has been refused for the issue of supply bills from Amritsar on Fazilka in Ferozepore district.

Why was that refused?—The sub-treasury officer, Fazilka, said that there was not sufficient balance in the sub-treasury, which is usually a deficit one, and he said that even if a large remittance were sent from the currency office, he had not sufficient accommodation in his strong room.

What was the amount applied for?—Thirteen lakhs during the year.

More than one application was involved?—It was from the same party and it was a single application.

For payment on one occasion?—No, on different occasions; in about ten instalments.

Extending over what period?—Extending over the financial year.

What was the amount of the largest instalment?—Three lakhs.

Would it not have been possible to accommodate three lakhs in the Fazilka sub-treasury?—The total capacity of the sub-treasury, Fazilka, is about three lakhs.

What was the next largest amount applied for?—Two lakhs.

Could not some arrangement have been made with the applicant or did he insist upon having his three lakhs or nothing?—We did not

suggest a smaller amount, but we suggested an alternative. We asked him if the supply bills on Ferozepore would do.

What was his reply?—He did not agree to that.

How many of the instalments were of less than a lakh?—All were above a lakh. During April, May and June, each month about three lakhs and in October, November and December he said he was not likely to draw more than Rs. 2,50,000.

In future would it not be possible in a case of that kind to come to some arrangement with the applicant, informing him of any difficulty and offering him some modification of what he asked for?—I suppose it could be done.

No other application has been refused in the last three years?—No.

In regard to supply bills in the Punjab, the Deputy Controller of Currency writes that most of the important commercial centres of the Province are already provided with facilities for obtaining supply bills through the branches of the Imperial Bank. Does he mean by that every place which has a branch of the Imperial Bank?—I think he is referring to the issue of bank drafts, and the places are indicated in that statement.

The Deputy Controller also suggests in reply to another question put to him that funds will not be laid down to meet supply bills where the cost of transport is high. Does that case ever arise in the Punjab?—Not that I am aware of. I suppose what he means is this, that if for providing, on a single occasion, any facility for remittance it became necessary to send money, say, from Lahore to a sub-treasury, in that case probably permission will not be granted.

So far as you know, the difficulty has not arisen in the Punjab during the last five years?—No, except in Fazilka as explained by me.

In case of Fazilka it was due to lack of storage capacity?—Yes, more than want of funds.

Which could have been provided but for the other difficulty?—Yes.

What were the charges for supply bills before the last reduction was made in 1921?—I have not been able to find out the former rates, but the position seems to me to have been like this. The rates were cheaper as between some very big places like Calcutta, Cawnpur, Delhi, Lahore, Bombay, Madras and Karachi, and as regards other places the rates appear to me to have been much higher.

Does the rate then vary with the place of payment?—Yes. In those days.

What are the present rates?—The present rates are Re. 0-1-0 per cent for amounts of Rs. 10,000 and over and Re. 0-2-0 per cent for amounts below Rs. 10,000.

Are these rates uniform for the whole of the Punjab irrespective of the place of issue and the place of payment?—Yes, and these are the uniform rates ruling all over India now.

So far as you can gather, they were higher before 1921?—They were higher and people had good deal of difficulty.

Do you know whether the present rates cover the charges involved in the issue of these bills?—I have no information, and I cannot say whether they cover the charges or not, and I could not calculate the cost either.

Are you in favour of a further reduction?—I think it is worth while even if it costs the Government a little money. But that is only my personal opinion.

What puzzles me is that these facilities are so little taken advantage of, and you can throw no light upon that point. I suppose, therefore, it would be difficult for you to say whether a further reduction would lead to an extended use of them?—Ultimately it will. As far as I can see, at the present moment many people follow crude methods of business and transfer funds through post in the shape of cut notes. They don't pay the full insurance charges and they take some risk.

But there is very little indication in these figures that you have given us that there is any tendency for the amount of supply bills issued to increase. In 1926-27, for instance, the amount issued was only 2½ lakhs and in 1928-29 it was less than 3½ lakhs?—These figures don't indicate anything except probably that in those days the trade conditions in the Punjab have not been very encouraging.

If an application is refused, would you be informed of it?—Yes.

Is a treasury officer bound to inform you?—The treasury officer cannot refuse an application. He has to refer it to me.

Are you the only person in the Punjab with authority to refuse?—Yes.

Have you ever had any complaint about the facilities in obtaining supply bills?—No; I have not had any complaint.

Have you any reason to suppose that the formalities are felt to be cumbersome?—I think people mind more the cost than the formalities.

Do you think that they could be simplified in any way?—It is very difficult to suggest a simple method which will not be open to some objection or another.

Would it be possible, for instance, to authorise certain treasury officers to grant applications without reference to you?—At present that can be possible in the case of a few treasuries.

Your authority is necessary in every case?—Yes, except for payments from other currency offices.

Would it be possible, do you think, to relax that restriction?—I dare say it could be done to a certain extent as between very big centres where there are always plenty of funds.

In deciding whether an application should be accepted or not, the consideration is whether funds exist or not?—Yes.

Would it not be possible for the treasury officer to ascertain that?—At present he can find that out from me. Every day the balances are reported to our office, and if any reference is to be made, it would be better to make the reference to me.

Do you think it would be possible in the case of a certain number of large treasuries to waive this restriction?—It would not be impracticable, but probably the total amount of supply bills will have to be reduced every month.

In how many cases do you think it would be possible to waive the restriction unconditionally?—I could not answer that question off-hand, because I shall have to look into the state of balance at the end of each month for the last three or four years.

Do you think it would be possible to waive the restriction conditionally in the case of all treasuries, subject to the condition that not more than a certain amount is to be issued without reference to you?—Those treasuries that are surplus treasuries will probably have no difficulty in paying the supply bills.

Then you think that in the case of surplus treasuries the restriction could be waived subject perhaps to a maximum limit of issue being imposed?—Yes. The same system of watch and check will continue.

One witness stated, in comparing the facilities offered by a bank in regard to bank drafts and those offered by a treasury in regard to supply bills, that he could ascertain by telephone whether a draft was available, but that it would take very much longer to ascertain whether a supply bill was available, the reason being, I suppose, that the treasury has to communicate with Lahore?—Yes, that is the difficulty. He does not know whether funds are available at the other end or not.

That perhaps is the reason why supply bills are not more used?—Yes, that is why I said that this is not impracticable, but probably to start with, we shall have many restrictions.

In answer to another question the Deputy Controller of Currency writes that it has been possible in Bombay and Calcutta to afford the public the facility of obtaining their remittance through the local head office of the Imperial Bank direct. What exactly is meant by that?—They obtain the supply bills from the Head Office of the Bank at Calcutta or Bombay and these supply bills are paid even at the sub-treasuries in the Province.

In that case no reference is made to the currency officer?—That is not mentioned, but probably some reference is made.

I don't understand how that procedure differs from the ordinary procedure in other places. Can you explain it?—Evidently some difference is intended. Ordinarily if a supply bill is to be issued payable at a place where there is no branch of the Imperial Bank, then it is the treasury officer who will issue the bill.

Do you mean that if a supply bill is wanted in Lahore at Dera Ghazi Khan, the Treasury Officer, Lahore, issues it, whereas in Calcutta and Bombay it can be issued by the Agent of the Imperial Bank?—Yes.

Why can't it be issued by the Agent of the Imperial Bank wherever there is a branch?—It could be done, but that has been the practice.

The Deputy Controller of Currency suggests extending this facility to Lahore. Could it not be extended to every place where there is a branch of the Imperial Bank without inconvenience or risk?—What are the difficulties in the way of that?—The chief difficulty will be the availability of funds.

But cannot the Agent of the Imperial Bank judge that question?—The Treasury Officer has to make a reference to the Currency Office, but when the Imperial Bank issues bank drafts, no reference is made. They assume that funds are available at the other end.

Lala Harkishan Lal.—Where are these regulations about the supply bills recorded?—The latest edition of the Resource Manual.

Is that available to the public?—Yes.

Is it a Government of India publication?—Yes.

Have these transactions of supply bills anything to do with the currency chest?—Supply bills are paid out of the normal treasury balance, not out of the currency chest.

Is not the currency chest taken into consideration anywhere so far as the remittance business is concerned?—No, except this that if the normal treasury balance is low, then the transfer from the currency side becomes necessary.

Would you kindly tell us how are the treasury balances ordinarily regulated and how are the currency chests regulated?—The normal treasury balance is fixed at the beginning of the year in consideration of the past year's transactions. The currency balance has no direct bearing on the normal treasury balance.

How often are the currency chests replenished?—Some are replenished every quarter, some only at the end of six months and some once a year.

And the treasury balances are regulated almost automatically through these chests?—Yes, daily.

And if the chest has got exhausted and then there is a deficit in the treasury, how is that replenished?—That is not likely to arise.

Do you leave sufficient margin in the currency chest?—Yes, and the balances are watched in the currency office from day to day.

Supposing both are low, how are the funds remitted and to what extent?—Replenishment will be through the currency chest.

May I ask for my information whether the currency chest has all denominations of notes or only specified notes in specified districts?—Whatever they ask for, they obtain.

Are these chests available to use for change of denominations?—Exchanges over the counter will take place as against the treasury balance.

Supposing a man has Rs. 100 notes and he wants notes of the denomination of Rs. 1,000 and he goes to the treasury to obtain them. Then the treasury has to look to its own resources or to the chest resources?—First to its own and then to the chest resources.

The chests are not utilised under the present regulations for exchange of notes?—Funds can be transferred from the chest side to the treasury side to meet that demand.

Has the treasury officer that discretion if he wants to exercise it?—Yes.

What does he put in the currency chest; the old notes that he takes?—Yes.

These supply bills have never been considered as part of business by the currency office or by any other authority. I mean facilities are given no doubt, but it has never been regulated as a system to facilitate trade or commerce?—The local requirements, as regards supply bills, have not been studied in that way, but whenever anybody asked for any remittance, he was given.

I was asking for the reason that no proper arrangements have been made. For example the treasury in no place says that supply bills can be had at such and such an hour, and that if you come after or before that hour, you cannot have them. Has it ever been intended to give such a notice?—I could not say.

In the same way neither the date nor the time nor the establishment is provided?—The same establishment, as does the treasury business, is handling this business also.

If the treasury business at any particular time of the year is very brisk, then the supply bills would be very difficult to obtain?—Yes, but the difficulty is that the Government cannot provide extra staff only for that.

That question has not been considered in the past?—The staff is calculated on the total amount and the kind of work to be done.

In that case supply bills are not to be taken into consideration?—They are.

Our complaint is that the trouble in obtaining supply bills is so much that people don't go to the treasury for them, and I am asking

this question whether in each case the demand could be made in writing so that there should be some record, and it should be taken notice of in the currency office?—It could be done, but that will probably make the process more cumbersome.

Not cumbersome, but in course of time the system would get properly regulated, because now the impression created on our minds is that the facilities not with regard to the supply of the currency notes, but facilities with regard to attending to people are not afforded and, therefore, the supply bills are neither popular nor useful. That is the nature of the complaint: Several banks have told us here also in the course of the evidence and one knows that otherwise also?—I have no personal knowledge.

I will explain it. For example, a bank, like the Punjab National Bank, would send their treasurer with the money to get the supply bills, and the treasurer will perhaps have to spend half a day in obtaining them and it is not worth while. Supposing he is getting Rs. 50 a month as salary and Rs. 2 are wasted in that way, while the supply bills are only worth Rs. 5,000. Then a request comes to the Head Office that our treasurer had to take so much time in getting the supply bills at the treasury and the work suffered, and, therefore, an assistant treasurer is required. These things do come to our notice and the result of that is that we take into consideration that if the supply bill is to be had for Re. 0-1-0 and this man's salary comes to Rs. 2, then it does not pay?—Some improvement probably could be done in this way (but that is my personal opinion) that the money to be received as the price of the supply bills need not be examined at once, but the party tendering the money should be asked to execute a bond of indemnity, to make good any possible shortage, &c.

Or if they open current account with the treasury on the principle of the Railway Department. From some people the railway freights are not collected individually. Credit notes are issued and securities are taken from the mills, who are asked some times to deposit Rs. 10,000 as security and then all the railway receipts are handed over and once a week or a fortnight the account is prepared and the balance is replenished. Could not a system like that be devised?—It could be, but I submit my system would be simpler. They will only sign a bond of indemnity, and it means nothing if everything is all right.

Do you think that in a place like Lahore or Amritsar the Government would be prepared, if people refer the matter to them, to add some establishment to the present staff to facilitate trade and commerce, because you say that when establishment is fixed, little attention is given to the supply bills. Supposing Amritsar people or Lahore people say that they are inconvenienced and ask for the supply of a special clerk?—If this work increases, I dare say there will be no difficulty in the increase of the treasury establishment.

Are there any principles laid down in the Resource Manual as to what is to be taken into account as the cost of transport?—No.

I was asking this question because Government treasuries are transferred generally from one station to another under Police supervision ?—That is laid down in the rules, but that cannot be taken as definite. In some provinces the cost of police is taken as part of the remittance charge, but in some provinces it is not, but even then I don't know if we can work out the actual cost.

I wanted to know the factors to compare them with private remittance. If the Government really spends more on the police as a precaution, then the cost would be higher ?—Government's cost may be high but the risk is less.

Khan Bahadur Chaudhri Sultan Ahmad.—Is not it a fact that at present supply bills are not supposed to be a means of remitting money for trade or commerce, but, on the other hand, only a means for Government to send money from one place to another ?—There is no Government purpose in view except to meet the popular demand. People want facilities for remittance and Government provides them.

Lala Harkishan Lal.—As far as it can ?—Yes.

Chairman.—Is it possible that a person might apply for a supply bill and be told verbally that no supply bill could be issued, and that the fact would not be recorded ?—I don't think so ; it is very improbable.

Rai Sahib Kishen Lal.—When Government rules are quite clear on the subject of supply bills that these can be issued from all treasuries, can you issue general instructions to all treasury officers to that effect ?—Yes, we can.

Chairman.—Has any effort been made to make these facilities generally known to the public ?—Probably not ; not that I know of.

Rai Sahib Kishen Lal.—What about the funds to pay the supply bills ?—At all District Headquarters the balance in the currency chest is a good few lakhs.

Then it means that you can meet the demand of the public ?—Yes.

Lala Harkishan Lal.—What is the minimum amount for which a supply bill is issued ?—One thousand.

Rai Sahib Kishen Lal.—It means that you have got funds in treasuries and sub-treasuries to meet the public demand for supply bills ?—Yes.

Chairman.—Have you any experience of the working of the supply bills in other Provinces ?—They work in the same way, because the rules are the same.

Are they more freely used in other Provinces ?—I suppose in big commercial centres like Bombay and Calcutta they are more freely used.

Do you know anything about the United Provinces ?—No.

(Witness withdrew.)

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Questions for the High Court of Judicature at Lahore and other Judicial Officers.

NOTE.—A table of relevant figures extracted from the Civil Justice Reports in question is attached for facility of reference.

1. *Suit for money or movable property by bankers and shopkeepers against agriculturists.*—(i) Do the bulk of these suits arise out of money-lending operations?

(ii) Can the steady rise in their number from 57,203 in 1923 to 90,816 in 1928 be explained?

2. *Duration of contested civil suits.*—This has risen from ninety days in 1923 to 138 in 1928. Is it a legitimate inference that this has materially increased the difficulty of money-lenders in recovering their dues from clients whom they are obliged to sue?

3. *Execution proceedings.*—Only about a quarter of the amount payable to decree-holders and sought to be recovered is realized every year through the courts. The annual reports state, however, that a “good number of these ‘infructuous’ applications have been satisfied out of court wholly or partly.”

(i) Can the amount recovered in this way be roughly estimated?

(ii) Is it a legitimate inference that the balance [*i. e.*, about $\frac{3}{4}$ ths of the amount payable and sought to be recovered, less the amount estimated under (i)] represents irrecoverable debt?

(iii) Is there reason to suppose that a substantial part of the amount not realized constitutes interest charges? If so, can the proportion be roughly determined?

4. *Arrest and sale.*—The figures suggest that the proceedings for recovery have been considerably tightened up in the last three years; yet in the same period the percentage of recovery has scarcely changed. Is it a legitimate inference that—

(i) a large number of judgment-debtors are unable to pay what is decreed against them; and

(ii) money-lenders tend to advance considerably more than they can reasonably expect to recover?

5. *Insolvency proceedings.*—The number of petitioners has increased from 1,131 in 1923 to 2,792 in 1928, and of applications allowed from 384 to 1,772. Is it a legitimate inference that the tendency referred to in question 4 (ii) is increasing? If so, can this be explained?

6. *Advances by money-lenders* :—In their report the Civil Justice Committee of 1924-25 wrote as follows :—

“ A large number of money decrees prove infructuous not because there is anything vicious or cumbersome about the system of execution, but because of the simple fact that the judgment-debtors were never able to pay what they borrowed. Money-lenders in India often lend money to persons who, even at the time of borrowing, had little or nothing from which they could hope to repay the loan. The attraction of a high rate of interest is not seldom too strong for the ordinary mahajan to resist, and leads him into lending money without proper security. And in the fact that he sometimes recovers from one or two persons an enormous amount of money for the little that he lent lies perhaps the secret of this apparent want of prudence. In drawing inference from figures as to infructuous decrees, one has to make a large allowance for this class of decrees and for the decrees obtained at some considerable cost on the off-chance of making something on a future day from a judgment-debtor who has nothing.”

How far does this apply to the Punjab ?

7. *Rate of interest*.—(i) Having regard to the figures referred to above, should the rates of interest *commonly* charged by money-lenders in (a) urban, and (b) rural, areas be regarded as reasonable ?

8. *Usurious Loans Act*.—(i) In their report the Royal Commission on Agriculture in India write as follows :—

“ The evidence we received showed conclusively that the Act is practically a dead letter in all provinces, but, as we heard no evidence from civil judges, we are not in a position to offer an opinion as to the reasons why so little has been made of its provisions. We therefore recommend that in every province an enquiry should be made into the causes of the failure to utilize the Act.”

Has this enquiry been made ? If so, with what results ?

(ii) The Royal Commission state further in regard to the Act—

“ If its provisions were fully utilized, this would go far to relieve the country of some of the worst evils of uncontrolled usury.”

Do the Hon'ble Judges accept this view ?

*Vide page 438, paragraph 365, of the Report of the Royal Commission on Agriculture.

The figures below are taken from the Civil Justice Reports for 1923 to 1928 :—

1. *Suits for money or movable property by bankers and shopkeepers against agriculturists—*

| | | | | |
|------|----|----|---------|---|
| 1923 | .. | .. | 57,208 | |
| 1924 | .. | .. | 59,808 | |
| 1925 | .. | .. | 134,678 | (Period of limitation reduced from 6 years to 3). |
| 1926 | .. | .. | 68,078 | |
| 1927 | .. | .. | 75,455 | |
| 1928 | .. | .. | 90,316 | |

2. *Average duration of contested civil suits—*

| | | | | |
|------|----|----|----|----------|
| 1923 | .. | .. | .. | 90 days. |
| 1928 | .. | .. | .. | 198 " |

3. *Execution proceedings—*

| | | | Amount realized, in lakhs. | Percentage of realizations (pre- sumably to the total amount sought to be realized). |
|------|----|----|-------------------------------|---|
| | | | Rs. | |
| 1923 | .. | .. | 94 | 22 |
| 1924 | .. | .. | 104 | 24 |
| 1925 | .. | .. | 125 | 26 |
| 1926 | .. | .. | 149 | 25 |
| 1927 | .. | .. | 149 | 26 |
| 1928 | .. | .. | 176 | 26 |

4. *Arrest and sale—*

| | | Judgment- debtors imprisoned. | Persons arrest- ed, but released without imprisonment. | Cases in which immovable pro- perty was sold. |
|------|----|-------------------------------------|---|--|
| 1923 | .. | 435 | 3,745 | 2,090 |
| 1924 | .. | 564 | 3,855 | 2,519 |
| 1925 | .. | 669 | 4,566 | 2,369 |
| 1926 | .. | 1,668 | 10,573 | 3,601 |
| 1927 | .. | 2,227 | 11,760 | 4,434 |
| 1928 | .. | 2,552 | 13,408 | 5,031 |

5. *Insolvency proceedings—*

| | | | | <i>Petitions.</i> | <i>Applications allowed.</i> |
|------|----|----|----|-------------------|----------------------------------|
| 1923 | .. | .. | .. | 1,181 | 384 |
| 1924 | .. | .. | .. | 1,228 | 484 |
| 1925 | .. | .. | .. | 1,506 | 673 |
| 1926 | .. | .. | .. | 2,125 | 928 |
| 1927 | .. | .. | .. | 2,538 | 943 |
| 1928 | .. | .. | .. | 2,792 | 1,772 |

Hon'ble Messrs. Justices Jai Lal and Tapp.

1. (i) It is likely that the bulk of the suits arise out of money-lending operations.

(ii) It is to be observed that the number of suits in 1925 was 134,678. It is not, therefore, correct to say that there has been a steady rise between 1923 and 1928. The highest number of suits was in 1925. Next in 1928. Limitation for money suits was reduced from six years to three years in 1925, and as there was some confusion as to the date of the commencement of the new Act there was a rush of suits in 1925 most of which were, however, compromised by novation of documents, and consequently in 1928 when the time in respect of documents executed in 1925 would normally expire there was again a rush.

2. The figures mentioned in this question are erroneous. The average duration in 1923 was 138 and in 1928 also it was 138. From 1923 to 1928 the figure has remained about the same with the exception of 1926 when it was 161. This was due to a paucity of judicial officers.

3. 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.

(ii) The whole of the balance does not necessarily represent irrecoverable debt, but a large proportion of it must be irrecoverable.

(iii) There is no reason to suppose that a substantial part of the amount not realised constitutes interest charges; but it is not possible to determine the proportion of interest and principal in such amount.

4. (i) It is not a legitimate inference that a large number of judgment-debtors are unable to pay what is decreed against them because in spite of the suggested tightening up of the proceedings for recovery the percentage has scarcely changed. This is due to the liberalising of the Insolvency Law. In most cases when a judgment-debtor is arrested he resorts to the Insolvency Court. The protection

afforded to the agriculturists by Legislature and otherwise is also partially responsible for this result. Thus though a judgment-debtor is really able to pay what he owes he makes every attempt to evade the payment of the amount due from him relying on the special protection afforded to him by law.

(ii) There is no justification for the suggestion that money-lenders generally tend to advance considerably more than they can reasonably expect to recover though in some rare instances this tendency does exist. Ordinarily it is against human nature to invest money which the investor knows that he is not going to be repaid.

5. The increase in the insolvency applications is due to the tightening up of the execution process and the liberalising of the Insolvency Law.

6. The observations of the Civil Justice Committee have no application to the Punjab. The reasons for a large number of money decrees proving infructuous have already been stated above.

7. Ordinarily the average rate of interest charged on unsecured debts is 25 per cent per annum, and this, having regard to the security offered, the difficulty in recovery and other reasons stated above, does not appear to be excessive.

8. (i) An enquiry is in contemplation, but the Act has not been in operation for sufficient time to justify an enquiry which would be fruitful.

(ii) The provisions of the Usurious Loans Act are invariably applied in this province in suitable cases. It may, however, be remarked that the number of cases in which the loans can be called usurious is not large in the Punjab except in one or two districts in the south-west and in Mianwali; it is a question whether the inclusion of interest already accrued and not paid when a balance is struck after a period of two or three years can be styled usurious having regard to the fact that the practice followed by the Banks is to add interest with half-yearly and even monthly rests.

**R. B. L. Rangi Lal, M.A., District and Sessions Judge,
Hoshiarpur.**

The decree-holders who are unable to realize their dues through the Court do not often obtain satisfaction out of Court in the form of cash payment. But they frequently obtain fresh acknowledgments of the loans. They do not expect to realize them in full but perhaps manage to get a fair return for their money in the end in one form or another. They have to make further advances in leap years and wait for better times.

The Insolvency Law is being abused a good deal by dishonest agriculturists. They make fraudulent transfers of their lands and then apply for insolvency. The creditors do not take combined action and often fail to realize anything at all. It takes years before a fraudulent transfer can be finally set aside.

M. Abdul Aziz, Senior Sub-Judge, Hoshiarpur.

I. (i) Yes.

(ii) Change in the province in the limitation for the money suits caused abnormal increase in the institution of such suits. Poor crops during these years were also one of the causes in the increase of such suits. When the agriculturists on account of bad crops become unable to return the loans, then the consequences are suits against them by the creditors.

III. (i) I think not. There is no certain data for it.

(ii) Yes.

(iii) It is true that in money decrees against the agriculturists the major portion consists of interest. The realizations rarely exceed 25 per cent. A reasonable inference in such conditions can be raised that the balance consists of interest. It is difficult to determine such proportion.

IV. (i) Yes.

(ii) Yes.

V. Yes. Money-lending is a profession ; and in order to achieve success in it, it is always the desire of the lenders to maintain their connection with their debtors, and with this object in view and with the object of realising large amount of interest, it is their tendency to make free advance of loans, without having regard to the risk involved in the loss of the major portion of the money which thus becomes due to them.

Senior Sub-Judge, Jullundur.

1. (i) Yes.

(ii) The rise in these suits is probably due to the fact that owing to general slackness in business the money-lenders have become rather impatient for the recovery of their debts while the paying capacity of the debtors has also been impaired to some extent. The abnormal increase in 1925 and 1928 was due to an amendment in the law of limitation, the limitation of contracts renewed in 1925 having expired in 1928.

3. (i) No.

(ii) No.

(iii) No. It would not be practicable to give a rough proportion of the interest charged on the total amount not realised.

4. (i) Yes. It appears that owing to bad harvests during the last two or three years the paying capacity of the debtors has been reduced to a certain extent.

(ii) No.

5. The increase in the number of insolvency petitions may be ascribed to a depression in trade. The number of insolvency petitions filed by agriculturists shows a decline, which is apparently due to the fact that according to the law as it now stands their lands can be sold in insolvency proceedings.

| Senior Sub-Judge, Ferozepore. | District Judge, Ferozepore. |
|--|---|
| <p>(i) In my opinion the bulk of these suits does not arise out of pure money-lending operations.</p> <p>(ii) Not quite satisfactorily, but so far as my opinion goes it is pecuniary embarrassment of the small agriculturists and their continuous bad harvests that has forced the shop-keepers to bring in claims against them.</p> | <p>(i) In my opinion the bulk of the suits for money or moveable property by bankers and shop-keepers against agriculturists arise out of money-lending operations.</p> <p>(ii) Steady increase mostly due to the curtailment of the period of limitation.</p> |
| <p>3.</p> <p>(i) Roughly speaking it is about 1-12th of the total amount.</p> | <p>3.</p> <p>(i) No estimate can be formed of the proportion in which decrees are satisfied out of Court. Even the figures of satisfaction through court do not give a correct idea of the actual repayment of the decree money for in many cases execution of fresh bonds or mortgage deeds is shown as satisfaction of decree, while in fact the debt is not really extinguished.</p> |
| <p>(ii) Yes. The reason is the unfortunate poor state of crops and the consequent poverty of the debtors.</p> <p>(iii) No. Interest is rarely allowed in the decree.</p> | <p>(ii) Yes.</p> <p>(iii) Yes, if the word interest means interest charged upto the date of the decree.</p> |
| <p>4.</p> <p>(i) Large number of judgment-debtors are really unable to pay what is decreed against them.</p> | <p>4.</p> <p>(i) No. I would rather think that the desire of the decree-holders to realise their money in the life-time of the judgment-debtors themselves is responsible for the increase in the number of applications for arrest, and the obduracy of the judgment-debtors due to the knowledge that their ancestral immovable property cannot be proceeded against after their death and a consequent desire to preserve it for their children are mainly responsible for the absence of any substantial rise in the percentage of realization.</p> |
| <p>(ii) My answer to this question is in the negative. The money-lenders generally do not advance more than they can reasonably expect to recover.</p> <p>5. No. There is no tendency amongst money-lenders to advance more than they can expect to recover, but the economic condition of the debtors has become hopelessly low and hence there is a general tendency to apply for insolvency as a last resource.</p> | <p>(ii) No.</p> <p>5. Wider knowledge of the provisions of law of insolvency coupled with the fact that the land of the agriculturists has hitherto been held to be exempt from sale in insolvency proceedings seem to be mainly responsible for the increase in the number of insolvency petitions. The small agriculturists are of course as a class very poor, but these figures cannot be trusted as a true index of their poverty.</p> |

Senior Sub-Judge, Amritsar.

1. (i) The bulk of the suits against agriculturists arise out of money-lending operations.

(ii) The figures from the year 1923 to 1928 show that the largest number of suits was lodged in the year 1925 and that there has been a fall since then though there is a steady increase in the number of suits against agriculturists. This steady rise can be explained. Most of the increase is due to the change in the law of limitation. Six years' limitation was changed to three years and the last date for filing the suits under the changed law was 16th June 1925. The Act was so badly drafted that there were doubts as to the time when the new law was to come into force. There was no time, therefore, for creditors to take fresh securities for old debts or for debtors to settle their old debts. The result was an enormous number of suits.

Thereafter a steady tendency has grown in debtors generally and agriculturists particularly not to pay their debts, fostered, undoubtedly, by a succession of bad crops. Another reason is that the creditor is unwilling to take cattle and crops at a valuation fixed by agriculturists and wants ready money which has given rise to suits.

3. (i) Yes.

(ii) In my opinion, it is not a legitimate inference that the amount not realized represents irrecoverable debts. No doubt, a portion of the debt is irrecoverable owing to the fact that the money is tight and the value of all property has considerably depreciated, but the spirit of dishonesty prompts the judgment-debtor to obstruct the decree-holder in every mode legitimate and otherwise with the result that execution proceedings have to be taken out very frequently and it takes a long time for the decree-holder to realise the portion of the judgment debt which is realizable.

Recently an execution case came to my notice in which a judgment-debtor successfully resisted the decree-holder for about eleven years and ultimately the decree-holder got, by settlement, a considerable part of the judgment-debt.

(iii) No doubt the unrealized portion represents a good deal of interest, but it is not possible to roughly estimate this proportion.

4. The judgment-debtors may be roughly divided into :—

- (1) Agriculturists.
- (2) Non-agrocultrists—
 - (a) Traders..
 - (b) Others.

So far as agriculturists are concerned—they are amply protected by legislation—part of their crops cannot be attached ; their agricultural cattle and tools cannot be attached, their house is exempted from being seized in attachment and their land cannot be sold. Under

the present spirit of communal discord, the life of a money-lender is, by no means, an easy one, and he is even afraid of accompanying the process-server and pointing out the goods of the judgment-debtor which he wishes to attach. Under these circumstances, it would be strange if agriculturists would go out of their way to pay the debts voluntarily or easily. A spirit has grown in the agriculturist not to pay, even if he can, influenced by the modern spirit of obstruction. The creditor, on the other hand, has become impatient to realize his money at the earliest possible opportunity. In the same degree that he has become stringent, the debtor has become obstructive. Part of the debt, no doubt, cannot be recovered owing to failure of successive crops and genuine poverty of the agriculturist. Whatever may have been the tendency in the past, in my opinion, money-lending, as a profession, is fast dwindling so far as non-agriculturist money-lenders are concerned. Instead of lending more than they expect to realize they are narrowing down their money-lending operations.

With respect to traders, it must be said that there is a slump in the market, and, as their expectations of large and speedy profits have failed, they are unable to meet their obligations. Probably they borrowed larger amounts than they could pay except in cases of profits. But there is no present tendency in the money-lenders to offer any facilities to the traders, and they do not lend considerably more than they can reasonably expect to recover.

(b) *Others.*—A fair proportion represents the debts which cannot be realized owing to poverty. In their case the chances of creditors' realizations have dwindled owing to considerable depreciation of property rather than a tendency in money-lenders to advance more money than could be expected to be recovered.

With regard to the fact that even stringent measures of arrest and sale have not raised the percentage of realization, the following facts are important.

(a) Except in cases of real bad blood between the creditor and the debtor, the creditor as a general rule does not want to have his debtor sent to jail. Commitment to jail does not put money in the decree-holder's pocket; on the other hand, he has to throw good money after bad by providing for his maintenance. It is only the threat of sending the judgment-debtor to jail which proves useful in certain cases.

The work of the process-serving agency is so bad that many warrants of arrest have to be issued before they are served. When a judgment-debtor is brought under arrest, he gives security for his presence. Then as likely as not the judgment-debtor fails to keep the undertaking given by him and proceedings start against his surety which take some time. Then the surety appeals from the order of the executing Court against him which takes more time. For this reason, the stringent measures have not had a fair trial, and it is too soon to say that they have not increased the percentage of realizations.

With regard to sales, the provisions are not more strict now than they were before, and this factor, therefore, could not possibly have helped in increasing the percentage of realizations.

5. I do not think that the increase in insolvency petitions is due to the tendency of creditors to lend more money than they have an expectation of recovering. The reasons for the increase are many but not the tendency referred to above. Some of the reasons for the increase are as follows:—

- (i) The debtors do not invariably go to the same creditor and hence manage to raise debts from several creditors, the aggregate sum of which they are unable to pay without one creditor knowing what the debtor has borrowed from the other creditors.
- (ii) The depreciation in the value of all property.
- (iii) Impatience of creditors to get their money in cash at once.
- (iv) General financial stringency.
- (v) Dishonesty of debtors in not intending to pay even a small part of the debts borrowed from each creditor; their hiding movable property and fraudulently transferring immovable property to relations.
- (vi) Their dishonest attempt to defeat their genuine creditors by creating bogus debts in favour of their relations and the interpretation put by the Courts of Insolvency Law—that even the statement of a debtor that his assets are less than his debt is *prima facie* evidence of his insolvent character, and an enquiry as to the bogus nature of his debts and fraudulent alienations is irrelevant at that stage.
- (vii) Their attempt to escape arrest in decrees as the warrants of arrest are more frequent now.

District Judge, Sargodha.

(1) (i) Yes.

(ii) The rise is partly due to the shortening of the period of limitation from six to three years and partly to the fact that money-lenders find the conditions so adverse to them that a good many of them are winding up their affairs and are ceasing to deal with the tenants.

(3) (i) No, but the amount paid out of court is very small.

(ii) No, not the whole of it, but a portion is irrecoverable. I would estimate the irrecoverable portion at one-third to half of the balance.

(iii) Yes, but it is impossible to give even a rough estimate of the amount which constitutes interest charges.

(4) (i) Yes, but a good many of them who own land prefer to go to jail knowing that their land cannot be sold.

(ii) No, but once a debt is advanced legitimate as well as illegitimate means are used to swell the amount so as to keep the debtor under thumb and oblige him to continue the dealings.

(5) No, most of the petitions by debtors are due to fear of arrest, those by creditors are with a view partly to avoid payment of court fees in obtaining decrees and partly in the hope that the Receiver may be able to realise the amount by proceeding against land.

Senior Sub-Judge, Sargodha.

1. (i) Yes.

The rise is explainable, principally, by the curtailment of the period of limitation from six years to three by the Punjab Loans Limitation Act, and also the anxiety of creditors, owing to the decreasing capacity of debtors to pay, to secure their debts for realization, by obtaining decrees.

3. (i) No, except in cases when the decree-holder himself admits, in his very application for execution of the decree, realizations out of court; these amounts do not go into the court registers, but the differences between the amounts realizable, according to the registers, and the amounts sought to be realized by the decree-holder would represent this amount: as, however, such amounts are not required to be shown in the statements, no estimate of these can be made except by expenditure of a great deal of time and labour: no rough estimate can even be made, but such payments are undoubtedly made.

(ii) No: the unrealized balance certainly does not represent irrecoverable debt, for the simple reason that the $\frac{1}{4}$ th realized represents the realizations in course only of a single year, and no decree-holder loses, ordinarily, by failing to take out execution within proper time, to get his decree time-barred, as he has twelve years within which to execute. The decree-holder is certainly very keen in taking steps for realization immediately after the decree, and he realizes the rest gradually, as it suits his purpose.

(iii) No: ordinarily, creditors file suits on the expiry of the period of limitation: under the old law, the amounts so sued for consisted, at least, of more than a half of interest, and, under the present law of more than $\frac{1}{3}$ rd: at least (at one pice per rupee per month as interest, though interest is also charged oftener than not at Rs. 2 per cent per mensem, 25 per cent per annum, or two pice per rupee per month); this in cases only of debts taken within six or three years. In cases, however, of older debts, the amount of interest and compound interest alone might reach, at least, $\frac{2}{3}$ rds or $\frac{3}{4}$ ths of the amount claimed. Apart from this, there is the "*Gadh chhora*" (really *Gadh chhora*, or "*Kadha*" as it is called in some other parts of the Province) which is the amount less paid by the creditor, at the time of advancing the loan, and does not appear at all in the accounts: of this, Re. 0-1-0 per rupee is the ordinary concession rate and Re. 0-2-0 usual, and may be anything more according to the station in life, and capacity for payment, of the debtor, according to the agreement made between the parties. This is invariable in case of needy debtors, or debtors who belong to the lower classes and the notoriously improvident class of "Anglo-Indians" and of Indian-Christians.

Interest charges also accumulate, as in case of a well-to-do debtor, the money-lender does not at all press for payment, allows the interest deliberately to grow.

It is difficult, however, to determine, even roughly, such charges and interest, as it is a very variable quantity, but one may hazard the ordinary estimate of between 50 and 75 per cent as constituting interest, etc., as explained above, out of the total amount sued for, except when both parties are men of business, when it is very low. No proportion, however, of the decretal amount, shown in the statements as unrealized in course of a year, can, in any way, be, as explained above, held to be irrecoverable, and does not, ordinarily prove to be so, for no decree-holder leaves any stone unturned to realize the whole of the amount of his decree, as soon as he possibly can, and, in any case, before the expiry of limitation.

4. Yes, mostly, though there may be cases, though very rare, of judgment-debtors who would not pay.

Certainly not : a money-lender never advances a pie more than he expects to realise : in fact, he advances no more than what he can, he thinks, easily recover, including reasonable interest on his actual investment—whatever the amount to which the debt may swell owing to non-payment, in time, of the debt—cases of unforeseen, sudden and catastrophic changes in the financial circumstances of the judgment-debtor apart of course.

5. No : the increase in insolvency petitions during recent years is due, principally, to the circumstances that more of the agriculturist debtors are now dragged into the Insolvency Court by the creditors owing to the recent High Court rulings (see, for instance, A. I. R. 1928, page 734) which have enabled the creditors to attach even their agricultural land for satisfaction of their decrees. The impoverishment of the agricultural classes has been steadily increasing, there is nothing dearer to them than their land, which they are loth to part with, and, having practically nothing else to pay up with their debts swollen with interest, fail to pay. The creditors get them more easily arrested now than before in view of the recent rulings of the High Court, and having done so, relying upon arrest as an act of insolvency, take them to the Insolvency Court.

Lala Pala Ram, Senior Sub-Judge, Jhang.

1. (i) The bulk of these suits arise out of money-lending operations.

(ii) The steady rise in their number from 57,003 in 1923 to 90,316 in 1928 can be explained by the fact that the agriculturists are unwilling to make payments to their creditors till they are forced to do so by process of law.

3. It is true that a number of applications are satisfied out of court wholly or partly. It is, however, not possible to estimate even roughly the amount which is recovered in this way.

I think it is not legitimate inference that the balance represents irrecoverable amount. There is no reason to suppose that a substantial part of the amount not realized constitutes interest charges. There are many difficulties in the way of decree-holders recovering the full amount of their decrees, and every decree-holder is not able to surmount those difficulties. One of these difficulties is the fear of resistance and injury to the person of the decree-holder when he accompanies the attaching official to effect attachment of the movable property of the judgment-debtor. Another difficulty is the paucity of reliable witnesses who will be willing to give evidence with regard to the resistance offered by judgment-debtor and his friends.

4. It is true that the figures suggest that the proceedings for recovery have been considerably tightened up in the last three years; yet in the same period, the percentage of recovery has scarcely changed. I think it is a legitimate inference that a large number of judgment-debtors are unable to pay what is decreed against them and money-lenders tend to advance considerably more than they can reasonably expect to recover.

5. The number of petitions has increased from 1,131 in 1923 to 2,792 in 1928 and of applications allowed from 384 to 1,772.

The reason for this increase in my opinion is not the tendency on the part of money-lenders to advance considerably more than they can reasonably expect to recover. In my opinion the reason is that in the majority of cases the Insolvency Courts grant protection from arrest to the judgment-debtors very readily, and the result is that as soon as the decree-holder applies for arrest of the judgment-debtor he rushes to the Insolvency Court and applies for release under section 28 of the Provincial Insolvency Act.

James Read, Esq., I.C.S., District Judge, Rawalpindi.

1. (i) In this district the bulk of suits for money or movable property by bankers and shop-keepers against agriculturists arise out of money-lending operations.

(ii) I agree with the observations of the Senior Sub-Judge. Twenty-five per cent does not require any explanation.

3. (i) It is impossible to estimate the amount recovered out of court upon so-called infructuous applications for execution. The parties concerned do not report the manner in which these applications have been satisfied. The returns of money-suits for 1925 and 1928 demonstrate the fact that there was a 2,000 rise in 1925 and a 1,000 rise in 1928. It would seem therefore that of the 2,000 additional suits filed in 1925, 1,000 had been compromised by the execution of fresh acknowledgments of debt which remained unsatisfied before 1928. This readiness to accept fresh acknowledgments of debt applies equally to execution proceedings. Very little money changes hands. The creditor is content if limitation is saved.

(ii) The value of suits for money filed either by money-lenders against agriculturists or by money-lenders against clients living in towns is out of all proportion with the actual amount of principal originally advanced by the said money-lenders. I have often wondered why money-lenders persist in filing suits for very large sums when there is no hope of recovery and when the sums themselves represent the accumulation of interest over very long periods. The creditor does not gain thereby. The debtor is unable to pay any more than he would in any event be able to pay. The only person who gains by this absurd habit is the Government who collect very large sums in court fees, which might easily be saved.

Another reason why large sums are not recovered is the fact that sufficient attention is not paid to applications for execution in Subordinate Courts. In the last 2—3 years more attention has been paid to this. But it is common knowledge that many courts deal very perfunctorily with applications for execution, the provisions of Order 9, C. P. C., not being applicable to such applications. Secondly, the Lower Courts will not set aside a day for execution work only. When there are 1,000 applications in one court, unless they are dealt with extremely methodically, the results will be very meagre. It is well known that a decree-holder's trouble commences when he has obtained his decree. In Simla where the majority of decrees are against Government servants realizations up to 60 per cent are possible. I consider that realizations should be more than 80 per cent as they now are in this district.

(iii) I disagree with the Senior Sub-Judge. I consider that most of the cases against agriculturists represent accumulation of interest over many years. The average income of an agriculturist of an average holding in this district cannot be more than Rs. thirty per mensem.

The average rate of interest for unsecured debts in this district is $37\frac{1}{2}$ per cent. The most sum which an agriculturist can afford to put aside for liquidation of debt is Rs. ten per mensem. Rs. ten per mensem represents the interest payable on a principal of Rs. 320 bearing interest at $37\frac{1}{2}$ per cent compound interest (annual rates). It is therefore clear that those agriculturists whose indebtedness exceeds Rs. 320 can never hope to be out of debt for the rest of their lives. It is therefore immaterial to them whether their debts are Rs. 500, Rs. 5,000 or Rs. Rs. 50,000, for their land is not saleable in execution of decree; neither is the debt recoverable from representatives who intermeddle in the estate, if they are heirs (4 P. R. of 1913).

The alleged indebtedness of agriculturists is therefore an entirely fictitious sum. It matters not to the creditor whether his bonds are for Rs. 5,000 or Rs. 50,000, as long as they exceed Rs. 320. The creditor's interest lies not in the amount of his alleged advances, but in the number of his *assams*. While they live he extracts from them as much as they can afford to pay. He does not allow them to have any assets which are not attachable.

4. (i) I have already dealt with this. The average zemindar indebted to an extent more than Rs. 320 can never hope to pay his debts. But the figures are fictitious.

(ii) I agree with the Senior Sub-Judge. No one is so foolish as to lend more than he can reasonably expect to recover.

5. Since the post-war boom a wave of insolvency has spread over towns. The depression should now have cleared off. But I doubt whether it has, because the Civil Courts are many years in arrears. The immediate issue of warrants of arrest has undoubtedly increased the number of prospective insolvents.

The Insolvency Law is not fully understood. When not correctly applied it allows another loophole for a dishonest debtor to hold up execution proceedings. I have noticed that merchants who engage on very speculative transactions are in the habit of mortgaging their property to their relations many years before their business gets into difficulties. When they are in difficulty and have applied for insolvency, they fall back on these bogus deeds which had been executed without consideration many years before. It is very difficult to have them set aside. The present increase in applications for insolvency in this district is due to the fact that creditors now club together in order to have an agriculturist adjudicated. This saves the payment of court-fee and is also a very quick and summary way of having debts admitted and for extending limitation.

I consider that if Civil Courts pay attention to applications for insolvency first, to applications for execution next, and to original suits last, then there would be a marked decrease in the number of insolvents, a still more marked decrease in the number of applications

to execute and in the number of the original suits and an increase in the amounts of principal advanced together with a lowering in the rate of interest. No one advances more than he can hope to recover. At present the tendency is to advance next to nothing with a very high rate of interest, and with absolute security. For in case of default the prospects of recovery are almost *nil*.

Mr. Purshotam Lal, Senior Sub-Judge, Rawalpindi.

1. (i) Yes.

(ii) The figures for the Rawalpindi district are as follows:—

| | | | | | |
|------|----|----|----|----|-------|
| 1923 | .. | .. | .. | .. | 1,909 |
| 1924 | .. | .. | .. | .. | 2,054 |
| 1925 | .. | .. | .. | .. | 4,067 |
| 1926 | .. | .. | .. | .. | 3,047 |
| 1927 | .. | .. | .. | .. | 2,582 |
| 1928 | .. | .. | .. | .. | 3,564 |
| 1929 | .. | .. | .. | .. | 2,566 |

The abnormal increase in 1925 and again in 1928 was due to the Repeal of the Punjab Loans Limitation Act. (In 1928 the period of Limitation expired in respect of those transactions which were either acknowledged or renewed in 1925). Since then the number has been going down and the figures for 1929 are only about 25 per cent over the figures of 1923. In view of the reduced period of limitation this increase does not call for any particular remarks.

It may be noted here that the rise in the number of suits against the agriculturists is shared in general by all classes of debtors.

3. If a good number of execution applications are satisfied out of court wholly or in part, a fairly large number of these are filed as satisfied not because of any payments actually made but because of the execution of fresh bonds or pronotes. On the whole, therefore, the percentage is not far from correct.

(i) It is rather difficult to estimate the amount involved but as I have remarked above, if the amount so realized is set off against the amount nominally realized but not actually realised, the result will be the same.

(ii) Roughly speaking there are four classes of debtors:—

- (a) The man in business who suffers losses and who is sued not because he is able to pay but in the hope that he might some time within the next twelve years be able to pay.
- (b) The man with a fixed or rather certain income, e.g., a Government servant. Such a debtor generally manages to pay in full by instalments spread over a convenient period.
- (c) The small land-holder or agriculturist whose debts are small and who tries his best to pay unless there is a succession of bad harvests. In the latter case the debts become irrecoverable.
- (d) The well-to-do but extravagant zemindar who makes it a rule of his life to live beyond his means. He generally manages to avoid processes of the Civil Courts for

execution. Applications for execution against him have frequently to be dismissed without satisfaction. In his case debts are really not irrecoverable, but it is a question merely of putting sufficient pressure upon him.

(iii) I do not think so.

4. (i) This question has been practically answered under question No. 3 (ii) above. The period during which proceedings for recovery have been "tightened up" has unfortunately coincided with a period of great trade depression and low prices for agricultural produce. Consequently the percentage has not shown any appreciable increase. It is common knowledge that in a fairly large number of cases in which execution applications are dismissed without satisfaction the judgment-debtors can manage to pay at least a portion of the decrees outstanding against them, but they successfully avoid doing so. If imprisonment for non-payment of debts were abolished the percentage of realizations would come down in a single year to less than half of the present figure. It may safely be presumed that few people care to incur the trouble and expense of filing and prosecuting execution applications unless there is some reasonable hope of realization of the decrees in whole or in part.

(ii) I do not believe it is so. It does not appear to me to be possible that a man would intentionally lend more than what he can possibly recover.

5. The increase in the number of Insolvency cases is partly explained by the abnormal trade conditions which have prevailed during the last few years, partly by the more frequent use made of the Insolvency Act against the dishonest class of debtors by the latter's creditors; but mostly to the changed social atmosphere. Formerly insolvency meant, more or less, social death to the insolvent and people avoided going to the Insolvency Courts unless all other means of satisfying their creditors had been exhausted. People now rush to the Insolvency Courts with the slightest excuse. If the application is successful, the objective is achieved, with the minimum amount of trouble, and if it is disallowed, the applicant is none the worse for the unsuccessful attempt made by him. He seldom suffers in the estimation of his neighbours even though the latter know that a greater portion of the property has been screened off from the creditors. It is, therefore, no wonder that applications for insolvency are steadily on the increase.

Senior Sub-Judge, Montgomery.

1. (i) Yes.
(ii) This appears to be due to the following causes :—
 - (1) Poverty due (a) to loss in trade owing to fluctuation in prices, (b) bad crops in the last several years.
 - (2) Increased knowledge among debtors that their property is safe from attachment and that they can escape payment and civil imprisonment by resorting to Insolvency Courts and therefore non-payment of their debts by them.
3. (i) About half.
(ii) Yes.
(iii) Yes, about one-half.
4. (i) Except by sale of their land.
(ii) No.
5. No.

Makhdum Mohammad Afzal, Senior Sub-Judge, Muzaffargarh-

1. Yes, more than 95 per cent in this district, but this also includes suits in which grain is lent to agriculturists with interest.

2. The increase in institution of cases in 1928 was the indirect effect of legislation in curtailing the limitation period to three years from six years, in 1925 most of the debtors struck new balances and renewed previous bonds, the limitation of these renewed transactions expired in 1928, hence there was a steady increase of money suits between 1925 and 1928.

3. (2) It is true concerning applications for execution of decrees, which are apparently filed as infructuous, the decretal debt is satisfied out of court wholly or partly, and that only a part of the decretal amount is satisfied in court.

The reason is that in almost all the cases in this district in which decrees are passed personally against the judgment-debtors, and not against them in their representative capacity as legal representatives of the debtor, relief is sought by warrants of arrest in execution.

The judgment-debtors in this district are mostly members of agricultural tribe and they own land, which though cannot be sold, yet can deliver harvests by which the decrees of the decree-holders can be satisfied. Now when such an agriculturist judgment-debtor is arrested in order to avoid the disgrace and trouble of imprisonment the judgment-debtor offers to the decree-holder a part of the amount due and requests him to give him time to pay the balance out of the coming harvests. If the debtor is honest in his statement which the decree-holder knows, he accepts the part payment of the decree, and gets him released after getting his execution application partially satisfied. Either the balance is paid or the decree-holder and the judgment-debtor confer together and the decree-holder accepts "Mustajri" (temporary alienation) of the land of the judgment-debtor which is allowed under section 6 of the Land Alienation Act, by a member of an agricultural tribe to a member of a non-agricultural tribe.

Or if the decree-holder does not think it worth while for him to take 'Mustajri' of the land, which entails management and supervision of an arduous nature, which the members of non-agricultural tribe generally shirk, and which does not possess the redeeming feature of carrying interest on his outlay so long as he is in possession, the decree-holder knowing that the credit of the judgment-debtor is good, though he is unable to pay his money immediately, he accepts a new bond from the judgment-debtor for the sum due and in the interval between the new bond and the new suit, he stipulates with his judgment-debtor to pay as much as he can to reduce the debt.

Thus the balance of the unpaid decretal debt is either satisfied by taking "Mustajri" of the land of the judgment-debtor or it is

satisfied by taking a new shape in the form of a fresh bond, with a fresh cause of action, a fresh suit and a fresh decree. In this way the original application for execution which had been only partly satisfied in court, is fully satisfied out of court.

There are cases, however, in which the judgment-debtor is not honest. The decree-holder comes to know that the judgment-debtor has negotiated for the sale or mortgage of his property to some one. This fact perturbs the decree-holder. In such cases, in order to safeguard his interest he becomes ruthless. Though on the first warrant of arrest judgment-debtor pays him some money, he does not accept a new bond from him and, as I have stated above, the decree-holders are often shy of taking the land on "Mustarji" as it involves hard work with interest stopping in the period during which "Mustajri" continues. In such cases the credit of the judgment-debtor is bad. He might transfer his property at any time, leaving the decree-holder only with a paper which is incapable of yielding anything substantial. The decree-holder then again asks for arrest after the execution has been partly satisfied. The judgment-debtor has nothing now for immediate payment. The result is that the judgment-debtor applies to the execution court for time to apply for insolvency, and thus save him from imprisonment in civil jail. The decree-holder considers this course beneficial to him under the circumstances. He gets the land of the judgment-debtor out of the danger of being alienated and also it gives him this advantage, that the land which could not be sold in execution proceedings, is capable of being sold in insolvency proceedings according to the trend of certain recent rulings of the High Court, and thus he can obtain as much discharge of his decree as possible. Or the judgment-debtor himself sells his land to a member of an agricultural tribe, pays the decree in execution to curtail imprisonment.

There are also cases, in which the judgment-debtor has actually gifted his land to his wife or son, or has fraudulently sold his property: the decree-holder is interested in getting the judgment-debtor arrested and sent to jail, in order that this imprisonment being an act of insolvency by the debtor, the decree-holder might apply to Insolvency Court for declaring the judgment-debtor insolvent, so that his fraudulent transfers might easily be got annulled by Official Receiver, instead of the more difficult procedure of filing a suit under section 53 of the Transfer of Property Act, in which the burden of proof is on the decree-holder to show that the transfer was fraudulent, while, under section 53 of the Provincial Insolvency Act, the burden is on the judgment-debtor and the transferee to show that not only the transfer was for consideration but it was made in good faith. Thus, in the first instance, the decree-holder takes as much cash from the judgment-debtor as he can, and for the rest he sends such a dishonest judgment-debtor invariably to jail, in which cases either the judgment-debtor himself applies for insolvency; or the decree-holder moves the insol-

veny court to get the judgment-debtor declared insolvent. Thus the remaining decretal amount passes out of the hands of the executing court into another "forum" where the decree is partly or wholly satisfied without the knowledge of the executing Court.

It is in this way that an apparently infructuous application for execution gets satisfied in going into another form of realisation of money, *viz.*, of insolvency.

There are also cases in which the debtor has been before the decree, abusing his credit of possession of his land, *viz.*, that he has been borrowing money from other persons, who not knowing the previous debts, have been advancing money to him on the credit of the produce of his land. When the decree-holder comes into court, other creditors also make their appearance with their decrees in their hands, with the result that "Mustajri" of his land is made and decree-holders get whatever they can out of a bad bargain, and their claims are only satisfied in part by rateable distribution of assets, and in such cases the creditors lose much and their decrees are generally not satisfied out of court. In such cases, other creditors also put in their appearance and realise what could be got. Decree-holder is not eager to get the judgment-debtor to jail, as he knows already that his claims are not going to be satisfied in full and why should he pay more money on account of his subsistence in jail, when he cannot recover it from him.

Thus my answer to question No. (1) is that the decretal amounts which are paid only in part in Court are afterwards satisfied by Mustajri of land in some cases, in other cases by new bonds and in some cases, by separate proceedings in insolvency. The rough estimate of such recoveries which might be very rough is in my view about 80 per cent.

(ii) I think that the remaining sums except those which have been satisfied by execution of new bonds or "Mustajri" of lands or sums received through Insolvency Court are usually irrecoverable.

(iii) It is not necessarily the case, as I have stated above, that a substantial part of the amount not realised constitutes interest charges. It might include principal also in some cases. There may be cases in which originally the credit was sufficient for the original debt, but when the debt was not paid off at proper time owing to the bullocks of the debtor dying, the provisions as to compound interest on money or gain, swelled the debt to a large amount, and in such cases no doubt the decree could not be satisfied in full and the money unsatisfied might represent interest or part of it, which is generally remitted or new bonds are taken for the remainder with the distant hope of realising the amount in future, if possible. It is difficult to roughly determine the proportion, but as a very rough estimate such cases might represent 5 per cent of the cases.

4. (i) The judgment-debtors cannot pay their debts owing to the fact that their bullocks have died or have been swept away by

floods, which happens in this district almost every year. They have no money to purchase new bullocks, and their credit is not good. The land becomes fallow. No agriculturist likes to purchase it except at a very low price. In some cases the debtors by dishonesty make themselves unable to pay their debts. Many underhand practices are followed by the debtors, *e.g.*, moveable property is secretly done away with, other loans are borrowed from creditors, who do not know of the previous debts or to whom some sort of agreement is made that they will be preferred in case of need.

The property is alienated in such a way that it is very difficult to attach the title of the transferees. If the property is attached for sale, hindrances are put in the way of the decree-holders by putting up bogus claimants under Order 21, Rule 58, C. P. C., and if the executing court dismisses their objections, very lengthy declaratory suits are instituted, and in many cases, the decree-holders die in the pendency of these suits or their appeals, and they if living, their legal representatives are content to get whatever possible out of this nasty business, and owing to exhaustion do not give fresh applications for execution, and let the remaining money go to dogs. Thus the debts cannot be recovered from the debtors by the debtors' own misconduct or by cases beyond his control, as I have stated above, the debtors become really incapable to pay their debts.

(ii) The creditors usually advance money with care seeing the property which the debtors possess but, as I have stated above, subsequently the paying capacity of the debtor is diminished by unforeseen events on which the debtors have no control, or by the artificial credit obtained by the debtors by their misconduct, *e.g.*, borrowing moneys concealing the fact of previous loans from new creditors. In some cases the credit was given on ancestral property of the agriculturist debtor, which could be sold in the hands of the debtor himself but on debtor's unexpected premature death the property goes to reversioners and being unhypothecated the property cannot be sold for the debts of the deceased under P. R. 4 of 1913. In some cases mortgages without possession are made on the property which only come to light on objections under Order 21, Rule 58, C. P. Code. In some cases secret alienations have been made on dower debts due to wives. Thus though the money or gain was advanced apparently in good credit the creditor finds it diminished afterwards. But no creditor at the beginning of the loan advances debts on insufficient credit.

5. As I have stated in answer to Question No. 4 (1) the tendency to advance considerably more than the creditors can reasonably expect to recover is not increasing. The creditors pay money only when they make themselves sure that they can realise the money out of the property of the debtors. It is only by reasons given in my reply to Question No. 4 (1) that the creditors are not paid their monies.

Besides, the reason for increase of applications for insolvency is that creditors now take to process of arrest in the first instance more frequently, as it is less tardy than the process of attachment and objections and consequent declaratory suits. On such arrest, as I have explained above, either the creditor or the debtor resorts to insolvency courts, the debtor to evade imprisonment which is naturally abhorred by all debtors, and the creditor to get something possible out of a dishonest debtor, who is thinking of doing away with his property or has already done so.

On account of recent rulings of the High Court by which the property of an insolvent who is a member of an agricultural tribe can be sold, which cannot be done otherwise, applications for insolvency by creditors against the debtors have increased, by which their debts can be realised more quickly by paying a court-fee stamp of Re. one instead of paying heavy court-fees on suits. Thus this double advantage has induced the creditors to put in more applications.

Besides the chief restraint of people coming to insolvency court which the Insolvency Act contemplated at the time of its becoming statute law, was considered to be that public opinion usually looked with disgrace on an insolvent, and he was put to shame, hence people were not likely to come to insolvency court in large numbers. But the public opinion does not now look on an insolvent as a detestable person to be shirked in society. On the other hand, the members of his family circle help him in concealing his property with them, and he is considered a clever person, if he thus successfully can balk off his creditors who are generally strangers. Thus the debtors, even if they can pay their debts, get themselves declared insolvent easily in courts, and restraint of public opinion having been loosened there are increased number of applications for insolvency. The creditors do not take pains in opposing such applications as they know that the insolvent does not mean to pay anything by concealing his valuable property, though he can pay, and that if they spend more money on summoning of witnesses or attending court, they would be giving away good money for bad money. Before the Official Receiver too creditors do not want to spend money and so he cannot take effective measures of taking suitable action against fraudulent acts, and in certain cases the insolvent is generally successful in getting himself declared insolvent, and in hoodwinking his creditors.

Thus the reason of increased number of applications for insolvency is not that the creditors advance money more than the credit of the debtors, but on account of the causes mentioned above in detail.

The second part of the question therefore does not arise.

**Questionnaire for Deputy Postmaster-General
and his reply thereto.**

Questions.

1. Subject to necessary change of rule, would it be possible to allow Co-operative Credit Societies to open current accounts at sub-post offices and to operate them by cheque ?

2. In the case of public accounts opened by co-operative societies, are you in favour of removing the necessity of addressing the Postmaster-General ?

3. It has been suggested that the maximum amount which may be sent by money order should be raised from Rs. 600 to Rs. 2,000. Do you see any objection in this ?

Answers.

1. Provided that Government agree to the opening of current accounts for Co-operative Credit Societies, I see no difficulty in Sub-Post Offices permitting such accounts to be operated on by cheques, but in cases of deposits it will be necessary, to safeguard the Post Office, for cheques to be first honoured by the bank. In cases of withdrawals the issue of cheques will not be necessary as according to Departmental rules a depositor is required to sign a warrant of payment for each withdrawal which serves the purpose of a cheque.

Yes, Postmasters and Sub-Postmasters can easily arrange for funds without the intervention of Postmaster-General.

(a) Yes, if the maximum amount to be sent by a money order is raised to Rs. 2,000 the Post Office will be saddled with additional responsibility for the conveyance in transit by road and by rails of the additional sums of money which it will naturally receive. There will, besides, be further difficulty in the payment of such sums at offices of destination. Postmen are at present required to furnish security Bonds of Rs. 300 only and are, according to rules, entrusted with payments of sums amounting to Rs. 1,000 on account of money orders and V. Ps. and Rs. 500 on account of insured articles. To entrust a postman with any additional sums for payment would be incompatible with his pay and the amount of security furnished by him. If postmen are ordered to be entrusted with larger sums for payment of money orders and V. Ps. there will surely be a universal demand from postmen for a higher rate of pay.

(b) If sums above Rs. 600, the maximum limit fixed for a money order, are to be remitted the insurance facilities offered by the post office may be utilized. The maximum amount for which an insured letter may be accepted is Rs. 3,000 and the insurance fees charged thereon are cheaper than the money order commission levied for money orders of various sums. The insurance commissions charged are as follows :—

Rs. A. P.

| | |
|---|-------|
| When the sum does not exceed Rs. 100 | 0 2 0 |
| For any additional sum of Rs. 100 or fraction thereof | 0 2 0 |

Questions.

4. The evidence before the Committee suggests that there is a strong demand for additional remittance facilities, particularly where there is no branch of the Imperial Bank or any joint stock bank. Have you any suggestions to make in this connection ?

1. (b) Depositors should have the privilege of withdrawing twice a week if they like.

(c) The removal of present limit of Rs. 750 will make the traders and businessmen to come in.

(d) The restriction upon joint account should be relaxed (husband and wife).

(e) Every depositor should be allowed to nominate a person to receive payment of his money in case he dies.

Answers.

Money order commissions are charged as follows :—

| | Rs. | A. | P. |
|---|-----|----|-----|
| Amount not exceeding Rs. 10 | 0 | 2 | 0 |
| Exceeding Rs. 10 but not exceeding Rs. 25 | .. | 0 | 4 0 |
| For every additional sum of Rs. 25 or less | .. | 0 | 4 0 |
| For each complete sum of Rs. 25 and for the remainder provided that if the remainder does not exceed Rs. 10 the charge for it will be | .. | 0 | 2 0 |

The method of cheap remittances is already provided for in the insurance facilities offered by the post office as explained in 3 (b) above. The system of insurance extends between all head offices and sub-offices and a fairly large number of branch offices.

The restriction for withdrawal of money from savings bank accounts once a week only has been imposed primarily to encourage thrift. To permit of withdrawals twice a week will tantamount to such accounts running as current accounts and will throw heavy additional work on the post office entailing the sanction of extra establishment in a large number of offices without any corresponding advantage to the department.

The annual limit, namely, Rs. 750 for deposits in savings bank accounts being raised is hardly necessary as the post office offers the facility of purchase of cash certificates up to a limit of Rs. 10,000 for each investor.

The opening of a joint account of husband and wife should I think be permitted. It will not only offer an additional facility to the public but will also avoid the present inevitable delay in widows' claims for sums of money at credit of deceased husbands' accounts being settled. Each such claim above Rs.100 has at present to be investigated by the post office at which the savings bank account stands and has then to be submitted to the postmaster-General with prescribed documents for approval and sanction.

To this suggestion I do not agree as it is likely to involve the department legally in case the nominee of the depositor is not his or her real heir.

| <i>Questions.</i> | <i>Answers.</i> |
|---|---|
| <p>(f) Cheque system in the post office savings banks should be introduced instead of withdrawal forms.</p> | <p>I do not think the introduction of cheque system in the post office savings bank would be a welcome change to the class of persons making use of the post office savings bank. It should be remembered that a number of post office savings bank depositors is illiterate and not acquainted with cheque system. It will, therefore, be difficult for the post office to have two systems in the transaction of business in savings bank work, i.e., one by cheque for the literate and the other by withdrawal form for the illiterate. As the savings bank withdrawal form serves the purpose of a cheque, the necessity for the introduction of the cheque system hardly arises.</p> |
| <p>(g) Branch post offices which are located in important and central villages should be authorised to perform savings banks account.</p> | <p>Savings bank work is authorised at branch offices where there is a demand for this facility and provided that certain departmental conditions are fulfilled namely—</p> <ol style="list-style-type: none"> (1) A police station being situated in the village ; (2) there is facility for the daily transmission of cash to the account office ; (3) The Branch Postmaster is educated and able to understand savings bank work. |
| <p>(h) Hours of business should be extended by one hour in village sub-office.</p> | <p>To extend the hours of business of a sub-office will harden the lot of the post office officials. A post office is open for various classes of business, namely, from 10 A.M. to 4 P.M. for registration, insurance and parcels, from 10 A.M. to 3 P.M. for money orders savings bank and British postal orders. Besides this telegraphic money orders are paid between 8 A.M. and 6 P.M. and some of the staff of the post office is also required to attend for clearance of letter boxes and delivery and despatch of mails at various hours during the day. It will, therefore, be observed that a Sub-Postmaster working single handed in a office is required to work from early morning till late in the evening in connection with the delivery and despatch of mails and in the closing of books relating to various classes of business referred to above.</p> |

**Note by G. D. Fanshawe, Esq., Deputy Postmaster-General,
Punjab, Lahore, regarding payment of Military Pensions
through Postal Department.**

1. Considering the general ignorance and helplessness of the pensioners it seems desirable that the work of paying pensions to Indian Military Pensioners should remain in the hands of a Government Department like the post office with its large ramification and supervisory staff throughout the Province. Its transfer to a private or a semi-official organization is liable to cause inconvenience to the pensioners in various ways.

2. Case Criminal Appeal No. 297-D of 1929, decided by the Chief Court of Oudh at Lucknow will show how Military Pensioners were defrauded of their arrears of pensions due to them by one Subedar Suraj Parshad Ashwadi, Honorary Secretary of District Soldiers Board at Rai Barriely with the help of one Beni Parshad, Tewari, Treasury Officer of the same district. It may further be observed that although Co-operative Societies with their large banking facilities exist in England, the duty of paying old age pensions is still entrusted to the post office.

3. It is stated that to begin with, the work will be taken up by the Central Banks only. This means that pensioners with substantial pensions will be taken over by the Central Banks while holders of small pensions will come to the share of post office. As the rate of commission is sanctioned by Government according to the amount of pension disbursed, the bank will earn more commission with less work while the post office will have to do more work with less earnings. It is, therefore, proposed that if the Co-operative Department wishes to try an experiment, that experiment to be fair and helpful should embrace the whole district and not only some well paid pensioners residing in important towns where Central Banks are situated.

4. The question of banking facilities and inducement to thrift afforded by the Central Banks are not important; firstly because the holders of small pensions can hardly save anything and live from hand to mouth, and secondly because if they were inclined to lay by something the post office savings bank in which they can deposit the trifling sum of annas four and cash certificate system in which they can invest the paltry sum of Rs. 7-12-0 are there to accommodate them in this respect.

5. Further it is to be pointed out that disbursement of pensions due is not all that has got to be done. The work bristles with numerous other important and thorny questions such as overpayments, frauds, misappropriations, complaints about delay and criminal and civil suits for which the post office has got competent and well trained staff to deal with. The Co-operative Department may not at this stage be properly equipped to deal with all such matters adequately.

6. Lastly there is an alternative system of payment of pensions by money order through treasuries, but it has not been able to make much headway. The system of payment by post office at the post office window continues to be the most popular, where every facilities such as shady places for the pensioners to wait, table and benches where necessary and supply of drinking water have been furnished. We have some 1,350 pension paying post offices, out of which more than 300 cater for the aged, the crippled and the female pensioners only. These numerous offices deal with no less than 130,184 pensioners and pay out to them Rs. 1,57,73,357-4-0 annually.

Oral evidence of the Deputy Postmaster-General, Punjab.

Chairman.—Are you the Deputy Postmaster-General?—Yes.

In your answer to the first supplementary question as to the possibility of co-operative credit societies being allowed to open current accounts at sub-post offices and to operate them by cheque, you say it would be necessary, to safeguard the Post Offices, for cheques to be first honoured by the bank. Why is that necessary?—I suppose these cheques will be drawn upon some banks.

The idea behind this question is that co-operative societies should open current accounts at sub-post offices and operate on them by cheques just as they would on banks. Now that this has been explained, what will be your answer to it?—I see no objection. It may be made possible for co-operative societies to open current accounts in sub-post offices.

In the case of public accounts opened by co-operative societies, is the intervention of the Postmaster-General necessary before any withdrawal can be made?—Not necessary.

Do you mean then that the sanction of the Postmaster General which must at present be obtained is only formal?—If a co-operative society desires to withdraw money in excess of the prescribed limit of Rs. 1,000 for public accounts, the Postmaster concerned himself arranges the payment. The Postmaster-General's sanction is not obtained in view of the special concessions granted to co-operative societies which have already been enumerated in my previous note. Sums required by co-operative societies only are paid without the intervention of the Postmaster-General provided the notice prescribed in each case is given. Cases which do not fulfil these conditions are required to be referred to the Postmaster-General.

In future, would it be possible for the postal department to keep its annual returns for the Punjab separate from those of the North-West Frontier Province?—I think we can give the figures.

Your statement shows that in 1928-29, 1,189 lakhs of insured articles were delivered in the Punjab. Was most of this on account trade remittance?—Very largely, I think.

Your statement showing the number of post offices in the Punjab doing savings bank work shows only 792 out of 3,078; whereas the corresponding figures in the United Provinces are 1,754 out of 2,646. What is the explanation of the difference?—My idea is that in the United Provinces there are more literate people.

What conditions have to be fulfilled before a branch office can be allowed to do savings bank work?—The conditions under which savings bank work is permitted in branch offices is set out in paragraph 1 (g) of my note.

Does the opening of a savings bank at a post office depend upon the Postmaster having certain educational qualifications?—Not necessarily, so long as he understands the savings bank work. We do not allow school masters in post offices to do savings bank work, because they will have no time for it.

Is there any other class of men to whom you do not give savings bank work?—Yes, shopkeepers are also not given savings bank work.

Are there many Patwaris in charge of post offices?—Patwaris having no stationary appointments are not entrusted with postal work.

In the last fifteen years the number of post offices doing savings bank work increased from 616 to 792. But the education in the Punjab has increased very much more rapidly than these two figures suggest?—The whole thing rests upon the Superintendent. If the Superintendent says that a village requires a savings bank and the Postmaster also understands the savings bank work, then we open savings bank in that village. It all rests upon the Superintendents. Sometimes the villagers themselves may ask for savings bank. In that case also we open savings bank.

The number of depositors in savings banks has gone up very rapidly during the last five years from 168,000 to 236,000 whereas in the previous ten years it went up from only 110,000 to 168,000. Is there any obvious explanation for that?—Probably it is due to general conditions and expansion of education.

Has the department made any special effort to encourage the use of savings bank?—Has it for instance done any propaganda?—No. The department has not done any propaganda.

Then, do you mean that the increase has been automatic?—Yes.

Does the department do anything special to bring to the notice of the people the existence of these savings banks?—We have only printed books which the people can have for the asking.

You do not advertise?—No.

Can you say, broadly speaking, that each depositor represents a family? I ask the question to know what percentage of the population is using savings banks.—Yes. A depositor may represent a husband, a wife and three or four children.

Is it common for accounts to be in the names of various members of a family?—It is quite common. That will go to swell the total amount in the savings banks.

The present maximum limit is Rs. 750.—Yes, the limit of Rs. 750 relates to the amount which can be deposited in an official year. The maximum limit exclusive of interest which may remain in deposit is Rs. 5,000 in the case of an adult and Rs. 1,000 in the case of an account opened on behalf of a minor.

In regard to cash certificates, your figures show that Jhelum is one of the districts which has invested most in cash certificates. Is it a fair inference that that is due largely to the military element in the district?—Very likely. There are a very large number of pensioners in Jhelum and Rawalpindi.

Would you say the same of the Ludhiana district? Ludhiana is also a big military district?—I should think the same holds. These are two districts with a very large number of pensioners.

Do the figures you have given us about money orders include telegraphic money orders?—Yes.

Do they include foreign money orders also?—Yes.

Would you say that a very large majority of the literate depositors are urban?—Yes.

Have you any idea of the ratio between urban and rural depositors?—It is rather difficult to answer that, I am afraid.

What is the present rate of interest on post office cash certificates and what is the rate on savings bank deposits?—I shall let the Committee know the exact figures later*.

A witness before us stated that when he was in Switzerland he was able to make payment to a person's account at Berne by paying the amount at Lucerne. The Swiss system appears to be similar to the German which is described in this report which I wrote in 1921.† Do you happen to know anything about either?—No. I am afraid I cannot give you any information on it.

At present I understand all military pensions are paid through your department. Is that so?—Yes, there are, however, some pensioners in North-West Frontier Province, and Attock and Gujrat districts of the Punjab who receive their pensions by money orders through the civil treasuries.

The question has arisen whether it would be possible to pay some of them through central co-operative banks.—I have here a note on the subject.‡ We asked for the opinions of three postmasters and some half a dozen superintendents. (The note was read to the Committee).

At present do your officials make any effort to induce pensioners to put by any part of their pensions?—No. What they do with the pensions is not our concern. After all, pensions in most cases are paid quarterly and how many, do you think, are going to put anything into the bank?

*The interest on cash certificates is $5\frac{1}{2}$ per cent compound interest on the amount invested. Present rate of interest on Savings Bank accounts is 3 per cent per annum.

†“Co-operation in Germany and Italy” by Mr. M. L. Darling, pages 190-91.

‡Vide p. 98, Evidence Vol. I.

Chairman.—Supposing it were possible to solve the question of payment to which you allude in your note as between the Central Bank and yourselves, supposing also the system were confined to a few Central Banks in the first instance, and supposing further that the scheme was entirely optional so that a pensioner could deal with you direct or go to the Central Bank as he pleased, do you still think that the scheme would be open to objection?—I do not personally see any objection to the course. But the only thing is that it should not be for us to do only a part of the work. The entire work should be taken over. I think the military people will also object to the post office doing the enquiry work and the payment being made by the Central Bank.

What would be your objection to handing over the function of payment to the Central Bank and allowing the function of making enquiries to continue as it is with the postmasters.—I personally see no objection to the idea. But the question is whether the military people would agree to it.

Lala Harkishan Lal.—Would there be any objection according to you for a graded scale of insurance charge like 2 annas for Rs. 1,000, 1½ annas from 1 to Rs. 2,000 and 1 anna from 2 to Rs. 3,000?—The commissions suggested are far too small for the responsibility undertaken by the post offices in the transmission of insured articles from the remotest parts of India. The post office has for the purpose to maintain lengthy and costly lines of communication and cannot in my opinion afford to permit such cheap rates of commission.

• The business people would be able to avail themselves of it to a large extent?—Yes.

You state in your reply that in regard to joint accounts, the post office should not be involved in deciding the legality of claims made. At present, in banks, deposits are allowed to be made in this form: 'A and B, or survivor,' and also in the form, 'A, on his demise B.' In that way, so far as money matters are concerned, there is no question of heirship because under Hindu and Muhammadan laws everyone has got the power to give away money. In the case of property of course, it is sometimes tied, but in the case of money the question of real heir need not at all concern the post office. Why should not the post office agree to the suggestion?—If the nominee is an outsider, claims for the money will come from members of the family and legal heirs will press that they should not be passed over. That is the difficulty with us.

That would be with a living man and not with the dead. After the man is dead why should the post office concern itself more for the family than for the wishes of the deceased depositor. In the case of Europeans, for example, the executor is sometimes a member

of the family and sometimes a stranger. In the same way, it should be open to anyone to leave his money to his legal heir or not.—I do not see any objection to it. If banks do it, I do not see any reason why we too should not.

Then in regard to the introduction of cheque system, you say that the withdrawal form serves the purpose. The cheque system is recommended for its negotiability and also on the principle that so far as actual money is concerned it should circulate as little as possible. A withdrawal form, for instance, is not negotiable. I should like to know why you object to cheques?—There are certain instructions given at the back of withdrawal forms and the man knows what he is doing. In the case of a cheque there are no such instructions and the system should be understood before it could be operated on.

By endorsement you can give practically any instruction in a cheque. In the case of withdrawal forms, if accounts are to be transferred it cannot be done automatically as in the case of a cheque but instructions have to be followed which are more tedious and more difficult to arrange. The cheque would, therefore, appear to be a very easy system, would it not?—In the way in which you have explained it, there would seem to be no objection to the course.

You said that certain pensioners were being paid quarterly. Is it done at your request or is it under orders of Government?—I am afraid I cannot say off-hand. I shall find it and let the Committee know later.*

Chairman.—In regard to the withdrawals by co-operative societies from the savings banks, you say that for sums exceeding Rs. 3,000 three days' notice is required and so on?—The reason is that if we give one person the sum he wants without notice, then hundred people will ask for impossibly big figures. That is why we want three days' notice.

Suppose money is available and is not required for any other purpose. The Postmaster can use commonsense, and if he has got the money he can give?—The matter can be left to his discretion.

(The witness withdrew.)

**Indian Military Pensions.*—Quarterly payments are made under Government's orders,—*vide* rule 4 of Indian Military Pension Rules. But as the number of pensioners is large, the payment is spread over the entire year, *e.g.*, there are 12,000 pensioners who are enrolled on the books of the Rawalpindi Head Office, out of these, 4,000 receive their pension in January, 4,000 in February and 4,000 in March; the batch of January—pensioners again receive their pension in April and so on. Thus the post office remains busy throughout the year in making pension payments.

F. L. Brayne, Esq., Deputy Commissioner, Jhelum.

I find the questionnaire a little difficult to answer as my knowledge and experience is of a general kind and I have never had time to study the financial side in any detail, or with any exactness.

I consider the present state of things extremely unsatisfactory. Village Sahukara is out of date—a whole family supporting itself on the interest on a few thousand rupees is highly uneconomic. The accounts are written in a what is almost a secret script, personalities enter into the business, repayments are delayed for an infinity of reasons and the delays are often encouraged by the lender, there is little or no scrutiny of the purposes of the loan and uneconomic purposes such as jewellery, ceremonies and litigation are financed, just as readily as farming. The only ground for discouraging expenditure is the existing indebtedness or lack of security of the borrower. Interest has to be ridiculously high like tailor's charges so that what is lost on the swings may be made up on the roundabouts. The good borrowers pay for the bad ones, which is utterly unsound finance. Family money-lenders will never and can never differentiate between classes of loans and classes of borrowers. If money-lender A turns down borrower X he will go on to B, C, D till he gets a complaisant lender at a price. The result is both lender and borrower are drowning together and the repayments are so uncertain and the cost of recovery so bad that I doubt if the average money-lender when he has replaced lost capital and paid all expenses clears nowadays much more than 5 per cent in a famine-stricken district like Gurgaon. I rather doubt if the average village money-lender in Gurgaon has increased his capital in the last ten years.

I am looking forward to the day when the family money-lender will be replaced by co-operative and other banking, and the money-lender will become a shopkeeper, seed-merchant, implement merchant and general provider of village needs—a far more useful and profitable occupation.

Money is still hoarded and put into ornaments. This is sheer bad education. Government is working overtime to increase production, but the reduction of waste would be equally valuable and definitely cheaper to accomplish. Our efforts are like those of the daughters of Danaid, if my memory does not fail me, the young ladies who tried to fill a bottomless water-tub.

Education at present is almost entirely colourless. If (both school and adult education) it aimed at the reduction of waste as well as the acquisition of literacy, the capital of the country would go up by leaps and bounds.

2. What banking facilities exist are terribly crippled by our antiquated system of administration. Instead of doing all we can to encourage banking we appear to frustrate it by every means in our power.

For years I tried without success to get the principle accepted that land revenue and all other dues of Government should be paid by cheque on a recognised Central Bank. The saving to the villages would be very great indeed. For years I have wanted to get pensions paid through central banks. The amount of thrift and increase of capital which this last would cause is incalculable. At a very low estimate it would double the value of the pensions now paid. Instead of discouraging payment of pensions, land revenue and everything else possible through banks, Government should encourage it by every means in its power, and in the case of land revenue should give a definite rebate for all so paid. The saving in staff and time and eventually in coinage would amply repay it, let alone the fillip it would give to banking and thrift.

The farmers in a prosperous year just "blew" their surplus funds or sink them in ornaments. In Gurgaon many ex-officers and ex-soldiers use their pensions for money-lending. This would be partially checked by paying pensions through banks.

The education of the people to save and invest should be just part of the ordinary "Uplift" programme of each district taught in the schools, by all officers, and Departments of Government, rubbed in the district village newspaper, by village broadcasting and at all shows and exhibitions, and so on and so forth. I need hardly enlarge on this.

As for script, I am afraid I am too advanced to be listened to. I feel convinced that India will within a measurable space of time follow the rapidly increasing number of people in the world who use the Roman or an adaptation of the Roman alphabet. The value in opening up the press and literature of India to the world and the world's press and literature to India is so great that I cannot believe that, say, fifty years hence some adaptation of the Roman alphabet to suit the sounds of the main Indian languages will not be universal in India.

The ordinary zemindar has no idea of the meaning of capital in relation to agricultural production. Although he lays out money on seed and bullocks and sometimes on wells he has no idea that capital as such plays any part in his industry. A certain outturn can be obtained, as probably it could in Europe, without the use of capital, and the zemindar considers this the normal outturn and anything else such as irrigated and intensive crops to be abnormal and the result of some peculiar good fortune or the chance of birth. If a man is born a Mali he will make Rs. 50 an acre profit. If he is born a Rajput, Rs. 10-an acre is all he may hope for.

Even those with wells fail utterly to regard the well as an investment which should be earning money all the year round. A well is an insurance against famine, and the seasonal idleness of the well is no more regarded as a misfortune to be defeated by any contrivance he can think of, than his own idleness or the idleness of his cattle.

The zemindar's outlook on his life's work has to be completely changed. He must no longer regard agriculture as a state into which he was born. He must be taught to regard farming as an industry in which capital no less than labour and land are essential, and in which the waste of any of these three for even the shortest period must spell loss and its continued waste must mean ruin to the industry.

This like most else in this country is a matter of education. The education of the public is by far the cheapest method of rural reconstruction, but it is persistently neglected in India in favour of more expensive and far less satisfactory methods. It is high time we realized that the best thing we can do for the improvement of village life is not so much to spend money on schemes of improvements, but by teaching the people how they can improve things themselves.

At the same time I doubt if farmers anywhere in the world could afford to put much capital into their land at the rates it is offered at present in India either by the money-lenders, the co-operative banks or by Government (in the last case I allow for the actual cost of the money to the people not the nominal rate of interest charged). The cost of money must come down and it could easily come down to less than half if a campaign of education—education again! I cannot help it!—ignorance is the whole of our trouble out here!—were embarked upon to teach the people how to spend their money. The annual outlay on luxuries—jewellery, ceremonies, litigation and the interest on luxury borrowings, etc., etc.—must be many times the amount of capital put into permanent improvement of the land.

If along with the project of the first canal a mission of popular education on the proper methods of spending money had also been projected, we should not be where we are now in the Punjab!

Oral evidence of Mr. F. L. Brayne, I.C.S., Deputy Commissioner, Jhelum.

Chairman.—Are you the Deputy Commissioner of Jhelum?—Yes.

How long have you been there?—I have been there for five months.

You say that personalities come into the business of a money-lender; what actually do you mean by that?—It is always a personal matter in villages between a money-lender and his client.

I know that the relationship is a personal one, but is that necessarily a disadvantage?—I think it tends to create slackness in repayment. Personal hostility may arise apart from purely banking matters. Borrower and lender might suddenly find themselves arranged on opposite sides in some social, communal or local party matter. Money-lending can rarely be a purely business transaction.

Have you come across cases of people who found it difficult to borrow on communal grounds?—No.

Would you say that the co-operative system was free from this disadvantage?—From what I know of it, I say it is.

What are the common interest rates in Jhelum?—I have not had time to study them yet.

What were they in Gurgaon?—18 per cent., 24 per cent., 32 per cent and 36 per cent. I think 12 per cent was paid in exceptional cases. 18 per cent was the commoner.

Would you say that the commonest rate is 24 per cent for Gurgaon?—Yes, but I speak subject to correction, because I have never made a study of it. I am just recollecting the casual conversations which I had in the villages.

Don't the rates vary to some extent with the position of the borrower?—I think so.

You say here that the good borrowers pay for the bad ones?—Yes, like tailor clients in England.

And that the rates do vary to some extent with the security offered and with the position of the borrower?—I think so.

Then it is not altogether the case that a person of good position pays for a person of bad position?—I think it is, as 12 per cent. includes other peoples bad debts; no farmer in England could farm at 12 per cent.

You estimate the net return of a money-lender on his money-lending at not much more than 5 per cent. in a famine-stricken district like

Gurgaon. In arriving at that result did you take into consideration good years as well as bad?—I am taking all together. The money-lenders don't seem now-a-days to be increasing their capital; they might have been increasing it before the War, but since the War there does not seem to be any increase in their capital.

If they are only getting 5 per cent., why don't they put their money into co-operative societies?—In Rewari they are. The Rewari Central Bank has got mostly town money.

But you are speaking of rural money-lending?—Rewari is very much a rural town.

Do you mean that money is being drawn from rural money-lending and placed in the Central Co-operative Bank?—I should think it must be. Certainly whenever I had a talk with a money-lender about it, he always said that there was nothing to make out of money-lending now-a-days.

You say "I am looking forward to the day when the family lender will be replaced by co-operative and other banking." What other banks have you in mind?—The ordinary joint stock banks.

That day is presumably far distant?—I doubt it. I heard Lloyds Bank in Delhi saying that they wished to get into agriculture as soon as possible.

Do you think it would be possible for the joint stock banks to replace the rural money-lender?—I should think so, in time. Of course the banks will have to know much more than they do now about the village. Lloyds and all these other Banks, if they get into the villages, will no doubt experience some difficulty in the beginning.

Which do you regard as the best for the villagers; the co-operative system or the joint stock system?—The co-operative system is ideal, but I suppose they will work side by side. I don't suppose a big man who wants a big sum, say, Rs. 10,000 would be able to meet his demand from the co-operative societies, and I don't think the co-operative bank would welcome him at the present moment.

That would be the function of a mortgage bank?—But they are starting very cautiously.

Have you anything to suggest meanwhile till this extension takes place?—I should like to see taccavi put into the co-operative banks more freely.

Under which of the two Acts?—Either, and let the co-operative bank get 1 per cent. or 2 per cent. for the trouble.

Are you in favour of using the Agriculturists Loans Act for normal purposes and of not confining it simply to emergencies. I would like it to be very elastic.

You say that the effective rate of interest on taccavi loans is higher than the rate charged by the Government. What would you

say was the actual rate paid?—The borrower has often to do a certain amount of travelling and then there are various expenses and customary payments to make.

The nominal rate at present is $6\frac{1}{4}$ per cent. What do you suppose would be the effective rate of interest?—The deductions from the capital received vary from 5 per cent to 10 or 20 per cent including the additional costs of all kinds.

Would you say then that the average is somewhere round 5 per cent and 10 per cent. It would very rarely be less than 10 per cent.

Even if the amount is distributed on the spot?—In that case I would put it down at 5 per cent.; otherwise it is not less than 10 per cent. If an agriculturist asked for Rs. 100, he would be pleased if he got away with Rs. ninety; he might get even Rs. eighty.

I believe the average period of one of these loans under the Agriculturists Loans Act is eighteen months. Would you put the effective rate at about 10 or 12 per cent.?—If the deductions from the original capital are counted as interest the rate is very high indeed.

In that case would there be any advantage to the cultivator in having a further extension of the taccavi system?—If the Taccavi Act were much more elastic, I presume we should make better arrangements for its distribution.

How would you improve their efficiency?—I think there would have to be special people to distribute it.

Would you have a special staff then for taccavi distribution?—We could not, unless the amounts were great enough to justify it.

At present the amount distributed by Government is very small indeed—not more than ten or fifteen lakhs a year, whereas the co-operative societies alone advance nearly $2\frac{1}{2}$ crores per annum. We are now considering whether extension is possible till the money-lender is replaced by some other form of banking. Have you in your mind such big taccavi advances that they would tend to replace the money-lender?—With the Co-operative Department spreading as it is now, it is too late for the Government to start such a scheme. In a District like Gurgaon if I were to advance what was wanted, I could easily put in two lakhs per tahsil per harvest. Twelve lakhs for a District would be nothing if I had got the staff to see that it was properly given.

Do you consider then that a big extension of the taccavi system would be advisable as an intermediate arrangement?—A sudden extension on a large scale would make the money-lender's money idle and that would corrupt the agriculturist. I think we should have to go gradually, but I rather think it is too late. After all there is nothing easier than to corrupt a peasant in the way of money.

You don't think an extension of the taccavi system is feasible on such a scale as would meet the need?—I think it would be too late to meet it now.

Have you any other remedy?—I want taccavi to be shoved into the Co-operative Banks. But it would have to be done carefully as money is very corrupting stuff; I think an excess of money would corrupt even the Co-operative Department too.

If a Central Bank is working properly, it can increase its deposit?—It always depends upon urban money. It seems rather a bad luck if the inefficiency of an urban central bank should obstruct rural business.

A Central Bank is not urban; its members are rural co-operative societies.—I have attended many meetings of the bank and I found that the rural members have very little to do with the actual raising of money or its management. That is between the auditor and the secretary and the rural members may or may not understand; the Secretary explains all the necessary things.

What Central Banks have you in mind?—Gurgaon and Rewari.

Are their general meetings not attended by the members of the societies?—They are.

Don't they take an interest in the proceedings?—I don't think the average rural member takes any great interest in the technical side. I don't think they have much understanding of the auditor's report.

And the Directors are all urban?—There are many rural Directors.

Do they not take any interest in the bank?—One or two might like the late Rai Sahib Chhajju Ram. If you get financially minded rural people on the directorate, they understand the technical side of its working. We could get these men from headquarter places, but we rather wanted an equal distribution of the directorate so that all the areas should be represented.

How does all this affect the question whether it would be prudent for the Central Banks to draw more heavily on Government?—Shortage of money obstructs the progress of the rural banks, and they depend on the business efficiency of an urban bank, for their money.

In regard to the two banks you mention would you say that the finance was really obstructed by their inefficiency?—Rewari never. Gurgaon was occasionally in need of money, but we used to find it somewhere in the end.

Were these two central banks able to collect sufficient money for their purposes?—Almost always. At the end of every financial year I used to offer any balance of taccavi that was going to lapse, and they generally took it. I have often lent taccavi through the Central Bank direct to the co-operative societies.

Had these Central Banks at that time an overdraft account with the Imperial Bank?—I think that scheme of overdraft with the Imperial Bank was not started then; it was only started somewhere in 1926; it was a new thing then.

Had they drawn the whole amount?—I am not certain.

Then the difficulty in this case was not of lack of money?—I cannot say off hand whether they got the overdraft sanctioned from the Imperial Bank or not.

The point I am trying to elucidate is whether in Gurgaon there was or was not sufficient money available for the rural classes?—We used to manage somehow, from other banks or by taccavi or in some other way.

We have not had any complaint in any other district of lack of funds?—There is no loose money in Gurgaon. My money was cheap, and whenever it was going to lapse I put it in.

Would you say that if Gurgaon had more capital, it would have been able to spend it usefully?—I think most of the credit societies were getting well to the top of their credit limits.

Therefore perhaps it would have been inadvisable to lend them more money?—It probably would, to the banks and members already existing.

Some people say that if more money were available for the agriculturist, it would cure many of his evils; others, on the other hand, say that what the cultivator requires is to learn the right use of money. What are your views on this point?—The moment you make the supply more abundant, it would corrupt the cultivator; he would not put the capital into the land. He requires more teaching.

What is the best way of teaching him the wiser use of money?—The sort of thing I am doing in Jhelum and did in Gurgaon.

Are you thinking of general propaganda?—We are trying to teach exactly the same thing in the schools as we teach outside. In Jhelum the people suggested that it is no use teaching outside if you are not going to teach inside the schools. I think the right use of money should be taught in the schools in every possible way. In Jhelum we are teaching in and out of the schools by the usual well tried propaganda methods—songs, dramas, shows, competition posters, newspapers, models, demonstrations and by every possible means.

Do you think that the use of money can be taught in that way?—Yes; you can call it adult education; I think it is the best way.

Do you think that the ordinary co-operative societies are a useful medium for teaching the use of money?—Extraordinarily useful; but I think the school master should not have merely a hazy idea of co-operation; he must have a very clear idea of its principles.

Would you say that it is difficult to learn the right use of money without handling it?—Yes.

How can it then be taught in the schools?—You should have thrift societies in schools. There is no reason why schools should not have thrift societies; the boys have got to buy pencils, slates and copy books and there is no reason why thrift should not be taught right

down in the infants' classes. My boys aged eight and six draw cheques on their school pocket money.

You say in your note that "instead of doing all we can to encourage banking, we appear to frustrate it by every means in our power". What exactly do you mean by that?—There is some rule that the land revenue cannot be paid by cheque.

Have you anything else in mind?—I want to make it possible to draw pensions by cheques. Every payment to Government should be payable by cheque; all repayments on account of taccavi or any sort of Government dues should not only be made payable by cheque, but there should be some rebate for doing it, as it is going to save the Government an immense amount of trouble.

In case of payment for land purchased in a canal colony would you also give a rebate?—That is an extreme case as the purchasers are capitalists used to using cheques. Rebate should be allowed on everything paid by a cheque in order to teach the people to use the system. It may be only half a per cent or one per cent. It might be graded according to the class of payment, and certainly every sort of payment by Government to people should also be payable by cheque if the recipient so desired.

You got payment of land revenue by cheque introduced into the Rewari Central Bank?—It was done unofficially.

Did you watch the system personally?—As far as I could. The treasury subordinates disliked it and often put obstacles in the way. After every harvest we had to make new rules to block the loopholes.

Did any other difficulties arise?—Of course there was some difficulty in discriminating between the members of the bank and the non-members in the same village and there was also some difficulty with the Patwaris as two parchas have to be made out. Until it becomes the law of the land, it will be hedged about with difficulties.

Then the introduction of the system is not perhaps so simple as it appears?—It is quite simple, but I was acting without official authority.

Because this system was contrary to the existing rules and regulations?—Yes.

Was the system condemned by Government?—It was still going on when I left. It can only be condemned to the extent that it was technically illegal.

Were you ever asked by Government to discontinue it?—No. It was recognised as experimental.

The papers before me show that the system is still in force, and the difficulty you mention is not one of those specified there?—They must have smoothed that over, then.

The first difficulty that you mention in regard to subordinates is apparently considered to some extent an obstacle?—Yes; no body likes extra work.

It has also been suggested to us that as a result of this system the revenue payers were led to pay their land revenue by borrowing instead of paying it in cash, as their primary societies gave them the necessary credit and the Central Bank gave the primary societies the necessary funds?—Yes, that has been encouraged.

The result of that was that a man who might otherwise have paid his land revenue out of savings, paid it by loan?—I think you know that the land revenue is payable by a certain date, whatever your crops are, and you are bound to lose in that case unless the banks can accommodate you, as you have to sell your crops by a fixed date instead of according to the state of the market.

You would be in favour of making it easier for the zemindars to pay their land revenue by loan instead of in cash in order that they may be able to get better prices for their produce?—Yes. Presumably those who are buying grain know that the time to buy it is the time when every body is wanting money. When the cultivator seems to be in need of money for land revenue, that is surely the buyer's opportunity.

Do you think that in most cases loan would be cleared off as soon as the produce is sold? Having regard to the particular conditions of Gurgaon, do you think that is likely?—It depends on the education of the members of the bank. I take it that in A class societies there would be no necessity of special teaching at all. In B., C. & D. class societies teaching might be required, but there cannot be any reason for withholding its introduction. In any case money is regularly borrowed from money-lenders to pay land revenue.

You suggest that military pensions should be paid through Central Banks or through co-operative societies?—I mean only the recognised banks, whether co-operative or other joint stock banks.

The file on the subject shows that it was considered premature to introduce it in primary societies, but that it might be possible to introduce it in Central Banks. Would that be any good?—In the beginning very much good. It is well worth trying.

It would mean that the pensioner would have to deal with the Central Bank.—But later on you could authorize him to go down to the primary society; that would be an arrangement between him and the Central Bank. Strictly speaking, now these big fellows don't want to go to the treasuries.

Have you discussed the scheme with many military officers and do you think it would be generally appreciated even if restricted to Central Banks certainly. Take a man like Captain Sher Muhammad of Jhelum. He makes his payments by cheque on the Punjab National

Bank. To get his pension he must go to the treasury, get himself identified, draw his money and then take it to his bank. They say that the primary societies don't carry any cash. Before they give them a power of attorney, the pensioners will see that the primary society can carry cash. That is entirely a matter of arrangement. In big villages obviously the primary societies would carry some cash and would open current accounts. Obviously a village with fifty houses would not have sufficient number of people to have current accounts; in that case, the co-operative people should make some arrangement in the bigger villages where pensioners could join simply to draw their pensions.

• At present it appears to be thought that the only way the scheme could possibly be introduced would be through the Central Bank? First start with the Central Banks; then take the banks in big villages or establish thrift societies or 'pension and thrift' societies simply to encourage them to draw their pensions through the bank. Whatever he thinks was the minimum amount of cash necessary for his expenses, the pensioner will take, and the balance will remain in the Bank.

There is of course a very large number of pensioned officers in Jhelum District?—Enormous.

What do you find they do with their pensions? They "blew" them.

Don't they save?—I don't think so.

Do they do any money-lending?—Not that I know of as yet.

Do you mean they squander their pensions?—I think it is more applied to luxuries than to ordinary household expenses. I am talking of the officers. As you probably know, in Jhelum they have all got silk puggaries; bicycles and electric torches and such like things are very common.

You don't think that service in the Army has created the habit of saving in them?—On the contrary, I think they spend more than other people.

Has it increased their wants?—Yes; their standard of living is very high.

Have you come across any indication of the growth of the saving habit amongst the rural classes? Does it exist any where?—Not at all, except where the Co-operative Department get hold of them. There are exceptions of course. I knew an *ex-officer* of the 18th Lancers; he is District Ploughing Champion and a first class farmer; he saves some of his money.

Can you offer any opinion as to whether debt in general is increasing?—I cannot say in general.

Lala Harkishan Lal.—Will you kindly tell me the use of these cheques; does it presuppose the establishment of banks all over?—In time, yes, I think.

Meanwhile those who have not got a bank, how are they to be tutored?—They should be taught in the village school.

At present the cultivator pays the money into the tahsil; the Tahsil keeps an establishment for that purpose. If half the money by the opening of the banks goes direct to Government by cheques, the establishment will have to be kept for the other half. In that way there will be no saving to the Government?—They will reduce the staff proportionately.

Whom would you reduce?—A Potahdar or two to start with would probably be reduced; but there will still remain much paper work in the Tahsil. I have never worked out the effect on the Government arrangements for receiving and transporting treasure.

What has happened in the past is that when a new scheme comes along, the establishment is increased, and at the termination of the work some of the establishment remains intact, and the result is loss to Government?—I would not put it as a measure of economy for the Government, but as a measure of thrift for the people.

Again you say that the Lambardar gets 5 per cent as “pachotra” If half of the clients go out of his control, he would get only half, and he would not be satisfied with that half?—I would rather anticipate the Lambardar paying by cheque as well as the Co-operative Bank.

Your argument was that 5 per cent would be reduced?—I suggested giving him a slight rebate for all payments made by him by cheque.

In addition to that 5 per cent. ?—Yes.

Where there were no banks, would you allow the cheques to be drawn on the local money-lenders?—No, I should say only recognized banks.

On private bankers?—I don't know the status of private bankers; but I don't anticipate using them for land revenue payments.

You would then have the co-operative banks at one stage or another and recognised banks like the Joint Stock Banks at another?—Yes that is my idea.

Why I am asking this question is because at present the co-operative movement has not touched more than twenty or twenty-five per cent of the population, and though it may be yet premature to help them by advances, yet I think their dealings with Government ought to be on the same basis.—It is always open to them to join co-operative banks or open accounts with joint stock banks.

But I mean where there are no such banks. You give facilities to people who are in the neighbourhood of banks but what of those who are not in such neighbourhood?—It is the same with everything, *e.g.*, railway stations.

But would you leave them out of consideration?—Joint Stock Banks will very soon be opening branches in every tahsil if there is any business there.

But this business alone would not pay.—My object is to teach people thrift. Take Jhelum District; there may be twelve lakhs of money being paid out every year in pensions. And if they were to bring their money for land revenue, it would be worth-while for banks to open branches in every tahsil.

How long would this money remain with the banks before it is paid off to Government?—Obviously in the first year or two it would be paid in one day and taken out the next. But people would soon find out that it is more profitable to deal with the banks.

But would the banks be able to meet their expenses if they do not get sufficient clientele or have money remaining with them for some little time?—They would immediately get some business. There are contractors and merchants who would use them.

In places where there are no banks would you include post offices? Post offices are doing this now by means of money orders.

But to make up the deficiency of banks in large areas, would you also bring in the third agency of the post office for payments by cheques? That could not be done.

Why not? It would be turning the post office into a bank.

Government receives its money much earlier than it could if cheque be transferred into its account. But a cheque already in the possession of Government would simply be transferred from the account of the individual to the account of the lambardar.—I do not see how the post office could do it.

Apart from the casual statement of pensioners that they lose money before they get to the village, have you pursued this question enough to be able to offer any view on it?—I have often asked soldiers what happens to their pensions and they say they are spent at once. They do not spend all of it on necessaries.

Have you found if the the soldier in Jhelum has a higher standard of living than others in other tahsils or districts?—The Army has definitely raised the standard of living all over the district.

The Army then has been the cause?—I think so.

Chairman.—Is the standard of living in Jhelum much higher than in Gurgaon? Yes.

Do you attribute that to the soldiers?—The district is very rich compared to Gurgaon. In Gurgaon I do not think forty squares were owned in the district. Jhelum owns thousands.

Then the higher standard is not only on account of military pensions but also on account of their other resources?—Yes. They have more money and they spend it too. I started a district community Council and in two months we had 300 members each paying Rs. ten.

The district board said that they had only Rs. 1,000 for the Chakwal show and people said let us make it a five days' show, I said what about the budget and they said we will find the money and they have. They have got the money and are ready to spend it. The Gurgaon District took to military service during the war; the Jhelum district has always been heavily recruited and the people there are far better off. They have more pensioners and more officers and since the War it is still heavily recruited.

Lala Harkishan Lal.—There is more money to spend and they spend it?—Yes. They do not save. I never heard of any one in the Jhelum District saving money.

Have you thought of any scheme for teaching them thrift?—Yes.

What is your scheme for teaching these people thrift?—If I can get them to draw their pensions through the banks that will be the biggest help.

But there is no prospect of that at present?—We have plenty of go a head soldiers in the District Soldiers' Board and if they want a thing they will have a good try to get it.

Chairman.—Have you any experience of the Military Pensioners Thrift Societies in Rawalpindi?—No. But we are going to teach thrift to these people and teach them to put their money into the land. We are going to start poultry and fruit farming. We can grow Kulu apples, olives, oranges in fact every fruit except mangoes. There is any amount of opportunity of putting money into the land and of doing better farming.

Is there a strong demand for money for land improvement?—Not at present.

Then at present your scheme is entirely prospective?—We have got to wake the people up. We have got a weekly newspaper; we have applied for a broadcasting license.

What you have said suggests that there is a lot more money in Jhelum than in Gurgaon and that the money is spent and not saved. On the whole is that an advantage to the district? For instance is living better?—Yes living is better. The people are beautifully clothed, have well built clean houses and clean children. On the whole it is a delightful district.

In that way they present a contrast to Gurgaon?—Yes and to the whole of what is called Hindustan.

Lala Harkishan Lal.—Where do they do their shopping, because Jhelum has no good shops? I do not know where they go. They want cloth mostly. There are cloth shops in Dina.

Outside Jhelum itself there may be, but Jhelum presents a poor show?—They do not go outside the district as far as I know. Possibly they go from Chakwal to perhaps Rawalpindi.

Chaudhri Niamat Ullah.—You must have read the book called 'The Punjab Peasant' written by Mr. Darling. In that he says that a man of four or five acres must borrow because in a period of five years three at least are bad. Have you thought of any scheme by which the zemindar may not get heavily indebted?—If the land is irrigated by a well he need not sow wheat but other more profitable crops, like vegetables, tobacco, chillies, etc.

Cannot a village cultivate a part of the land collectively or co-operatively with improved implements?—That would require a lot of of managing. Only the co-operative department could do it.

But can this be done?—If the people are educated up to it I do not think anything is impossible.

In the European countries this is being done. But do you not think that if tractors, and other implements are used a good many people who now-a-days are employed in the fields would be thrown out of employment? What would they do?—Handi-crafts and industries will have to be started for them. Why can they not make these tractors and other implements? Sewing machines and bicycles at present have to be imported, if these could be made in the country there should be sufficient employment. Jhelum people have applied for an industrial college for Chakwal for people to learn printing, shoe-making, etc. Even the military men are willing to learn these things. At first these jobs were thought fit for only kamins.

Lala Harkishan Lal.—The best occupation for military men would be motor driving?—That is very limited.

Chairman.—You were in charge of the village survey party of Bhadas. Is that typical of the Ferozpur-Jhirka tahsil?—Yes, and Nuh Tahsil. Those are *Meos* who are really more typical of the Rajputana people than of the Punjab.

(Witness withdrew.)

F. C. Bourne, Esquire, I.C.S., Settlement Officer, Montgomery.

The following remarks are based on experience gained in the course of Assessment work in the Lower Bari Doab Canal area and consequently they only deal with certain very limited aspects of the subject. I have little or no prior knowledge of the principles and practices of banking. It has seemed better to touch only on those questions which being relevant to Assessment work have demanded my careful attention, than to act the charlatan in unknown or obscurely known fields. I write more from the point of view of the producer, the client or potential client of the bank than of the practitioner of banking and I have selected only a few heads of the Questionnaire for discussion accordingly.

2. I attach a questionnaire based on that framed by the Committee which I drew up for issue to four Assistant Commissioners and one Political Probationer who were doing Settlement training in assessment work under me. Each had 25 villages in the neighbourhood of Montgomery to assess for instructional purposes. I attach their replies together with that of my Extra Assistant Settlement Officer as appendices to this note.

II.—Marketing.

(1) The main variations in marketing produce depend on the circumstances of the producer than on the crops or its ultimate disposal. Producers may be described as follows:—

- (a) The important farmer working on sound business lines can select the market which he finds most profitable. He probably keeps his produce in commodious godowns which are visited by traders from purchasing centres. He may place his wheat on rail for despatch to the destination the purchaser indicates and he may sell his cotton to the nearest mandi or to an export firm or transit to Bombay or even Liverpool. Or he may auction his produce on the spot to traders, from numerous mandis in the vicinity.
- (b) The progressive small farmer will send his cotton and such wheat as is not required for house consumption direct to the mandi on bullock carts or camels or he may sell to traders from the mandi or to agents of export firms who visit his village to buy.
- (c) A small holder who is not in debt may prefer to sell to the village shopkeeper, who is very possibly a partner in or agent of a firm in the nearest mandi, merely in order to save himself the trouble of transporting or marketing with the numerous petty exactions which marketing involves.
- (d) The indebted small holder sells perforce to his creditor who in the majority of cases is the village shopkeeper. The *batai* tenant does the same. In the case of enlightened villages where families are large and holdings

correspondingly small, many small holders who are not actually in debt to any extent still have all their money dealings with the village shopkeeper. The shopkeeper supplies them with ready money and necessaries (*lun tel*) and gets their produce in payment at a fixed price. This price is fixed at a committee meeting at harvest time or a month or two later—twice a year—and that price is the village price for the harvest. In one village I inspected recently, the shopkeepers took over the wheat crops for Rabi 1928 at Rs. four per maund and sold it later for something like Rs. six. On the other hand the same man agreed to Rs. eleven per maund for the 1929-30 cotton crops and unless he can prevail on his client and adjust this price he will be stung?

(2) I have no experience of grain stored in kothas or godowns being used as security for obtaining credit.

(3) I am certain that no system of licensed warehouses on the United States of America plan would be feasible without such close Government supervision as would probably make its expense prohibitive and its practice so vexatious as to destroy its utility.

(4) The parts played by professional money-lenders and grain merchants in respect of the marketing of crops are touched above. I am only conversant with the matter in its simplest aspects. The ordinary zemindar at present probably gets more credit than is good for him.

V.—*Money-lending*.—I am dealing with the village money-lender whether professional or unprofessional (agriculturist).

(a) These may be divided into three classes :—

(i) The landlord making advances to his tenants. These may be with or without interest, generally without interest, and no security is taken since the landlord expects to recover his loans from the tenants' share of the next crops. Such loans are not uncommon but are naturally restricted in amount and are merely directed to enhance the producing power of the tenant by enabling him to feed himself better and to buy a necessary plough, bullock or other implements of husbandry.

(ii) Loans by one agriculturist to another for general purposes. Non-Muslim lenders unless the borrower is specially favoured by relationship or other tie, normally charge interest. A Sikh Jat lending to another will probably charge about half the sahukar's rate. But a Sikh Jat lending to a Muslim will probably charge full sahukar's rates and will oftener be a harder pay-master for the borrower than the

sahukar himself. Whether or not security is taken naturally depends on the relations between the parties. If the borrower is a trusty friend no security is taken at all. Otherwise, given. I am not discussing mortgages at the moment, security will take the form of a personal bond with a backer approved by the lender or of the deposit of ornaments and jewellery.

- (iii) The typical advances made by the sahukar secured by a lien on the produce of the next harvest or harvests. In these no formal security is taken beyond an entry in the sahukar's account books to which a one anna stamp will often be affixed together with the signatures of a witness or two.
- (b) Mortgages (except usufructory mortgages for a short term only distinguishable from leases in that the consideration for the whole loan is paid or credited in advance) are uncommon in the colony where the grantee who has not yet acquired proprietary rights has no freedom of alienation. In the proprietary area old mortgages have been very largely redeemed since canal irrigation started. New mortgages of proprietary land or the short term mortgage leases described above are only resorted to when a large sum of money is required, *e.g.*, for an extravagant wedding ceremony or by a heavily indebted cultivator who cannot get the wherewithal to carry on his occupations in any other way.
- (c) Mortgage leases carry their own term to the loan. Other leases are not as a rule given a definite term. When limitation is running out (after three years) they are renewed or payment is demanded. In the case of the typical sahukara loans a balance is struck every six months in order that compound interest may be calculated. A hard working small holder can generally square his accounts each harvest with his produce. The ordinary rate of interest in such accounts is about 25 per cent per annum.
- (d) The village money-lender usually puts his surplus money into the hands of the brokers and other firms in the nearest mandi. But I believe the ordinary village lender can find all the borrowers he wants locally. With the high rates of interest he claims, he can afford to take on a large circle of clients. A threat to refuse further credit will usually bring the tardy client to knees. The final resort is a civil suit after the threat to lodge one has been unproductive.

- (e) An enlargement of the activities of the co-operative banks would be preferable in every way to any system of Socialist money-lending, state controlled and registered money-lenders. The restricted money-lender would be compelled to withhold credit in many cases where now he gives it. The co-operative banks can do such restricted money lending much better.

VI.—*Savings*.—The agriculturist is disinclined to hold up his money except perhaps for a reserve of cash in a *lota* buried under the floor of his house. It is more likely when funds are abundant, to spend them on new cattle or on some important family ceremony or to lend it to his fellows. I cannot say whether agriculturist money-lending is on the increase, but it is certainly very common.

Generally banks including co-operative banks and Government loans (*taccavi*) at present take third place as lending agencies. The professional money-lender comes first and the agriculturist money-lender second. The *sahukar* is undoubtedly a convenience and has not yet had times to become an incubus. His retrogression in the proprietary area suggests that in this canal irrigated area he may never become such.

Questionnaire.

1. On the whole do you think the ordinary cultivator secures as much capital as he requires for all his legitimate needs? Would he be better off if facilities for loans were increased or diminished?
2. Does he generally live beyond or within his income?
3. If he lives beyond his income where does he go for loans and on what accounts are loans most commonly required? Is land improvement one of those accounts?
4. In what various ways are the various crops respectively marketed?
5. What are the parts played by money-lenders and grain merchants in respect of the marketing of crops?
6. How far is produce stored in *Kothas* or godowns used as security for obtaining credit?
7. In what circumstances is a secured loan made rather than an unsecured?
8. In the case of secured loans what types of security are taken?
9. In the case of village money-lenders—
 - (a) Are loans ordinarily given for fixed periods? If so, on what general principles are:—
 - (i) the periods fixed,
 - (ii) the loans renewed?

(b) Are loans commonly refused on account of inadequate security or inadequate capital? Are loans for land improvement given with any special freedom or reluctance?

(c) Are repayments commonly made in time and without pressure?

When pressure has to be applied, what form does it take?

(d) What documents are used in the negotiation of loans?

10. What is the normal rate of interest in the various money-lending agencies?

11. What does the village money-lender do with his surplus capital? Are there times of year when money lies idle in his hands?

12. What do farmers do with their surplus funds in a prosperous year? Do agriculturists lend to fellow agriculturists? If so, is this confined to particular castes? and is the practice on the increase? Is hoarding common and if so, is it usual to hoard cash or to convert it into jewellery and ornaments?

**A. MacFarquhar, Esquire, I.C.S., Assistant Commissioner,
Montgomery.**

1. Much depends on the definition of legitimate needs. Taking it at its widest sense, I think the cultivator can at a price secure the capital he requires as he can furnish security. He would, however, be better off if he could obtain capital on less severe terms without incurring the disproportionate burden of debt which even a small loan from a money-lender involves. He is not prepared to indulge in improved agriculture on borrowed capital which puts him in the money-lenders' hands; while he probably would if the obligations incurred by taking a loan were restricted and clear.

2. On the whole, beyond his income. Food, clothing and other immediate necessities, he can provide for; but if the untimely death of an animal puts him to expense for replacement, if a harvest fails if a marriage or other ceremony of the *baradari* is to be celebrated, he has no savings to draw on and must borrow, and as these are not unlikely events it follows that he lives beyond his income.

3. Loans are generally taken from the village *sahukars*, for replacement of stock, payment of Government dues, expenditure on ceremonies, etc. There is reluctance to borrow for land improvement, this being by way of a luxury which the *sahukar* has made too costly.

4. Crops are marketed in the *mandi*, with itinerant *mandi* agents, or with the village shopkeeper; most generally with the latter.

5. In the village the money-lender and grain merchant are generally one; in the *mandi*, the grain merchant is the village money-lender's banker as well as being the purchaser of his crops.

6. I did not meet any instances of this practice.

7. Unsecured loans are given on the money-lender's estimate of the borrower's stability, *i.e.*, if he considers the latter's holdings in property, etc., sufficient to assure the return of the loan, no security is demanded.

8. Generally a man of standing is taken as surety and his signature taken on the account book as if he were the borrower. Jewels (at much below value) and the standing crop were also taken. About cattle, replies varied. I gather this is too risky a form of security to be generally popular.

9. (a) After each period of six months (one harvest), interest accrued on a loan is added to and becomes part of the principal: to this extent it may be taken that six months is the period fixed, but no penal action is taken until three years have passed when the money-lender begins to press for repayment. Renewal is dependent on the same factors as the original loan: adequacy of personal status or of security.

(b) Not commonly. They may be if a man is already indebted to the full value of his resources for repayment. There is sometimes a pretence of refusal when it is desired to exact severe terms. No discrimination appears to be exercised in favour or against loans for land improvement.

(c) Except when there has been a very bad harvest, repayments are generally made regularly and without pressure.

The latter takes the form of threats of legal proceedings which are taken up if satisfaction in some other form (*e.g.*, alienation of land) is not given.

(d) Generally the money-lender's accounts book is the only document used.

10. Two annas in the rupee per six months.

11. The money-lender's capital lies with the mandi dealer from whom he draws interest for it (at rates lower than he charges his village customers). It thus never lies idle in his hands.

12. There was general reluctance to admit any surplus funds, but any there may be are kept in the owner's house hidden in a pot under the floor or elsewhere. The cash is hoarded. My tract was mainly Muslim, so there was no practice of lending among agriculturists. Five or ten rupees might be lent to a friend at a pinch to tide him over a difficulty, no interest being charged.

M. Abdul Haq, Extra Assistant Settlement Officer, Montgomery.

1. An ordinary cultivator can get as much capital as he requires for his legitimate needs provided he has any security to offer. In other cases he can't get the required money. He would be much better off if facilities for loans are increased in the form of Zemindara Banks.

2. There is no practice of budget making. He spends what he has and incurs liability for more in order to meet his requirements ignoring generally what his income would be. This practice leads him to debt.

3. He generally goes to the local sahkars for loans. Loans are commonly required for marriages, death bed ceremonies, purchase of bullocks and in rare cases for extravagance on account of a rise in standard of living.

Land improvement is hardly an account to raise loans. Taccavis granted by Government for land improvement are sometimes spent on private needs.

4. Cotton, wheat, gram, toria and sugar-cane are the main crops for disposal. Those under debt to local sahkars dispose of their surplus stock to them and other free from debt take it to the nearest market.

5. Money-lenders generally encourage loans in order that the surplus stock may be brought to them by zemindars for sale. This encouragement is proportionate according to the security of the debtor.

Money-lenders of villages and travelling merchants generally make undue profits in their transactions of sales to them of stock as they use weights which are generally more in weight than the legal ones. This is perhaps not the case with regard to *arhtis* working in mandis.

So many dues are charged in mandis from zemindars when the latter take their stock for sale. Some of these charges are unfair, *i.e.*, *Gaushala*, *Dharamarth*, etc., which are paid by zemindars against their free will.

In almost all cases rates are fixed by the sahkars and *arhtis* ignoring altogether the wishes of the zemindars.

6. In my opinion kotha or godowns are not used in the Lower Bari Doab Canal Colony as a security for obtaining credit.

7. People who are bad debtors even if they have means to pay up their liabilities and those having no apparent means are required to give security in the form of land or otherwise for taking loans.

8. In the case of secured loans the types of security are :—

A.—Land.

B.—Ornaments.

C.—Personal Security.

9. (a) Ordinarily loans are given for a fixed period of six months in order that compound interest may be charged after that period—

(i) Period is fixed on the principles of compound interest.

(ii) Loans are renewed in order to have compound interest and to avoid limitation of time according to the Punjab Loans Act.

(b) Yes. Loans are refused in such cases, *i.e.*, inadequate security, etc. Loans for land improvement are not given with any special freedom.

(c) Repayments are not made commonly in time and without pressure.

The form of pressure is—

(a) threat of lodging suit in court.

(b) refusal of further advances, and

(c) imprisonment in the case of decrees.

(d) *Bahis* and stamped paper agreements are used in these transactions but mostly the former.

10. Normal rate of interest is 25 per cent.

11. The village money-lender extends his credit among zemindars or extends his shop in its contents with the surplus capital in his hands. There are hardly any times when money lies idle in his hands.

12. In rare case surplus funds are used in the improvement of land or purchase of more lands. Generally such funds are spent on marriages, houses or improvement of their social status.

Agriculturists lend to their fellow beings freely. This practice is not confined to any particular caste. The practice appears to be on the increase in people who charge interest. In others it is on the decrease, as repayments are generally not in time.

Hoarding if it is to be found at all in this Colony will be seen among Musalmans. It is not common as the people are not very prosperous. Hoarding in cash and conversion into jewellery are both to be found in this tract.

Lieutenant A. J. Dring, Political Probationer, Montgomery.

1. I think the ordinary cultivator just makes a living and cannot collect capital to meet outside expenditure ; if his crops fail or cattle die he has to borrow money. I take " ordinary cultivator " to include a man owning not more than one rectangle and all tenants. The tenants usually " cut their coat according to their cloth " and Janglis, with their large families and small grants, barely eke out an existence.

If facilities for obtaining loans were increased debts would become heavier. A number of villages suggested some limitation should be placed on the amount of interest that a money-lender can charge but such a limitation would be impossible to enforce. I do not think a general extension in the work of the co-operative banks would improve the situation much as many of the zemindars prefer the greater elasticity which they can get when dealing with money-lenders. Perhaps the best answer I got to this question was from a Jangli Lambardar who said, " We should be better off if loans were impossible to obtain."

2. The ordinary cultivator usually lives beyond his income. When prices were high his standard of living rose and he became somewhat extravagant. Now that prices have fallen he has not restricted his expenditure proportionately.

3. So he has to borrow money and the money-lender is a convenience rather than a necessity. Most of the loans are raised from the village money-lenders. Some of the peasant grantees borrow from their native districts and others deal with Montgomery City.

Members of the co-operative banks can get loans at 12 per cent interest and do not resort to money-lenders unless they wish to exceed the limit permitted by the rules of the bank. Shares in the bank can be bought for as a low price as Re. one, but yet the benefits are not fully appreciated.

Tenants borrow from their masters when necessary and can obtain up to Rs. 25 from the local money-lenders.

Taccavi is not popular as it is troublesome to obtain and coercive measures follow the slightest delay in payment.

The most common accounts on which loans are required are—

Marriage, funerals, and other social functions. Purchase of cattle and carts. Family expenses including medical treatment. Payment of land revenue and water rates.

4. The ordinary cultivator sells his produce to the village money-lender, which in most cases means an adjustment of accounts and no cash payment. Wise men take their produce to market but I am told they have to pay a vehicle tax of Rs. 3-4-0 per annum and they get harassed by the Municipal Committee's daroghas.

Another method of selling crops is through agents of grain dealers who visit villages near the market and pay the current price less

freightage. The advantage of this system is that a fair cash price is received and freightage trouble avoided.

5. Money-lenders sell the produce to grain dealers unless they have relatives in the marked trade in which case they (the money-lenders) are simply village agents. Grain dealers are said to make Re. 1-9-0 per Rs. 100, worth of produce. It is difficult to avoid this middleman's profit as direct dealing with a factory is not popular because cash payment is not forthcoming and no arrangements are made for weighing. By a system of trade unionism weighing is the sole right of the grain dealer. Grain dealers export by rail to the main distributing centres.

6. Storing in godowns or kothas is most uncommon. Only the wealthiest cultivator can afford to gamble thus, so there is no question of such produce being used as a security for obtaining credit. I was told of a system whereby a cultivator can deposit grain with a dealer and obtain 75 per cent of its value in cash. Thus if the money is repaid in the stipulated time the debtor can take his grain back less storage charges which approximate to the normal rates of interest. This system is now common and does not appear to be advantageous as it seems it would be simpler to sell the produce and avoid double freightage.

7. Loans are usually unsecured provided the debtor has some land. The poorer class, such as tenants and menials, have to produce a personal security, *i.e.*, a landholder.

8. The commonest type of security is personal. Occasionally jewellery and ornaments are deposited by people who fail to obtain personal security. In co-operative bank dealings personal security is obligatory.

9. In the case of village money-lenders ;

(a) Loans are ordinarily given for fixed periods. The periods are nominally "*fasalwar*" but are extended to three years without trouble in cases of non-payment. On the expiry of three years renewal lies in the discretion of the money-lender ; he usually renews provided the interest has been paid and does not worry about the principal.

(b) Loans are not refused provided they are within the acknowledged means of the applicants. Refusals are becoming commoner owing to the increasing irregularities in settlement. Inadequate capital as a reason for refusal of loans is very rare except in the case of co-operative banks. Money is sometimes borrowed to lend. Interest is not reduced on loans for Land Improvement but preference is given in such cases by the Bank Committee if capital is limited.

(c) Answers to this question varied greatly in accordance with the circumstances of the village. The majority of loans are repaid in time but not without pressure and money for settling one loan is frequently borrowed from a different source.

Pressure is applied by threatening to file a suit or taking the debtor's land on cash rent, the terms of which are similar to a usufructuary mortgage. The actual number of suits filed is very small and in more cases the debtors have absconded. In some villages the money-lenders report a delinquent to the influential men who take steps to ensure settlement, by depriving the debtor of all the village privileges.

(d) Transactions are generally recorded in the *bahi*. The use of Judicial Stamp paper is very rare and only resorted to when large sums of money change hands. *Bahi* transactions are open to fraud in the case of illiterate men but it is not common.

10. The normal rates of interest are 24 per cent compound interest on loans with money-lenders and 12 per cent interest on loans with the co-operative bank.

11. If a money-lender has any surplus capital he uses it in trade or takes out "hundis." He endeavours not to have any money lying idle in his hands.

12. Farmers buy land if they have sufficient surplus funds. Otherwise they lend it to agriculturists and charge 12 to 24 per cent interest except Muhammadans who lend money amongst themselves on verbal arrangements and charge no interest. The practice is on the decrease owing to the fall in prices and the difficulty in adjusting debts which often leads to quarrels. I should say that not more than 5 per cent of the money on loan is borrowed from agriculturists.

Hoarding is uncommon; some men put away cash but do not convert it into jewellery or ornaments. The practice of purchasing jewellery is on the decrease.

**G. E. B. Abell, Esquire, I.C.S., Assistant Commissioner,
Montgomery.**

The answers below refer to the jangli villages of the area between Kame Shah and the Ravi. The fauji and landed gentry villages are not considered as they do not contain "ordinary cultivators." Co-operative banks are non-existent in the area mentioned.

Most of the material was given me by Kishan Partap Singh, the Deputy Commissioner's brother, who is doing settlement training and has been living for some months in a village containing both colony land (local grantees) and proprietary land and has acquired a real knowledge of the ways of the jangli. He made a special inquiry and I have enquired myself in seven villages and have corroborated his statements.

I take the "average cultivator" to include the landless tenant as well as the small holder.

1.—The question is, what needs are legitimate? Needs which would be legitimate from the point of view of model cultivation do not remain legitimate in the circumstances of a poor cultivator. At present he gets as much as he can repay at the high rate of interest demanded. There would be no advantage in increasing those facilities. But if it could be made possible for him to borrow at lower rates he would be justified in borrowing more.

Muhammadan janglis regard taccavi and co-operative banks with suspicion. They think that if they borrow they will find themselves in prison for failure to repay. And in the case of the banks they are supposed to have a religious scruple against joining a society which profits by lending at interest. This scruple, however, might, possibly yield before the pressure of enlightened self-interest.

2.—The average cultivator lives normally within his income, but his life is very uneven; one year crops are bad; the next they may be good; one year a daughter marries, the next his expenses are light. If high expenses coincide with a bad year, he may become bankrupt for life. There is no way of carrying over deficits and surpluses from one year to another. Deficits involve business with the shopkeeper, which is extremely expensive, and surpluses (after a bumper crop) are usually represented by an extra cow or a buried "lota" of rupees—both unproductive.

3.—When a tenant needs a loan, the first person to whom he goes is his landlord. If the latter is a Muhammadan, and a well-to-do man, and if the tenant's need is great, a loan may be procured for one or two crops without interest. If the landlord is a Hindu, a loan on interest may be given. Probably the interest, however, will be nearly as high as that demanded by the shopkeeper.

If the landlord refuses, the tenant will then go to the village shop-keeper.

When a landlord wants to borrow, he ordinarily goes to the shopkeeper. Only if he is a man of position will he go to the mandi town. He can only get better terms there, if he is regarded by the money-lender as a gilt-edged investment.

Land improvement (*e.g.*, sinking of wells) is one of the commonest accounts on which loans are required. Even for these purposes the jangli cultivator seldom attempts to get taccavi or to borrow from the co-operative bank in Montgomery. He prefers what he wrongly regards as the more comfortable way.

Perhaps the most common account of all is for the payment of the land revenue. This is a useful service which the sahuks gladly performs.

4.—Recently people have begun to market their own crops occasionally. This is especially so in the Rabi harvest. In Kharif the shopkeeper markets most of the cotton, even that of those who are not indebted to him. Cotton is picked at intervals from September or October till January; consequently there is a temptation to hand over the small amounts as they come in, rather than to collect them and take them to market. The habit of bringing the cotton to the shop as it is picked is a most uneconomical one for the zemindar. Each day he gets a chit detailing the amount of cotton he has handed over and at the end of the month the amounts are totalled, an average price is agreed upon, and he is credited with the result. He has no check upon the shopkeeper since he cannot read Hindi. And the amount finally credited to his account does not represent by any means the true value of the cotton handed over.

The zemindar suffers from the fact that his cotton passes through the hands of two middlemen, one in the village and one in the mandi, before it reaches the ginning factory.

Apart from wheat and cotton, the produce is almost entirely consumed in the village; a little gram and toria may be exported through the shopkeepers, but "gur" is not manufactured to any great extent, and maize is mostly used as fodder, or for domestic consumption.

5.—The village shopkeeper takes all the saleable produce of his debtors (often buys that of others as well) and sells it to merchants in the mandi. He does not as a rule make any attempt to eliminate this second middleman.

6.—This is not much done. To keep surplus produce is simply to gamble on a rise in prices. The zemindar has not the knowledge to make this profitable. The produce which is needed for domestic consumption he cannot mortgage.

7.—Owners of land, and holders of land under Government, can borrow easily as a rule without giving security. Tenants are in a different position; the "bania" has no assurance that a tenant will not leave his village, and so he demands either that the tenant's landlord should stand surety for him (this is common) or that he should deposit security.

8.—Apart from exceptional cases, the only security accepted is ornaments and jewels. Some shopkeepers will only accept golden ornaments and refuse silver. The Land Alienation Act has protected the agriculturist's land, but the "bania" can still call the tune.

9.—(a) Periods are not usually fixed except when landlords lend to tenants; then they may fix one harvest, or one year, as a limit, especially if the landlord is a Muhammadan and lends without interest.

A bond is good in law for three years. The period thus fixed is only incidental and does not mean that the period for loans is three years. When a bond becomes invalid, it is renewed unless the debt has been paid off.

(b) Loans are often so refused. The shopkeeper is in a strong position owing to the unending demand for loans. He can choose his customers.

I have not heard of any competition among money-lenders. If there are three in a village, they make no attempt to compete by offering lower rates. They form a ring and there is enough custom for all.

The object for which a loan is required is not considered by the "sahukar," though it does of course enter into the calculations of a lending landlord.

(c) Repayments are often delayed if the shopkeeper thinks that the debtor has resources which might enable him to pay. He may, first, try the time-honoured expedient of calling upon him with a panchayat, but, if that fails, he has to bring a civil suit.

(d) A bond is always executed. The borrower and the witnesses put their thumb-impressions on it and it is duly stamped. This bond may be incorporated in the village book. When one man stands surety for another, the surety also has to execute a bond.

10.—Muhammadans, when they lend, do not charge interest. Hindu shopkeepers charges annas two per rupee per crop compound interest, or 25 per cent per annum. The accounts are made up every six months.

Well-to-do men may be able to get loans in the mandi at as little as 12 per cent per annum, but this is not usually possible for the average cultivator.

11.—As capital accumulates it is lent out. There is practically always a demand. Should there even be a lack of demand, the shopkeeper would try to lend outside the village.

12. To this question it is hard to get an answer in a village. The zemindar shies at the preliminary suggestion that he even has any surplus capital. His rhetorical and histrionic powers are aroused and he tells in strange words of his poverty, the worthlessness of his land, the utter deficiency of the water-supply.

The favourite extravagance of many of the janglis of this part is to purchase unnecessary buffaloes, horses, donkeys or camels. This is an extraordinarily bad investment. The new animals are not of a superior head, but are only more of the familiar kind. They soon make the village supply of fodder look inadequate, and so they have to go on short rations and begin to lose their value.

It is said that, whereas in the Central Punjab a family always gets enough milk from one milch cow or buffalo, in these villages men sometimes have five or six and their house still lacks for milk. The peasant of the Central Punjab could, with two milch cows, make a good profit from ghee as well as provide his house. The local heads are not good for milking, and they are not properly fed.

Other forms of extravagance are the purchase of ornaments or clothes and the marriage of daughters.

Apart from extravagance, the zemindar may also of course spend his money on land improvement, *e.g.*, the sinking of a well. A number of wells has been sunk in the last two years to supply water where the canal water-supply has been stopped or is lacking.

Hindu agriculturists will lend on interest whenever they have surplus funds; but information on this subject is scanty as the villages are almost entirely Musalman.

Hoarding of cash and jewels is apparently common among Muhammadan janglis—far more so than they are willing to admit. The money is sealed in a *lota* and buried in the ground. When I asked in the villages why they did this I gathered at least that it was true that they did do it, though the reasons were too deep in their minds for me to uncover them.

**J. M. Shrinagesh, Esquire, I.C.S., Assistant Commissioner,
Montgomery.**

1, 2 and 3.—The main cash expenses of a cultivator occur in payment of revenue and rates, cost of seed, bullocks, clothing, new implements of cultivation and an occasional marriage. The above are reckoned as legitimate needs, but house decoration beyond a certain amount and implications in feuds and quarrels often consume much more money. In the jangli chaks most of the clothing, even of men, is made at home, even to the extent of dyeing the cloth; the extra cost here involved and that for new implements is very slight. Marriages need not consume so much of the zemindar's capital; but, as the splendour and gifts at marriages regulate his social status to a limited extent (as also elsewhere), and, as marriages and feuds are the only recreations from work, a certain latitude in expenditure may be given to him under the head of legitimate expenses. It remains to decide whether the zemindar will increase his legitimate expenses or become more extravagant on increased facilities for loans.

The cultivator ordinarily lives within his income. Sometimes, on the occasion of a marriage, or the advisability of new bullock, or on the necessity of seed after a failure of crops, he will borrow. There are no banks or branches of banks in this tract, and his only means of borrowing is the local sahukar, the money-lender and grain dealer in the mandi Sahiwal or the co-operative bank in Montgomery. Except in the case of bullocks, his necessity for each is practically immediate, and sometimes also in the case of bullocks. At Montgomery, with the co-operative bank, he has to undergo an exhaustive enquiry into his securities, morals, etc.; though he will get money at a low rate of interest, he knows that repayment must be made in an absolutely strict unbending law. Any method of increasing loan facilities would have to compete with the local sahukar who, though he takes the grain and a high rate of interest, saves all the worries and expenses of marketing the crops, gives fairly good prices, pays off the revenue and provides the seed merely by a book transaction, and appears not to take too deep an interest in his private affairs. In this tract, as mentioned above, there are no banks in the chaks. If these are introduced and have the personal interest provided by the local bania, such increased facilities would give the zemindar the opportunity to introduce better methods of agriculture which, owing to the sahukars, he cannot do at present. There is no guarantee that better methods will be introduced. But, when the example of Meston ploughs and green manuring has already been followed in chaks near Montgomery, Lonllepur and the seed farm, there is sufficient ground for assuming that after a few years the zemindar will profit enormously.

4 and 5.—The usual crops marketed are the following:—

Wheat, toria, gram, cotton, sugarcane.

There are two large grants on special lease and one large proprietary holding. The lessees and the owners market directly in Montgomery—with cotton directly to the mills, with wheat usually with an agent of a Lahore firm.

The remainder of the tract is, however, chiefly under colony grants of *dubulkari* or *abakari* tenure and mainly under janglis.

Wheat, toria and gram.—Is either sent directly to Sahiwal and sold to grain dealers, or more oftener sold in the chak to the sahukar, who supplies the grain dealer.

Cotton.—Is usually taken straight to the grain dealers and cotton dealers by the zemindars. But it is quite common for the produce to be in sahukars hands and, where this occurs, the produce goes to the cotton dealers through him.

Sugarcane.—Is usually turned into sugar in the same or neighbouring chaks and sold locally or in Montgomery.

6.—The produce, etc., stored in *kothas* and godowns is not used as security for obtaining credit. The zemindar keeps sufficient grain, etc., to last him the year; he normally has no facilities for keeping larger quantities and he knows it. He disposes of it at a favourable price if possible.

7 and 8.—To the sahukar, two types of debtors exist: the agriculturist and the non-agriculturist. The former has crops and hopes of an annual income. On these crops the sahukar will lend up to $\frac{1}{2}$ to $\frac{1}{4}$ value of the estimated produce, sometimes as much as $\frac{1}{2}$ and he is a very good judge of probable outturns. This is the security for him, since, on non-payment of debt, he can and does force the zemindar to pass all his produce through his hands. This is quite acceptable to the zemindar as he gets moderately good prices, is saved the weighing costs and losses and trouble of cartage. The non-agriculturist has to produce a personal security in the form of an agriculturist who has land and crops and is not badly in debt. If the former fails to pay his just debts, the latter is made entirely responsible.

9.—(a) Loans are ordinarily fixed for a period of three years.

(i) The money-lender has no legal claim if three years are allowed to elapse before he applies for its repayment.

(ii) The loans are normally renewed within the three years if there is the possibility of the crops of the debtor maturing well, and if there is sufficient produce in view.

(b) Loans are not commonly refused on account of insufficient security or capital since they are made on the strength of the crops sown or owned by the debtor. Of course a landless man has to produce security or have a legal claim to a share of the produce.

Loans for land improvement vary. If the improvement is of an experimental type the money-lender lends less than the normal $\frac{1}{4}$ th or $\frac{1}{2}$ th of the produce. Loans for sugar-making machines, for

cattle and for improved ploughs are made but not so readily. The creditor has the security of the machine or animal bought.

(c) Repayments are quite often made within the three years. If not, the money-lender takes stock of the paying capacity of the debtor, and his previous record. If both these are unsatisfactory, he will file a suit. If not, he will normally renew his loan, with the knowledge that the produce will all come into his hands after a little pressure where necessary. It is very unusual for a zemindar not to repay. He will often borrow from his brother agriculturist if in extremity in order to do so as he knows that otherwise his credit will be lost with all the sahuksars of the village.

Pressure is in the form of refusal of future loans, and finally resort to litigation.

(d) The *bahi* and the *roznamcha* are used in negotiation of loans.

10.—Normal rate of interest—

Village sahuksar.

25 per cent.

Bank.

12½ per cent.

11.—The village money-lender normally lends all his capital to the *arhti* or grain dealer of Montgomery. He gets approximately 12 per cent for it. If there is a demand for a loan in the village he normally borrows some from the same source at the same rate. The grain dealer will loan money on the strength of the grain with the sahuksar, or the possibility of grain, or on a previous understanding with respect to loans; so that it is unusual for a sahuksar to keep money idle in his hands during any part of the year. When crops are harvested and he receives the grain, the sahuksar either sells in the market and loans the remainder of the money to the grain merchant, or has a certain amount credited to him in exchange for the grain, taking as much cash as is required by the zemindar.

12.—There are always agricultural demands for the zemindar. With his surplus funds, he may buy some more cattle, build a new house, buy a corn-grinding machine, etc. If he is averse to investing in machinery, land or cattle he usually spends most of it in embellishing his house. The badge of prosperity is the character of household ornaments. Hoarding in the form of jewellery and cash (buried) is rare, but is practised. But on the whole the buying of household ornaments and silver, etc., is considered the best method of employing any surplus.

**D. Falshaw, Esquire, I.C.S., Assistant Commissioner,
Montgomery.**

1.—I do not think the ordinary cultivator secures as much capital as he requires for his legitimate needs, as bullocks are one of his needs, and the buying of bullocks is commonly alleged as a cause of indebtedness to sahuikars. The zemindar would probably be better off if facilities for loans on reasonable terms, as from banks and co-operative societies, were increased if the object of the loans were approved. This appears to me, however, to be an academic question, as, where the sahuikar has his grip on a village no co-operative bank can hope to start as none of the sahuikar's debtors who most need the bank's help, dare join or borrow from it, and, unless zemindars could start from scratch, no increase in facilities for loans will be of any use.

The answer to question 1 is in fact intimately bound up with the answers to questions 2 and 3. It cannot be denied that in a certain sense the ordinary cultivator does live beyond his income. Probably he ordinarily does not do so, but some event out of the ordinary, such as the death of his bullocks or the wedding of a son or younger brother, eventually forces him into borrowing as his margin is never very great, and once he has borrowed anything in the nature of a considerable sum from a money-lender it requires almost a superhuman effort to escape. Probably he first of all tries to borrow from more prosperous relations or members of his brotherhood,* and, failing any help in that quarter, turns to the sahuikar, who, I learn from several villages will readily lend to any cultivator who has not already become so involved that his credit is exhausted. I am told, in one village, where the indebtedness admitted (about Rs. 10,000) is almost equally divided between sahuikars and agriculturists, that on the whole it is smaller sums which are borrowed from sahuikars and larger sums, such as a wedding necessitates, from agriculturists, but I cannot say how far this practice is general. Owing to the lower rate of interest demanded, the zemindars will undoubtedly apply to the banks first of all in such villages as possess branches, which number only two or three in these 25 villages, and even in the villages possessing a bank sahuikars manage to find customers. One thing that is fairly certain is that land improvement is not one of the reasons for which loans are usually taken, and I have not heard of any instance of such borrowing in my circle. When asked for what loans are usually taken the zemindars' invariable reply is the revenue, but when they are brought down to reality other reasons emerge. Many of the larger debtors when questioned individually admit weddings, buildings or bullocks as their reasons for borrowing, though of course the reason for the extent of indebtedness is the mounting up of interest consequent upon the inability to repay the loans. In the case of one chak, 78, where the usual reason was alleged for the Rs. 22,000 owed to sahuikars, I learned subsequently that the village is notorious for the feud between two rival lambardars and the

*In auctioned villages the tenants often borrow from the landlords.

factions and the consequent litigation between the parties, which must be a financial drain and mainly responsible for the debt, as the village is not a bad one. Elsewhere litigation was denied when I asked about it.

4 and 5.—In many villages the zemindars do not market their crops at all, but sell them to the sahuakar. On the whole it would appear that those zemindars who are indebted to sahuakars sell their crops to the latter and those who are under no such burden sell them at the mandi, either Montgomery or Okara in the case of my circle. There are exceptions to this, however, as in at least two villages where indebtedness is slight (in one it is stoutly denied altogether) crops are still sold to sahuakars as being easy and convenient method of disposal. The exceptions are all on this side, and there are no exceptions to the rule that debtors sell to sahuakars. All the crops are disposed of this way except fodder which is used for the local cattle. The sahuakars dispose of the crops thus obtained in the mandis in the normal way. When sahuakars deal with the crops of their debtors they pay the debtors as little as possible in cash, enough to pay the revenue, etc., and keep the rest in their books, but when they are buying from others they pay fair prices, the latest prices given in Chak 84 being eleven rupees per maund for American and eight for desi cotton and four rupees for wheat.

Most of the crops in this area are sold to sahuakars, but some zemindars take their own to the mandi, and in two of the auctioned villages the landowners themselves sell all the crops in the mandi and pay the tenants their share in cash. In other auctioned villages the crops are divided and landlord and tenant dispose of their own shares as they please.

6.—In this area produce in *kothas* is not used at all as security for obtaining credit, except from banks.

7 and 8.—In the loans made by sahuakars security is never taken, and not often in the case of agriculturists' loans. Only banks take security as a rule, though I have heard of agriculturists taking security when lending to other agriculturists. The security when taken invariably consists of a personal security, a man getting someone else to act as his surety when borrowing.

9.—(a) Loans are not ordinarily given by village money-lenders for fixed periods. When a man borrows he hopes to pay back as soon as possible but does not find himself down, and what happens is that the sahuakar has a six-monthly balancing of accounts with each debtor at which it is determined how much the outstanding debt still is.

(b) Loans are not refused on account of inadequate security or inadequate capital. The only account on which sahuakars refuse is that a man is already up to the neck in debt, and in fact has exhausted his credit. Loans are not specially refused for land improvement, but are not made for the simple reason that no one borrows on that account. Possibly a sahuakar might not be so keen on these loans as he probably prefers loans which will not be so readily repayed, thus assuring himself of a constant supply of crops at less than market prices.

(c) On the whole repayments are not readily made, though, as periods are not fixed, there is no question of repaying in time. If, however, a sahuakar thinks pressure is necessary, he either threatens or brings a law suit, criminal or civil, against the debtor, and in this circle many decrees have been obtained against debtors.

(d) The most common way of negotiating a loan is for the debtor to affix his thumb-print together with a one-anna stamp in the sahuakar's *bahi*, the transaction being attested by two witnesses in case of trouble.

10.—The normal rate of interest charged by banks and co-operative societies is $12\frac{1}{2}$ per cent simple interest. Sahuakars vary, but the most common rate is $12\frac{1}{2}$ per cent compound interest per six months (usually described as "two annas"), which is slightly more than 25 per cent per annum. The interest charged by agriculturists varies—sometimes it is said to be the same as that of sahuakars, $12\frac{1}{2}$ per cent compound interest per six months, and sometimes nil. A good deal depends on the relations between the parties; if they are closely related the interest is probably nothing, and even the whole transaction oral, and when the transaction is pure business the usual interest is charged.

11.—It is very difficult to find whether sahuakars ever have any surplus capital lying idle on their hands, and I have heard that in many villages the demand for loans is sufficient to occupy most of their money for most of the time. I also learn that many village sahuakars are no more than mere agents of larger traders in the mandis, and so in their case the question does not arise, the idle capital if any being in the hands of the larger firm.

12.—The answer universally given to the question what farmers do with their surplus funds in prosperous years is that they pay back as much as possible of their debts. Further questioning reveals the fact that those agriculturists who have no debts to pay back either hoard their money or spend it on the weddings of their sons. Information about hoarding is naturally hard to obtain as no one will reveal in public the possession of hoarded wealth. Jewellery is certainly bought to a certain extent.

Agriculturists lend to other agriculturists also, but I do not know whether this is confined to certain castes as a practice or not. If any lending is done, however, it is done to people of the same caste as the lender. I cannot say whether the practice is on the increase or not.

**Oral evidence of Mr. F. C. Bourne, I.C.S., Settlement
Officer, Montgomery.**

Chairman.—How long have you been in the district? I came in November 1927. Two-and-a-half years.

Are the conditions described in the notes submitted by the officers working under you typical of the whole district? They are not all the same. Are they typical as a group?

They do not apply to the old proprietary lands but they do represent conditions in the Colony generally.

Does your note apply to the whole district? It is intended to do so on broad lines.

You speak of farmers sending their cotton to Bombay or even Liverpool. Only Colonel Cole has done so but he generally finds that he can get better prices in Okara.

Having regard to the special conditions of marketing, do you think that on the whole the producer gets a fair price? I think that the village shop-keeper in his books, at any rate, pays a comparatively fair price in relation to market prices.

Chairman.—You say that you do not think a system of licensed warehouses on the U. S. plan would be feasible without such close Government supervision as would make it prohibitively expensive. What had you in your mind when you wrote this? I do not think that you could get the confidence of the small landlords without a very close supervision on such warehouses. Such men prefer to take their produce to the mandis and realise returns forthwith, whereas if they took it to the warehouse they would feel all kinds of fears and questionings.

Is it the case that producers at present are disinclined to store their produce?—No. They do not sell it forthwith.

Do they store it in their houses?—Yes.

Are they disinclined to store it with middlemen?—Yes, they are.

That applies as well as to the big producer?—Yes.

If he stores he would store it himself?—There is no difficulty about this?—Yes.

Then storage facilities are not really required?—I do not think so.

Then there is no particular advantage in Government providing them?—I do not think so at least from the point of view of the small farmer and the big farmers have their own godowns.

If a small farmer stores his own produce, does he lose a certain part of it from weevil and other damage?—He is bound to with corn. I do not know about cotton.

Would that difficulty be obviated by having licensed warehouses?—Not to the small holder because the amount of wheat he stores is very small. He eats most of it. They keep their household supplies in the ordinary bins made of mud which have come down from time immemorial.

What type of man have you in mind when you speak of the small holder?—A man with about half-a-square.

Have you ever enquired into the question of loss?—No.

Would you regard it as an advantage to the cultivator if agriculturist money lenders were to increase?—No, I do not think it is to his advantage. He would rather go to the *bania*.

What reasons do people give for that?—The agriculturist money-lender would very likely be an old soldier who would make things hard and would press for payment at an earlier date.

Is it true that the agriculturist money-lender's great object is to get hold of his borrower's land?—Yes, that is so. They have been doing so in many cases.

Can you say whether, other things being equal, an agriculturist money-lender will lend more than a non-agriculturist money-lender?—As far as I can recollect the professional money-lender gives better terms.

The idea is that land represents better security for an agriculturist money-lender than for a non-agriculturist, as the former can ultimately get possession of the land, while the latter can only get it for a period of twenty years?—I can give you a written note regarding this district on that point.

Has the non-agriculturist money-lender usually an influential friend amongst the zemindars to assist him in recovery?—I never met with a case of this kind.

In your note you speak of "mortgages for a short term being only distinguishable from leases in that the consideration for the whole time is paid or credited in advance." Is there not a distinction between a mortgage and a lease in that in the case of a man leasing his land he does not want to cultivate it, but in the case of a person mortgaging his land he would like to cultivate it if he could?—Yes, that is generally found.

Would that apply to what you say in your note?—They are really mortgages not leases.

The mortgages are not really leases, but the leases to some extent partake of the nature of mortgages?—Yes.

Mortgages play a very small part in the money lending of the district?—Yes.

In your assessment report of the Okara tahsil you give figures for debt. Is most of it unsecured?—Nearly the whole of it. Very small part is secured by mortgage.

Would that apply to the whole of the colony?—Yes, the Report of the Okara tahsil is representative of the whole colony.

Have you enough experience to say how much the ordinary *sahukar* makes by way of net profit over a period of years?—No. But some of them are known as *lakhpatis*.

How many?—There are few.

The rates of interest in the district are higher than those we have met with elsewhere. 25 per cent is normal.—Sometimes it is 19 per cent.

Can you suggest any reason why the rate of interest should be somewhat higher here than elsewhere?—No. Rates in Okara are more usually 19 per cent than 25 per cent. In Khanewal 25 per cent. is general. Except that when an agriculturist lends to another agriculturist the rate is 12½ per cent.

Yet you say that an agriculturist would rather get his money from a *sahukar* than from an agriculturist money-lender?—It is very hard to generalise. I was thinking of the hard up small farmer who is the typical borrower. A Jat Sikh lender would charge an impoverished *jangli* 25 per cent because the security is bad.

Do you think the ginning factories give a fair price for cotton?—I do not think my opinion would be worth anything. I have heard of no complaints. As a matter of fact we are having an enquiry now about the relations between the ginning factories and producers which has been ordered by Government. I think it was the Senior Secretary to Financial Commissioners who sent that order. I will let you have a copy of the report if possible.

You say that though the figures for debt given in the Okara report are far from scientifically accurate they at least provide a basis for discussion and inference. Could you say what the margin of error would be? Are the figures below or above the margin?—I will tell you how it was done. I go round to every village and before I go the *kanungos* and *patwaris* draw up a statement in set form showing all the economic particulars of that village. I do not see why the figures may not be taken as correct. Some people may exaggerate while others are shy to admit their debts.

Do you think the figures are correct within 10 per cent.?—I think so but it depends on how careful the Naib-Tahsildars and *Kanungos* were.

Did the Naib-Tahsildars check the figures?—Yes.

You say that when *zemindars* lend money to each other it is usual for gold ornaments or something of the sort to be taken as security. Is that common?—Since writing that I think in many cases they take no security at all. The *Muhammadans* especially when dealing in the *baradari*.

Do you think that gold ornaments play a very small part in providing security?—I think security is taken most commonly as a personal bond backed by one or two friends.

From the figures for debt given in your assessment report for Okara it seems that debt varies from area to area. In one case it is Rs. 1,350 and in another Rs. 585. Is there any obvious reason for this?—Rupees 1,350 is for the *bet* that is for the old rather small proprietary villages where holdings are small and people are poor and debt has been accumulating for generations; the Rs. 585 is in the Beas circle which is practically all new colony.

In this colony proprietary rights have not so far been acquired?—In most cases not.

That means that credit is restricted.—Yes. Also people are starting with a clean sheet. These debts are not supposed to include debts incurred before coming into the colony.

How many people are concerned in the *bet* area?—Only 600.

Do you not regard the *bet* figure (Rs. 1,350) as an alarmingly high figure?—It is a lot. A lot of the proprietors are absentees and make their living by acting as tenants in Lyallpur or Montgomery.

Have you got figures for any other tahsil? No, they will not be ready till the end of July or so.

You speak of prosperity having been brought in by canal irrigation. On the whole are the effects good?—Yes, where what was once a desert is now inhabited.

You have served in Ferozepore?—Yes.

My impression in Ferozepore was that prosperity had a demoralising effect on the people.—Prosperity led to drink and gambling, etc. Ferozepore has been more or less static for many years.

Of course there is more money in the colony and population has gone up, but what has been the moral effect on the people?—I think that the sudden prosperity after the war when cotton was sold at Rs. 25 a maund did not do them any good. When the soldiers were all coming back from the war and wanted amusements and had money to spend on them, that was unhealthy. But since then they have had to cut down their expenses and are now taking life pretty soberly.

Do you think a good deal of surplus money has come into the district? On the whole it is very hard to say. Some of the people are still paying off their initial expenses. They had built houses and bought cattle. But there must of course have been an increase in money since the canals came.

Is money being saved and invested in cash certificates, savings banks, lands or houses?—The Sikh lends it out on interest.

And cash certificates?—I do not know.

On the whole you think that prosperity is having a good effect?—Undoubtedly.

You have in this district a certain number of Hindu landowners?—Yes, there are some.

I gather from your assessment report that they cultivate their land better than other zemindars?—They have got better financial minds and look after their interests better than the Janglis.

Is it because they command more capital or because they have a more business-like character?—I think the latter. The small rural cultivator will work with his hands.

In the colony you have a large number of military grantees. I suppose they have more capital than the ordinary colonist.—Yes, they have got their pensions.

Is that proving of advantage in their cultivation?—I do not think they use it much on agriculture. They have been benefited by it by having been able to build better houses. A few have spent their money on ploughs, good seeds and artificial manure and have benefited. The Sikh who lends his money has also benefited.

Then good farming depends on something else than capital?—Ninety per cent is labour and skill.

At present, therefore, you regard capital as a comparatively unimportant factor compared with labour and skill?—Yes, I think so because they can borrow money from Government or get it on their land and pay it back in due course, like the Arains.

The Arains are not more prosperous because they have more capital?—They have now but they started with hard work and skill.

I have heard that small notes are exchanged at a premium in this district.—I have never heard of this.

It is frequently said that land revenue is the cause of the zemindar's indebtedness. Do you think so?—I should say it was not. Provided they get a sufficient amount of water and their land is reasonably good and seasons normal, land revenue is a very small charge on their return.

Khan Bahadur Chaudhri Niamatullah.—You say in your memorandum that the Central Co-operative Banks advance loans on the security of landed property. Do they hypothecate the land?—Not exactly, but they have in view the landed property of the borrower when advancing loans.

You give three classes of money-lenders; first, the landlords, secondly agriculturists lending to brother agriculturists, and thirdly sahuikars, but the landlords or agriculturists don't charge any interest. Sometimes they do. Generally these advances are made for the improvement of land. The Sikh agriculturists sometimes advance to their friends without any interest.

Do the money-lenders charge compound interest?—After six months or a year at the time of settlement of accounts they add interest to principal and thereafter charge compound interest.

Who is the better money-lender, one who charges interest or the one who does not charge interest in the interests of a zemindar?—The man who does not charge interest.

Why people don't resort to taccavi loans freely?—They do, as the statement in my Okara Assessment Report shows.

You say the co-operative societies are not popular; why?—It is suggested by the results of my enquiries. By far the largest creditors for rural indebtedness are the Sahukars.

Rai Sahib Kishan Lal.—You say that the usual rate of interest is 25 per cent per annum. Do you know what is the net recovery? I do not know at all. In some cases they recover more, because they go on adding compound interest.

Out of this 25 per cent what is the net recovery?—I do not know.

Is the number of money-lenders increasing or decreasing?—I should not think it is increasing; I am offering a very casual opinion.

Chairman.—Have you heard that sahlukars are leaving the colony and going back to their towns?—Yes, some have gone back because there is no "guzara." I heard of some sahlukars from the town of Nur Shah, who had done so. They had found no opening for anything but "lun-tel" and "pind pakauri" business, and preferred to go home.

Are they the people who come from outside the district?—No, they come from part of this district. Lot of these people have now established firms in the mandis.

(Witness withdrew.)

**Oral Evidence of Mr. F. W. Wace, I.C.S., Colonisation Officer,
Montgomery.**

Chairman.—How long have you been colonisation officer at Montgomery?—Five and-a-half years.

How much service have you had in this district?—Ten years.

Can you speak for any part of the district apart from the Nili Bar?—Not within the last five years.

What figures have you got?—First of all of the actual amount realised from sales of land to agriculturists and non-agriculturists.

What does that amount to?—The principal and interest realised from agriculturists amounts to 41 lakhs and from non-agriculturists to 25 lakhs.

From what year?—Since 1926 when the first sale was held. It is the result of six auction sales on about 45,000 acres of land.

Has that been realised?—Yes.

Is there a large amount outstanding?—Yes. And I have some figures here of the actual amount realised but which has since been confiscated.

A certain amount of money has, therefore, lapsed to Government?—Yes, five lakhs from agriculturists and one lakh from non-agriculturists. It is the amount of the initial deposit of 10 per cent. No instalments have been paid since.

How much is outstanding now?—I have not got the actual figures, but about a month ago it was something like twelve lakhs. I can get you actual figures from my office if you would like to have them.

Is that due mainly from agriculturists or from non-agriculturists?—In the proportion given above—about 41 to 25 lakhs.

Do you find it more difficult to recover money from agriculturists than from non-agriculturists? Generally speaking, yes.

What is that due to?—Generally the agriculturist is a small man who comes to buy a lot of 25, fifty or 100 acres and just raises enough money to pay the initial deposit and hopes to pay off from the land. The non-agriculturist buyers are big buyers who buy in large lots of a thousand acres or more. They are not in the same position. They have money at their back. Even small buyers have some source of paying off, sometimes the cultivation of their own land.

Have you any idea as to what proportion paid by agriculturists has been borrowed?—I cannot give any figure, but I should say almost the whole of it has been borrowed. It is either borrowed or raised by sale of land in their home districts.

From what districts have most of these people come?—Most agriculturists are people who have land in Lyallpur or Sargodha. A large proportion are Sikhs.

Have you any idea of the rates at which they have borrowed their money?—No. I have not.

Have you any idea as to whether it is above or below 10 per cent.?—I have made a few enquiries from a small number of them, but they are not enough to form dependent conclusions. On those it was 10 per cent.

Have you come across anyone borrowing at less than 10 per cent.?—No.

Do you think most of them have mortgaged their land to finance their purchase?—I think some have. This would apply to people from the old districts not from the colonies.

What return do you suppose a person gets on land purchased in the colony?—I have worked it out, but it entirely depends on the price which varies according to auction conditions. My average on all sales so far is something over Rs. 410 an acre. On that and given average land he ought to realise 8 to 10 per cent.

That is if he cultivates it himself?—Yes.

How much would he realise if he gives it on rent?—Five per cent.

So 3 per cent. is the return on labour and skill?—Yes. Three to five.

Then rent would be three to five also? No. I said 8 to 10 per cent.

Then if he borrows money at over 10 per cent. and gets land on which he cannot get more than 3 per cent. it is not a paying proposition?—No.

Then do you regard the purchase of land under the present conditions as uneconomical? With the present prices of agricultural produce yes, if the purchaser has to borrow the whole purchase price.

Has the price of land fallen with the fall in the price of produce?—I should say so. Even to a greater degree—in far greater proportion.

Which has fallen most?—The price of land has fallen more than the price of produce should justify it.

Then the return on a man's land now would be greater than it would have been two or three years ago?—Yes.

Then if the return on land based on the prices ranging four or five years ago is 8—10 per cent. what would be the return on present price?—I think it would go up to 12 per cent.

From the point of view of the purchasers of land do you regard this fall in price as a disadvantage?—When he buys now? No I do not think it is.

In how many instalments is the purchase price payable?—Government are altering the conditions. In the first sale it was in five yearly instalments. The conditions which have been now sanctioned, are in fourteen half-yearly instalments. At the same time the initial deposits have been put up from 10 per cent. to 12½ per cent.

The rate of interest is 8 per cent. ?—Yes. Some lots were sold at 5 per cent as an experiment.

If the return from land is only 8 per cent and interest is also paid at 8 per cent., how is a man to repay his principal ?—I do not think it is possible to repay on the return from his land.

Then do you regard it as a fair proposition from the point of view of the purchaser ?—Personally I think that the rate charged by Government is too high. It should not be more than 5 per cent.

Do you think the period of repayment is long enough ?—Yes, I think the seven years' period is long enough.

Having regard to the fact that Government has to pay interest what rate would you charge ?—Half per cent. over and above what Government has to pay.

Even so how would the purchaser repay his principal if the margin between his return and the interest he has to pay was only 1 to 2 per cent. ?—He must rely on other sources.

What objection would there be to giving him a longer period for repayment ?—Has that been considered ?—I believe it has. It has been rejected by Government. There was considerable agitation among purchasers that the instalments should be extended to ten years, but seven years is the maximum period allowed.

This is a point of some importance because the figures given to us show that a very large amount of money is being borrowed for the purchase of land in various colonies and a great part of it is borrowed at high rates. That being so it would seem that the result of the development of these colonies is to increase debt and make many cultivators more involved than they would otherwise be. Do you see any remedy for that ?—No immediate remedy. Of course it will be accentuated in the Nili Bar colony because such a large proportion of the land is to be sold.

What proportion of land is to be sold ?—One-third, that is about 300,000 acres.

What is the system in regard to the other $\frac{2}{3}$ ds ?—One-third is for peasant colonists and for various special allotments to departments of Government and a third for special reservations for grazing grounds and village sites, and for uncommanded and unculturable land.

On what conditions does the peasant colonist buy land ?—He is more or less in the condition of a tenant-at-will. He pays nothing for five years, but pays malikana at Rs. three per acre for ten years. At the end of five years he receives occupancy rights for which he pays nothing. After ten years he may start to pay the purchase price of land. He can either pay a lump sum of Rs. 100 or spread it out over a number of years up to forty, involving a total payment up to Rs. 240 or a sliding scale according to the number of instalments.

Then the only finance that the peasant colonist requires is for initial expenses?—Yes. There is the transportation for himself and his family to the colony, which depends on where he comes from; purchase of cattle and implements, that again varies considerably. He might bring plough and cattle with him or may not. Say roughly Rs. 200 for that. Then there is the demarcation of land. Assuming that he gets a 25-acre square, he should be able to do that for Rs. 25. That is merely the demarcation, in addition there is the levelling, forest clearing, preparation of land, &c., which varies with the nature of land. I have allowed him Rs. 100 for that, in some cases it is much higher. Then there is the building of houses and stabling for cattle—say an average of Rs. 500 on that. He has got to pay his share for the village well which would amount to Rs. 50, and fodder for his cattle before he can grow any. In addition he has to pay his share of the average rate (water-courses, culverts and general survey); in the Nili Bar this charge is at Rs. three per acre, if paid in one instalment, or Rs. 75 per rectangle. Altogether I have calculated that Rs. 1,000 is required.

How does he raise the money?—From the sahuکار.

To some extent too from selling home land?—There are not many who have home land. Sometimes they make over their share in the home land to their relatives or others who have a share in the land and purchase land here from the price.

Would it be possible to make a rule that he must sell his share in his home land?—It has been tried, but it is difficult to enforce it. I have tried to insist that so as to have this benefit he must give up his share in property held in the home village, but if he does, it is not possible to see that he gets consideration for that.

Could it not be made a condition of grants that home land must be sold? There might be two advantages in this:—it would provide the colonist with finance, and it would facilitate consolidation of holdings in his home village.—Certainly.

At what rate do you suppose most of these people raise these Rs. 1,000?—There are no special facilities. None that I know of.

Do many of them borrow from co-operative societies?—They do.

Chairman.—Have co-operative societies been able to provide financial help in a certain number of cases?—Yes.

In some thousand cases?—Yes, but unfortunately it does so happen that the co-operative societies have mostly been started in the more prosperous villages. It seems to me that prosperity and education are going together particularly in the Military grantees' villages where co-operative societies have been started.

Assuming a person borrows Rs. 1,000 to-day at the ordinary rate of Re. 0-0-3 per rupee per month, how soon would he be able to repay that debt from his cultivation?—I think they can repay. They could do it if they liked, because given good protection and fairly long period

to start with (for he has nothing to pay for the first two harvests) he should be able to pay it off in five years.

Am I right in thinking that a grantee in the colony is in a much better position than an ordinary purchaser?—Yes, the purchaser has a double burden to carry.

In actual fact is the purchaser more financially involved than the grantee?—The purchaser is of the same class as the grantee; he has become so.

What are the rates on which money can be raised in the colony? From an ordinary town sabukar I think it is 25 per cent.

Are these rates justified by the difficulties of recovery? I think they are not unduly high. After all the money-lender here is in exceptionally difficult circumstances. He does not know in the least that the man will not abandon his land and leave the place altogether. The money-lender has no guarantee that the borrower will not make default in payments.

Is there a substantial proportion of people who buy land and default in payment?—Yes, it is substantial. I could not tell you exactly, but such a large proportion of people default in their payments that I formally confiscate their lands.

Can you give us any figures to show how far the price of land has fallen during the last five years?—I have not got the figures, but I think I could very easily. In the first land auction that I held in 1925-26 the average was Rs. 495 per acre; in the next following it was Rs. 394. It has since risen again slightly, but the rise is really fallacious, because the Government had put high reserve prices on the land. I can send you the actual figures if you like. I have got some further figures about the lands sold for mandi sites.

It has been very freely stated before us that one reason of the fall in prices is that the standard of living has outrun the income of the agriculturist?—I think it is so. It is not greatly noticeable in the new colony.

A witness told us that the quality of work had deteriorated during the last ten years?—I should not have said that myself.

The figures of actual sales of mandi sites are as follows:—

| | | | |
|--------------------|----|----|------------|
| Mandi in Arifwala | .. | .. | 4½ lakhs. |
| Mandi in Burewala | .. | .. | 2½ lakhs. |
| Mandi in Vihari .. | .. | .. | Rs. 60,000 |
| Mandi in Lodhran | .. | .. | Rs. 60,000 |

These are the amounts that we realised. In addition to that I have made an estimate of the amounts expended on buildings on these sites:—

| | | | |
|-------------|----|----|------------------------|
| In Arifwala | .. | .. | Approximately 8 lakhs. |
| In Burewala | .. | .. | 6½ lakhs. |
| In Vihari | .. | .. | Rs. 25,000 |
| In Lodhran | .. | .. | Rs. 92,000 |

In the case of Arifwala and Burewala the figures include four lakhs at each of the ginning factories, three of which are owned by European firms and one ginning factory is owned by a Punjabi firm.

Do you think that on the whole the producer gets a fair price for his produce in marketing it?—I think, generally speaking, he does. In the early days of the colony there is no doubt that in Arifwala there was an attempt made to loot the producer, but this automatically adjusted itself, because the producer went elsewhere. In the early days there was a very marked difference in the price which he could get at Arifwala and the price that he could get at Montgomery or Chichawatni. Now on account of transport facilities he can take his produce wherever he can get favourable prices.

A point that was mentioned before us yesterday was that if a person buys land in the colony and offers payment by cheque, it is refused?—It is not always so. As a matter of fact, I am not legally entitled to accept a cheque in payment from any body.

Why should money be brought from a distance, say, from Lahore to Pakpattan?—The difficulty is that I have got no means of checking whether the man has got a credit with the bank or not.

Presumably you would not give a final receipt till the cheque has been accepted and the amount credited to Government?—That is all right, but take for instance an initial deposit at an auction of the land. The man produces a cheque, say, for Rs. 10,000. If it is subsequently discovered that the man has got no credit, it means that the auction sale is void altogether, because if I fail to sell it on that date, I cannot hold another auction for another six months.

Don't you think that in such cases the Colonization Officer should be given discretion to accept cheques from the parties whom he knows?—As a matter of fact, I do, but I don't know the difficulties of making that rule of universal application.

Where payment has not to be made on the spot, why should not payment be accepted by a cheque?—I rather would have it by a cheque.

Do you see any objection from your point of view?—It may result in the land being auctioned again after six months.

I am talking of the payment of instalments. When the auction bid is accepted, if the cheque is received by the due date, why should payment in cash be insisted on?—I see no reason why should it be insisted on, but that is the general rule. If any body wishes to make payment in this way, he can apply to me and on my sanctioning it he can pay the money anywhere, but he has to get special leave for it. I accept cheques on my own authority.

Contrary to the rules or under the rules?—I think I am acting contrary to the rules.

It would be convenient to you, then, if you were allowed to accept payments by cheque?—I think it is simpler from the point of view

of making entries in the ledger accounts that if a man makes payment in cash, the accounts are adjusted at once. If the payment is made at some other station, say, Amritsar, it takes long to adjust accounts:

Have you had much to do with the distribution of taccavi?—Taccavi is given in rather exceptional circumstances. While working in this colony, I have made it a point of asking for taccavi for particularly impoverished *ilagas*, and the Deputy Commissioner has sanctioned that.

Have you had any complaints about distribution?—I have not heard any complaints myself.

Chairman.—Have you distributed a large sum?—Not a large sum; It was only Rs. 50,000.

Would you restrict the distribution of taccavi to emergencies or would you make it a normal part of agricultural finance?—I should make it a normal part, provided recovery is insisted on.

Making it a normal part naturally involves the distribution of a considerably larger sum, and then that means an extra duty upon your executive staff for recovery?—Yes, it would.

Does the agriculturist money-lender play any part in the finance of the colony?—I should say his part is really in the same proportion as it is in his home district.

Can you offer an opinion as to whether it is better for a cultivator to go to a fellow agriculturist than to a sahukar?—I think he is better treated by the sahukar.

We have been told that the money-lender generally has an influential friend amongst the zemindars, probably a Zaildar or a Lam-bardar, who assists him in recoveries. Is that the case in the Nili Bar?—I have not come across it.

(Witness withdrew.)

S. Chanda Singh, Income-tax Officer, Hissar.

2. (i) No ; it is confined to Mahajans only.
 (ii) Yes ; grain kothas, cotton bails.
 (iii) 60 to 75 per cent.
 (iv) Yes.
 (v) No limit is fixed. Generally goods pawned are to be redeemed within two years.
 (vi) Kothas are maintained for storing grain.
 (vii) There is not much variation. In both cases rates for traders are 6 per cent.
 (viii) No.

(ix) Seldom ; losses may arise on account of wide fluctuation in the market prices, as it happened last year in the case of silver and cotton bales.

(x) Generally the rate of interest is not affected. It all depends on the party borrowing.

Rural investments on the security of ornaments are few and practically ignorable. Rate of interest is also comparatively lower than that charged on unsecured bahi loans.

3. (i) No.
 (ii) Yes.
 (iii) Mahajans.
 (iv) Mostly jewellery.

1. (a) Money-lenders generally deal in grain and supply of general provisions in the form of *parchun* shops.

(b) Money-lending is their primary business.

(c) (i) Agriculture and trade in grain dealings are generally financed.

(ii) About 25 per cent of the capital of rural money-lenders with investments over 20,000 is invested in mandis with commission agents who deal in grain.

(d) (iii) 6 per cent rate of interest is paid for borrowed capital.

(e) 6 per cent in the case of urban money-lenders and 12 per cent in the case of rural money-lenders.

(f) In the case of urban money-lenders I have allowed $\frac{1}{2}$ per cent on capital on account of bad debts and expenses. In the case of rural money-lenders I have allowed 1 per cent on account of bad debts and $\frac{1}{2}$ per cent on account of other expenses.

(g) (i) Jewellery in the case of rural money-lenders and grain. *kothas*, cotton bales, and jewellery in the case of urban people.

(ii) It is generally valued by the money-lender himself.

(iii) 75 per cent is the maximum that is advanced.

(j) (i) Money is advanced on security to personally known customers. Sureties are seldom demanded or produced.

(i) They are not for any fixed period.

(n) (iii) Judicial proceedings are started in the case of a rural debtor when he has refused to renew the loan in any form and the time limit prescribed by law is nearing its close.

(o) Twenty per cent loans are advanced in kind, 30. per cent realizations are made in grain.

**Oral evidence of S. Chanda Singh, Income-tax Officer,
Hissar.**

Chairman.—When were you appointed Income-tax Officer?—

A.—On the 1st April 1924.

Q.—What were you before?—*A.*—I joined the income-tax department on the 1st July 1923 as Income-tax Officer candidate.

Q.—In what district have you served?—*A.*—I served in the Muzaffargarh and Dera Ghazi Khan districts and then I went to Hoshiarpur for six months. Then I came to Rohtak.

Q.—How long have you been in Rohtak?—*A.*—I have been in Rohtak for full three years.

Q.—You talk of 338 assesseees in paragraph two* of your note. Are they all rural assesseees?—*A.*—Yes.

Q.—In paragraph thirteen you work out the average rate of interest on bigger loans at 13·5 per cent. Does that include interest on deposits?—*A.*—Yes, it includes interest on deposits made by rural money-lenders in mandis as well as elsewhere.

Q.—If you exclude the deposits, would the average rate of interest be higher, is not that so?—Yes. The rate of interest on deposits is between 6 and 9 per cent. If we exclude the deposits, the average rate of interest will be between 15 and 16 per cent.

Q.—What would be the interest on loans of smaller amounts?—*A.*—About 16·5 per cent.

Q.—You have worked out the average rate of interest on rural money lending at 16 per cent. You have also worked out the average rate on bigger loans at 13·5 per cent. That is to say, loans over Rs. 500 (in which you also include deposits) at 13·5 per cent. You contrast these and find that the bigger loan carries a smaller rate of interest. Is that so?—Yes.

Q.—Can you tell us how many of these 767 items are deposits?—I will be able to give you the figures.

Q.—In your classification, you have taken all loans below Rs. 500 as small loans and all loans above Rs. 500 as big loans, is that so?—Yes, for rural areas.

Q.—In paragraph fifteen you work out the effective rate at 12·8 per cent. Is that after all adjustments have been made?—Yes. This is for investments below Rs. 20,000.

Q.—In paragraph sixteen you work out the effective rate of interest after adjustments have been made at 13 per cent. This is in the case of rural money-lending.—Yes.

Q.—Have you made any allowance for bad debts?—No.

Q.—Would it be possible for you with your experience to give an estimate of what allowance should be made for bad debts?—*A.*—It all depends on what you consider as bad debts. What may be bad debt from the point of view of the committee may not be bad debts

* Vide p. 244 Report.

from the point of view of the Income-tax Department. If you would restrict the meaning of bad debt to what the Income-tax people understand by that expression, I may be able to give an estimate.

Q.—Are not bad debts written off?—Only very few debts are written off. Mostly loans are renewed. Out of 184 cases of assessees only ten items were claimed to be written off. I may say that some people are ignorant of law and do not know how to write off bad debts.

Q.—Will it be possible for you to give us an estimate of the actual income earned for a period of five years?—A.—I have discussed with many rural money-lenders and I find that 12 per cent may be taken as a reasonable proportion of net interest income earned.

Lala Harkishan Lal.—Is that 12 per cent arrived at after working out the actual figures?—A.—No.

Q.—Then this 12 per cent is only an estimate?—Yes.

Q.—Have you come across any single case in which the balance sheet of money-lenders has been made on the same principle as the banks?—No, not on the principle of a bank.

Chairman.—Are the figures of 12 per cent and 18 per cent given in your note typical of the two districts?—A.—As regards the rates prevailing in the districts are concerned, the rates in Hissar and Rohtak are practically the same. Sonepat and Hansi tehsils are similar. The rates of 12 and 18 per cent are very common in this part of the ilaqa, excepting the two tehsils of the Gurgaon district, that is, Nuh and Firozpur-Jhirka, where the average will be even 24 per cent. Otherwise the figures I have given are typical of the districts of Hissar, Karnal and Rohtak.

Q.—You then regard the figures as characteristic of Rohtak, a good part of Gurgaon and the whole of Hissar?—A.—Yes, in these parts, the general rates are between 12 and 18 per cent.

Q.—Are these figures characteristic of Dera Ghazi Khan?—In Dera Ghazi Khan the rates are higher.

Q.—Are cash realisations higher there than here?—A.—As Income-tax Officer I do not examine cash realisations. We do not know how much ultimately will be realised in cash. The figures I have given are adjusted figures. They do not represent interest earned actually in cash. They represent interest as charged in the books.

Q.—Can you tell us to what extent advances are made against jewellery in this area?—A.—It is only very nominal.

Q.—Apart from mortgages, are all the loans unsecured?—A.—Yes. In rural areas the people have not got much of jewellery on which to raise loans.

Q.—With whom are deposits made?—A.—They are made with firms of good repute in the mandī or with relations or friends.

Q.—Are they money-lending firms?—A.—Yes, money-lending is one of the main duties of the firms, but mostly they deal in grains, and are known as commission agents.

Q.—Do you mean that they partly finance money-lending and partly dealings in grain?—A.—Yes.

Q.—At what rate of interest is the money deposited?—A.—At between 6 to 9 per cent, average is 6.5 per cent. There are investments of about 1,00,092 rupees at below 6 per cent. The lowest rate that I have seen is $3\frac{1}{2}$ per cent., but this is in the case of those who deposit on one day and may withdraw the next day. It is mostly on demand.

Q.—In the case of hundis, are most of the deposits fixed?—A.—There is a general understanding that the money will not be withdrawn for a year at least. It is, however, only private understanding. There is nothing in writing.

Q.—Can you offer an opinion about hoarding in these parts?—A.—I know of certain cases, but I will not generalise from them. There are not much of savings in these days on the part of zemindars to allow of hoarding. There is practically famine in these areas and so there cannot be much of hoarding.

Q.—Have you any opinion to offer as to the difficulty of realising money through courts?—A.—I can give specific cases, where suits are filed; the duration of the suits and the expenses on suits, because this information can be obtained from the *roqār* and *khata*s which these people maintain. But this information I can supply after the 1st of March, because by that time my assessment will be over. People have got little or no faith of recoveries through courts.

Q.—Can you say whether a substantial portion of the amount decreed is recovered out of court?—A.—Yes. I made enquiry of a money-lender and his information was that while 24 per cent was realised through courts at least 50 per cent was realised otherwise. The general impression is that 50 per cent is realised out of courts, 25 per cent through courts and 25 per cent at best is taken as bad debts.

Q.—That percentage includes interest also?—A.—Yes.

(Witness withdrew.)

Lala Kundan Lal, Income-tax Officer, Rohtak.

2. (i) No ; it is confined to the Mahajans.
 (ii) Yes ; Grain-kothas, cotton bales, etc.
 (iii) 50 per cent to 70 per cent.
 (iv) Generally they do it themselves ; but if they get it done by sarafs, which is very rare, nothing is charged.
 (v) No limit.
 (vi) Yes.
 (vii) In this district there is practically no difference.
 (viii) No.
 (ix) Seldom ; losses usually arise on account of fluctuations in the market prices. For example, the fall in the price of silver has considerably affected the pawn-brokers.
 (x) Generally the rate of interest is not affected. It all depends on the party borrowing.

Rural people lend only on the security of ornaments and that too on a small scale. The rate of interest is also comparatively lower than that charged on the lekha-bahi loans.

3. (i) No.
 (ii) Yes.
 (iii) Banias.
 (iv) Mostly jewellery.

Oral evidence of Lala Kundan Lal, Income-tax Officer, Rohtak.

Q.—How long have you been in the Income-tax Office, Rohtak ?

A.—From May 1929.

Q.—How long have you been Income-tax Officer or Assistant Income-tax Officer ?

A.—Since 1926. Before that I was inspector. I was inspector for 2½ years. Gurgaon is also in my circle.

Q.—You say in your note that you sent to the Commissioner, Income-tax, about the position of the money-lenders that many sahukars are of the opinion that co-operative societies do not offer the same facilities to the zemindars as they (the sahukars] do ? How many have said that to you ?

A.—I think about fifty of them told me so.

Q.—Have you heard this complaint from zemindars ?

A.—Yes, one or two in Jhajhar tahsil told me that in far off place co-operative societies are not so popular.

Q.—Were these fifty sahukars of one particular tahsil or are you speaking of the whole district ?

A.—I speak of the whole district. They belonged to Rohtak.

Q.—In what respect do they not offer the same facilities ?

A.—Recovery by co-operative societies is very strict, while in the case of a bania it is only in the third year that he is rather strict, otherwise he is prepared to wait and is prepared to accept anything in kind or cash. And he can accommodate him with seed and grain as time requires and on occasions of marriages the sahukar is prepared to give him other facilities.

Q.—Have you, on the other hand, heard it said that the co-operative societies are an advantage to the zemindar ?

A.—Yes, they do say that.

Q.—What is the impression you have formed during your stay in this district ?

A.—My impression is that co-operative societies are meeting the need. They are certainly a boon to the people in as much as they advance loans on lower rate of interest and people can get advances very easily and there is no fear of fraud. But in the matter of recovery they say sahukars are better than co-operative societies.

Q.—Are the zemindars afraid that in dealing with the sahukars they may not be treated straightforwardly ?

A.—The impression was there, but it is going down probably on account of the competition with the co-operative societies and the zemindar lenders.

Q.—Do you think that impression was justified ?

A.—A few years back they had reason for complaint.

Q.—Is there less reason now ?

A.—Yes I think there is less reason now ?

Q.—Sahukars then are now more straightforward ?

A.—Yes.

Q.—Is this under the stress of competition ?

A.—Probably.

Q.—Your note suggests that feelings between the zemindars and the money-lenders are very strained ?

A.—Yes.

Q.—Is it partly due to propaganda on the part of enthusiastic preachers ?

A.—That is what I was told by people at Gurgaon when I was Assistant Income-tax Officer in 1926.

Q.—Have you come across the same thing in Rohtak ?

A.—In Rohtak I think there are more political considerations that have created this tension between the communities.

Q.—And in Gurgaon ?

A.—In Gurgaon there are not so many leaders of the first rank of zemindars as there are in Rohtak and they try to improve their community and solidify it at the cost of creating tension between the communities. But in Gurgaon I have not had the occasion to study this point. But the tension is there.

Q.—Have you seen any of the leaflets you mention ?

A.—Yes, one or two in Gurgaon.

Q.—Were they calculated to arouse bad feeling ?

A.—Yes.

Q.—Who was responsible for them ?

A.—I do not know.

Q.—You speak of murders. Of how many cases have you heard definitely ?

A.—I have heard of many cases in Gurgaon and Rohtak districts.

Q.—Do you think they were ascribed to money-lending ?

A.—Yes.

Q.—You speak of a tendency among sahuikars to migrate to towns and mandis. Do you know of many cases ?

A.—I cannot say exactly the number of cases, but they are migrating.

Q.—What is the source of your information ?

A.—Some of my assesseees who have now come to mandis of Sonapat and Rohtak.

Q.—How many of them ?

A.—They are very few.

Q.—Would it be a dozen men who have migrated to mandis ?

A.—I think it would be more than that ; possibly twenty or thirty.

Q.—Have you asked any of them why they have migrated to mandis ?

A.—Yes, I did and I was told that they have left their old places of business, because they could not live at peace and happily in villages on account of strained relations between money-lenders and borrowers.

Q.—How many stated that to you ?

A.—Nearly every one.

Answering to the questions of Chaudhri Inayat Ullah the witness replied in Urdu as follows :—

Sahukars keep accounts in Mahajani. These characters need no improvement. A large amount of business is being done in Mahajani. I can read and write it very well. I knew it before I joined the Department of Income tax.

Q.—Have you observed any difference in dealings between a professional money-lender and an agriculturist money-lender.

A.—No. The methods of dealing and the rates of interest charged by both of these are the same.

Q.—When you spoke of 7 per cent being the actual return of a money-lender on his investment did you base your estimate on any figures that you may have collected ?

A.—No, I had no figures to go upon. I never tried to work them out.

Q.—So when you say that there would be a big difference, you are speaking from general impression ?

A.—Yes.

Q.—Do you think it is possible for an Income-tax Officer to arrive at what you call the actual income of a money lender?—It is not impossible, it will take a lot of time to go through their accounts to see what interest was actually earned.

Q.—Are you certain that most peoples' accounts show actual amounts received?—I am always disposed to believe in a man's accounts unless I prove them to be false.

Q.—As an Income-tax Officer, would you accept them as reliable?—People do commit fraud, but in a majority of cases we can believe their accounts.

Q.—If you were to work on that basis, a large number of assesseees would be found to have much lower income than is commonly assumed?—Yes.

Q.—What do you think the ordinary money-lender earns by his investments?—An ordinary rural money-lender will earn about 7 per cent after deducting all possible expenses and bad debts.

Q.—I suppose you have seen Sardar Chanda Singh's note* on the subject. He has worked it at 13.5 per cent.—Yes, but he has taken into account the estimated interest and not the actual interest realised. Moreover, in that figure I do not think he has deducted bad debts and other things of that sort.

Q.—Have you in your experience as Income-tax Officer come across many cases of attempting to conceal income?—There are only very few cases of that sort that we could detect.

Q.—Do you think that in general the assesseees' return of income can be safely relied upon as true and accurate?—The return of income is quite a different thing. I say his books can be relied upon. We can base our calculations on his books.

Q.—Have you any idea as to how much is recovered out of court in the case of decrees?—I think a very small proportion of it is recovered out of court. But I have not made enquiries.

Q.—Have you made any enquiries about hoarding?—A.—It is not prevalent here now.

Q.—To what extent do money-lenders advance money against ornaments?—They do advance money against ornaments, but not extensively. It will be hardly one per cent. Only low class people pledge ornaments.

Q.—Why do not the rich pawn their ornaments?—Because pawning of ornaments is an indication of financial weakness.

Q.—Do you think money-lending business is increasing?—I think it is decreasing very much.

Q.—Because the money-lenders cannot realise their money?—Yes.

Rao Pohap Singh.—How many of the mandi-wallas in Sonapat and Rohtak are people from outside?—I suppose it would be about 60 per cent coming from outside and 40 per cent local men.

* Vide p. 244 Report.

Q.—If there is a new mandi many people will come from outside, is that so?—Certainly. Mandi always attracts people from outside.

Q.—Is it a fact that in some of the mandis where you have gone the people have been there from the beginning when the mandis were started?—No. Some of them have come later.

Q.—Are the conditions there good?—No, for the last two or three years they have not been good and still people are coming in.

Q.—Is there a tendency amongst the agriculturists to come to towns?—Yes, they do go. Rich zemindars do go to towns for the sake of society and good living.

(Witness withdrew.)

**Bakhshi Chanan Shah, M.A., LL.B., Income-tax Officer,
Jullundur.**

PART 1.

QUESTION No. 8.

(1) Two kinds of Hundis, known as Darshani and Miadi (or Muddati) are current in this district.

(a) Darshani means payable at sight.

درشنی ہندی

سدہ سری بمبئی سری پٹری بہائی بلا عمل رکھنا تہہ داس جگ لکھی
جالندھر سیٹی ہنس راج ولایتی رام کی رام رام واچنی۔ ہندی نگ نمبر 1
تمہارے اوپر کرنی روپیہ 1000 اکھری روپے ایک ہزار تے روپیہ 500 کے دوئے
دینے پاس رکے۔ رام لعل نہال چند کے متی ماگھہ شدی دوچ پھونچے
سار شاہ بیوپاری جوگ تھکانے لگا چوکسی کروا دینے۔
ہندی لکھی متی ماگھہ شدی دوم سمت 1986۔

Translation.—May it be successful. Written to Billa Mal Raghu Nath Das, Bombay, by Hans Raj-Walaiti Ram, Jullundur, Greetings. Hundi one for Rs. 1,000 in words Rs. one thousand, one half Rs. 500, double of which is to be paid by you ; the amount has been deposited with us by Ram Lal-Nehal Chand, on Magh Sudi 2. To be duly paid in cash to the bearer immediately on presentation.

Written to-day the 2nd Magh 1986.

(b) Muddati or Miadi means a hundi payable after the lapse of a certain fixed period. These are generally payable after sixty or ninety days, they are worded as follows :—

مبعا دی ہندی

سدہ سری جالندھر ستھان۔ سری ہنس راج ولایتی رام جوگ لکھی
جالندھر سیٹی ہنس راج ولایتی رام کی رام رام واچنی۔ آگے ہندی نگ
نمبر 1 تمہارے اوپر کیتی روپے 4000۔ اکھری روپے چار ہزار تمسے روپے
دو ہزار کے دوئے دینے یہاں رکے بہائی گورداس رام اوم پرکاش کے
متی ہار سدی و دن اکا تہہ لبے شاہ جوگ روکری چہرے شاہی تھکانے لگا
چوکسی کردینا۔ ہندی لکھی بساگھہ سدی 2 سمت 1986۔
دستی ہنس راج ولایتی رام۔

Translation in English.—May it be successful. Written at Jullundur, by Hans Raj-Walaiti Ram, whose greetings may be read. Hundi one, in number is written on you for Rs. 4,000, in words Rs. four thousands, one half Rs. 2,000, double of which is to be paid. Deposited with us by Gurdas Ram Om Parkash, on Har Sudi 2. To be paid after 61 days in cash to the depositor in King's coin. Hundi written to-day, Bisakh Sudi 2, Samat 1986.

(ii) Yes, they are held by middlemen, merchants, commission agents, Dalals, etc., too.

Yes they pass freely from hand to hand.

(iii) Yes they are discounted, both locally and abroad, in the latter case in places where there is a previous business connection.

(iv) As means of remitting money, hundi business has in fact decreased, but as an instrument for raising short term loans, it is still of very considerable use.

(a) The causes of its decline are as follows :—

(1) Increase in the number of Joint Stock Banks, expansion of their business ; dealings through the banks are considered to be safer and surer.

(b) Business slump, failure of many banking houses of repute and the consequent want of confidence in the same.

(c) I do not think, it is possible to revive them.

PART 6.

QUESTION No. 7.

(i) The classes, who generally save are enumerated in the order of their importance as follows :—

(a) *Hindus*—

1 Bania.

2 Khatri.

3 Brahmans.

(b) *Muhammadan*—

(1) Khoja.

(2) Pathans.

(3) Sheikhs.

(4) Arain Gujjar.

(c) *Jats*.

(ii) Very few people keep proper accounts of their private expenses ; when they are kept, it is not done to encourage saving, but as a personal hobby to see, how the money is spent.

QUESTION No. 8.

(i) (a) *Money-lenders*.—They generally keep on investing with their *assamis* and surplus, if any, is deposited in short turn loans with *arhtis* and banks. Some times they buy goods and speculate. Often the surplus is kept in hand to meet future contingencies. If there is a big surplus occasionally lands or houses are purchased with it.

(b) *Salaried persons*—

- (1) Post Office Saving Banks.
- (2) Cash certificates.
- (3) Fixed deposits.
- (4) Purchase of shares.
- (5) Purchase of land, houses.

(c) *Zemindar*—

- (1) Buy or mortgage land.
- (2) Improve their lands, wells, houses and implements.
- (3) Marriages.

(ii) As above.

(iii) Yes as above.

(iv) As above.

QUESTION 10.

- (i) (a) Pay off the debts.
- (b) Celebrate marriages.
- (c) Improve their lands and wells.
- (d) Pacea up their houses.
- (e) Buy or mortgage lands.

(ii) Yes generally it is done by—

- (a) Sikh Jats.
- (b) Pathans.
- (c) Kambos.

(iii) Yes. I think so. They increased tremendously during the War and the years that followed its termination. But there has not been much expansion during the last two or three years on account of indifferent crops.

QUESTION No. 15.

(i) Vernacular script is very handy and useful, the absence of vowels makes reading rather difficult. A fuller use of vowels and punctuations would make up for the deficiency.

(ii) Yes. I would rather ask for its extension to other departments of public finance.

(iii) Yes. It would be very good if the Government were to standardise the script for the whole of India. Script should be one, languages, vernaculars, may be different.

SECTION 2.—QUESTION 9.

Personally I am not in favour of any restriction either on the borrower or on the lender. The law should permit free contract and fullest carrying out its provisions. The present day zemindar is wise enough to safeguard his interests and requires no special protection by way of Alienation of Land Act., etc. However if restrictions are considered desirable, they should be on both the parties. Some money-lenders might be licensed to make advances for productive purposes, but they should have no monopoly. Preferably there should be no registration fee or at the most, a nominal one, they should be required to keep accounts and render them annually, cost of rendering to be borne by the borrower. The purpose of the loan should be narrated and certified by the borrower. The maximum rate of interest chargeable should be fixed. On the other hand such debts should receive preferential treatment over other liabilities of the borrower. All his assets moveable or immoveable should be held liable for such loans, he should not be able to set up artificial barriers like the Alienation of Land Act, etc., in the way of their liquidation. A maximum rate of 12 per cent would do.

Oral evidence of Bakhshi Chanan Shah, M. A., LL.B., Income-tax Officer, Jullundur.

Chairman.—How long have you been Income-tax Officer here ?
—I came here in May 1928.

How long have you been in the Department ?—I joined in September 1921, when the Department was formed.

Where else have you been ?—In Delhi for about seven years.

Is Hoshiarpur in your circle ?—Yes, Sir.

Does your note apply equally to Hoshiarpur ?—Most of it.

How many agriculturists do you assess in Jullundur or Hoshiarpur ? I have not got figures for that, but I think there may be a couple of dozen in both places.

Is the number increasing ?—Not very appreciably, because the taxable limit is quite high.

You say that an inspection of the registration records will show that land is passing direct to the agriculturist money-lenders mostly. Have you any figures for that ?—I have not got the figures, but I have seen some of the registers of the Wasika Navis in connection with assessment, and they show that there were many mortgages in favour of agriculturist money-lenders.

You would infer from this that many mortgages are being made in their favour ? Moreover, in the course of examination of accounts of the agriculturist money-lenders I found that land is passing freely.

But you have not made any definite enquiry on the point ?—No Sir.

You speak of trade as being a factor in the migration of the village money-lender to the towns. Do you regard trade as an important factor ?—It attracted many.

Is it doing so still ?—Now business is in a very bad condition. I mean during the War there were lot of good investments in the towns and attracted people from the villages.

Is the migration still going on ?—It has been very much reduced. The situation is hopeless now both in villages and towns ; therefore now they don't feel inclined to go away from the villages.

In your first note you estimated the average net return of a village money-lender at 10—12 per cent, but in your second note you put it at 6 per cent. ?—The second note is based on more elaborate enquiry. The original one was more of an academic nature. The latter note was based, on the standard rates, on the result of cases that were examined at that time. I may add that the rate worked out by taking into accounts both cash and renewals is from 10 to 12 per cent but there are good many bad and doubtful items and the effective rate is not more than 6 per cent.

Do you think now that the rural money-lender does not earn on an average more than 6 per cent?—It might be between 6 and 8 per cent, but I think 6 per cent would be more correct keeping in view the bad debts and the incidental expenses that a money-lender has to incur.

About these figures that you have given us: in some cases you show cash received and in some cases you show receipts by renewal as well as cash?—I may be permitted to explain, Sir. Take the first item. This man had an investment of Rs. 1,50,000. Previously he was being assessed, but he never showed his accounts. This year he produced his proper accounts. The interest by renewal as well as actual receipts represent Rs. 6,000, and that man got only Rs. 600 in cash on his investments.

Do you think his books are reliable?—Absolutely, so far as that year is concerned from which these figures have been taken. From my record I could not find whether any cash was received. It could not be very large.

To what year do these figures relate?—To the last two or three years. Most of them were for the years 1928-29 and 1929-30.

You say that the accounts of all these persons were entirely reliable?—Yes, Sir. These figures are the sum total of the amounts added to their *khatas*; we total up the "*ughrai*" and the interest recovered as well is added to the *khatas* at the time of renewal and then determine the income for assessment purposes.

Are these typical cases?—Yes, Sir.

Chosen at random?—Yes, Sir.

Were the years in question unusually bad so far as harvests are concerned?—Fairly bad; the year 1927-28 was bad; 1928-29 was also bad.

Do you suppose that most of these amounts will ultimately have to be written off?—About 50 per cent or 60 per cent I should think, but that will be after a very long time.

Is it your experience that in a good year a larger sum is recovered than in a bad?—There may be a difference of 2 or 3 per cent but not more.

How can he recover in bad years when there is no surplus produce? When the third year comes, the deed is renewed; if there are three bad harvests consecutively, and nothing is paid, then ultimately the bond will have to be renewed.

Can you tell me whether in a bad year a money-lender would expect to recover much by way of cash?—He does not expect much.

In a good year would he not expect to recover a large sum?—The difficulty is that the holdings in this district are very small, and even in a good year the agriculturist has not got much to spare, and naturally the money-lender would get only the surplus.

Have you ever examined the recoveries of a good year in a money-lender's books in this district?—I have experience of two years in this district, and both were practically bad years. My general impression is that the accounts have been swelling year by year, and the actual cash recoveries cannot keep pace with the amounts that are debited to the personal accounts of the debtors. I have looked up four or five years' accounts, and I don't think the accounts show a tendency to go down.

Do you find the same tendency in urban money-lending?—No, Sir, that gets cleared off soon. This feature is peculiar to rural money-lending only. The urban money-lender is pretty certain of his recoveries. The stipulated rates are generally realised.

And yet you put the profits of urban money-lending at 8 per cent, though you say that the ordinary rates are from 8—12 per cent.?—Because there are some incidental expenses and bad debts, though there are very few really bad debts; something is recovered out of such debts, and then all the assets of the debtors are available to them.

Have you made enquiries as to the amounts recovered out of court in the case of amounts decreed?—We have no record in the office to show that, but I have made enquiries on the subject; it is very little, almost negligible, because they say that first of all so long as they can expect to recover, they would not go to court, because it is most inconvenient to them to go to court, and then when a decree is passed and if it is not recovered through the court, they feel that it is almost a useless thing.

Are fresh bonds taken for the balance which is not recovered? There might be some, but very rare; if the man is reliable, there is no sense in suing him in the court unless there is something wrong with his brain.

You say that a number of assessees have expressed their willingness to set off their loans for half of their face value. How many approximately have said that to you?—If we put a direct question to them 50 per cent or 60 per cent would agree to that. There may be about, 100 persons who may have said that to me; it is a very considerable number.

Would you be in favour of licensing approved money-lenders?—Personally I would say that there should be freedom of contract for all parties, because the present day zemindar is quite sensible and has become thrifty and economical too. All that education has been done for him, and personally I would say that "let him have a free contract and all the terms of the contract be executed to the fullest extent."

When you say that there should be freedom of contracts do you mean that the Land Alienation Act should be abolished?—Yes, that is the main thing which stands in the way of an agriculturist. The joint Hindu family system is another thing; that too restricts the system of free contract.

Would you abolish that too?—I would.

Is there any other restriction that you would abolish?—These are the two main things.

If these are not abolished, would you still be in favour of licensing moneylenders?—Yes, Sir.

Would you be in favour of licensing every one except the unscrupulous money-lender or would you be in favour of licensing only a few?—Personally I should think that there are too many money-lenders and I should say that their number should be reduced. These Hindu Banias, Brahmins and Khattris, are quite intelligent people and they do practically nothing. Their condition in the villages is pitiable, and I wish that small money-lenders should be taken away from the villages and put to better things, and I would not suggest the registration or licensing of all. I would say that some decent respectable sahlukars be licensed, one in every five miles area.

You would not license the majority?—No.

If a maximum rate were fixed as a condition of licensing, do you think that it would be possible to enforce it and that it would not be evaded?—There would not be much evasion. Evasion there is in every thing, but there would not be much of it, because the other party is not so simple now as it is reputed to be.

You have heard what the money-lenders said just now about the number of indigenous bankers in this district. Is the information correct so far as your information goes?—Rai Sahib Bishan Das tried to make a distinction between what can properly be called money-lending and indigenous banking. If banking means taking of deposits and lending money, that thing has ceased. I think it has ceased to be a real force now. In the whole of the Jullundur District I would not put it at more than one or two.

Did you find the same tendency working at Delhi?—Not to that extent; Delhi is a big market; there we can get hundi's on other centres.

Do the urban money-lenders finance the rural?—It appears to be the other way round. The village people might come to the urban people and deposit their money with them.

Khan Bahadur Chaudhri Sultan Ahmad.—From your experience of two years of money-lending in villages could you make a statement as to whether the rural money-lender, as distinct from the urban money-lender, is in debt to anybody or does he invest his own capital?—Generally it is his own money; at least that is my impression.

In the statement supplied by you practically all the recoveries except in four cases where cash was almost insignificant, have been made by getting the accounts renewed by a bond or by a *bahi* account?—Yes.

How do you calculate during those two years the receipts to be 10·6 per cent?—That is the percentage of interest that accrued on investment.

You don't mean the actual receipts of the money-lenders?—I mean the percentage of accrued interest.

Chairman.—Does "cash received" include grain receipts?—Grain is very little; if there has been any, it is negligible. I have come across very few cases in which grain has been received.

Khan Bahadur Chaudhri Sultan Ahmad.—I should think that in Hoshiarpur and Jullundur Districts there are so many people as have got secondary means of livelihood that there would have been expected a larger percentage of payments in cash?—I may make one suggestion, Sir. Those people who have got money-lending as a supplementary source of income or on the top of other income, their means are so small that they don't come within the taxable limit. I am talking of my own assesses only. I have the privilege of knowing that you have been in charge of this district for four years, but the Suds, of whom you are thinking, have invested their small savings in Simla or Solan. They do make some income possibly, but I have no figures to put anything definite before you, because they don't come within my purview. They are assessed at Simla. Some of them may be making higher percentage on the investments in their villages, but their investments are very small. It may be the case of one in a hundred.

Chairman.—You are quite certain that the accounts of all these cases are entirely reliable?—Otherwise I would not have based my assessment on them. I have taxed them on this income, and I have seen their accounts *khata* by *khata*.

You are equally certain that these are not exceptional cases?—These are general cases; the stipulated rate is generally higher.

(Witness withdrew.)

**Oral evidence of Lala Ram Lal, Bhalla, Income-tax
Officer, Lahore.**

Chairman.—You are Income-tax Officer, Lahore?—Yes, Sir.

What is your circle?—My circle is 'B' Circle. I have also worked in A Circle for some time.

Does your circle include the whole city and the cantonments?—No it includes only half of the city within the walls. If a line were to be drawn from the Shahalmi to the Masti Gate the part of the city on the left hand is included in my area.

What are the main trades in that area?—*Sarafs*, dealers in fancy cloth, money-lenders, and, in and around Said Mitha, medical practitioners.

How long have you been here?—About four years.

And in the Income-tax Department?—7½ years.

Before that you made an enquiry into the economic conditions of a village in the Hoshiarpur district?—Yes, the village of Bairampur in the Hoshiarpur district.

The results of which were published by the Board of Economic Enquiry?—Yes. That was its first publication.

In your note you say that there is no indigenous banker in Lahore and later on you speak of fifteen bankers. How do you reconcile these two statements?—By the word banker in the second instance I mean money-lenders.

Using the words indigenous bankers strictly, you would say that there are none left?—Not now. Last year there was one—a firm called Partap Singh Harnam-Singh.

Why have they stopped doing this business?—They have failed.

But a number of people do take deposits?—We cannot call their business as that of bankers because people do not place their money with them as with ordinary banks. They are really relatives or others who have faith in the men and place their money with them, mostly to get it invested through them.

When you speak of "investing" money through money-lenders, what exactly do you mean?—I am thinking simply of deposits.

You say that the urban rates of interest vary from 6 to 18 per cent. What are the common rates?—The common rates are 9 to 12 per cent.

What do they vary with?—Sometimes according to the money market, sometimes the security that a man can offer and also the term for which a loan is raised.

Is the nature of security more important than the conditions of the money market?—Yes.

You say that it is not customary for the money-lenders at Lahore to invest their money in hundis. Is there any special reason for that?—We might say that it is on account of the banking facilities available in Lahore. Banks have many branches in the heart of the city—there is a bank in almost every street, and traders find it more convenient to get their business done through them. It is also true that the people, by habit, do not invest in hundis.

Is this a change from past practice?—To my knowledge it is not a change.

You say that 75 per cent of loans are given on the security of ornaments and property. Could you say how much was given on the one and how much on the other?—Mostly on property; but I do not think I could give any percentages.

You say it is now considered unsafe to lend money without security. What is the reason for that?—On account of the trade depression it is felt that if money is lent out without security it is quite possible that the borrower may fail or the money may be locked up for a long time.

Is there any other reason?—None was given to me.

Then do you think that when trade conditions improve that factor will disappear?—Yes. It may not disappear entirely, but certainly it will not be such a potent factor as it is now.

Do money-lenders generally enquire the objects of loans they are making?—Sometimes they do. When a bond is taken some reason is ordinarily given on the bond itself. But so far as I could enquire from the money-lenders, they gave me to understand that they did not care about the object of the loan so long as they thought the money was safe.

Have you made any enquiry as to the amount that is commonly recovered out of court?—It is recovered in many cases; but if you were to ask me for a percentage, I could not give it.

You say that you estimate the return of an urban money-lender at 9 per cent. Is that after allowing for bad debts and all expenses?—Yes.

Would you say that bad debts are an important element in urban money-lending?—They are. Even the returns that I have submitted to you clearly show that out of the total expenses, which come to 12½ per cent of the income earned, more than 50 per cent consist of bad debts. (Witness here explained that the figures given by him referred to the assessment year 1927-1928. It includes accrued interest where people have kept accounts. The total capital invested is 109 lakhs and net income 9·04 lakhs; the gross income, therefore, comes to 9·4 per cent and the net income to 8·3 per cent. The total expenses are 1·31 lakhs including Rs. 70,444, on account of bad debts. Expenses, therefore, represent 1·2 per cent of the total capital. The expenses include bad debts, interest paid and certain other miscellaneous charges such as cost of legal expenses, etc.).

Lala Harkishan Lal.—Do expenses include the bond and stamp charges?—Generally speaking it is the borrower who pays for that.

If costs are decreed they would not be put in here?—No.

Chairman.—These figures suggest that the net income is about 8 per cent. Why do you estimate it at 9 per cent.?—My note will show that these investments are to a certain extent inflated. If a money-lender has lent Rs. five and got a bond for Rs. ten, so far as the legal side is concerned, I have got to take it at Rs. ten.

The amount in the bond includes interest pre-paid?—Yes, or to use the technical term "*Khuda-ka-khauf.*"

In other words though the accounts show 109 lakhs on loan, the actual amount advanced is appreciably less?—Yes.*

These figures include four bankers. Were there four bankers in 1927-28?—According to the definition given by you they have to be classed as bankers. I myself would treat them as money-lenders. They have no deposit business, there is no in-flow and out-flow of money and no dealings in hundis as a business.

Are these figures for both urban and rural money-lenders?—No. The total (in my paper) refers only to urban money-lenders.

Lala Harkishan Lal.—Do they refer to the whole of Lahore or only your section?—They refer to the whole of Lahore.

Chairman.—This of course includes only those who could be assessed for income tax?—Yes.

With regard to the smaller type of money-lender who is not assessed, do you suppose his net return is higher or lower or about the same?—I would put it, on the whole, at the same level.

Lala Harkishan Lal.—Do the figures you give for rural money-lenders refer to the tahsil of Lahore only?—No, they are for the whole district.

Chairman.—Have you worked out what the return is?—About 18 per cent.

Have you personal experience of rural money-lending in this district?—No.

In your note you speak of seven money-lenders as having a capital of sixty lakhs out of a total capital of 109 lakhs.?—I would request you to bear in mind that these figures relate to 1927-28, while my note relates to the state of affairs at the present time. I would estimate that now-a-days the total amount invested in urban money-lending is 128 lakhs, the excess being due to the later discovery of further sources of investment not known to the Department in 1927-28.

What are the deposit rates given by this type of money-lender in Lahore at present?—The genuine money-lender does not pay more than 6 or 7 per cent. But the exploiting money-lender, as I call him, pays 9 per cent or may be even more.

How do the shopkeepers of Lahore finance themselves?—So far as my experience goes, the shopkeepers of Lahore are financed by the banks and by the wholesale dealers, and they also get capital from their relatives by borrowing or taking money on deposit.

Have you made a special enquiry into this?—No.

Does the retail shopkeeper deal with the joint stock banks?—Yes.

Does he deal with the money-lender too?—He does occasionally.

But, speaking broadly, the trader of Lahore does not depend much on the money-lender?—No. He does depend a lot on the deposits by relatives and others.

Does the urban money-lender finance the rural?—I do not know.

Chairman.—Do you know whether the rural money-lender finances the urban?—I do not know.

You were Income-tax Officer at Montgomery?—Yes, Sir. For three years.

Does the urban money-lender finance the rural there?—What do you mean by the urban lender?

People in places like Okara?—Yes he does.

And *vice versa*?—Sometimes only.

Do the conditions of urban money-lending in Montgomery differ materially from those at Lahore?—Yes. They finance the rural areas and there are money-lenders who bring money to *arhtis*, in fact some of them have their own *arhat* shops and those shops serve as a medium for taking loans if they want to. Really speaking, there is an interchange between the rural and the urban money-lenders, but ordinarily the urban areas do finance the rural areas.

Lala Harkishan Lal.—Would you tell me whether the seven money-lenders who are exploiters and use the "*Khuda-ka-khauf*" method find that this method helps them in realising money more quickly and more satisfactorily than without the "*Khuda-ka-khauf*"? They say it does help.

Have you no definite opinion to offer on this point?—I should say that it does help.

Could you work out the percentage?—No. I would not venture to work out any percentage.

Have you any idea how these Pathans recover their money?—They recover the money as a Pathan. I mean a Pathan is ordinarily said to be feared.

Is that the only way?—He bullies the borrower.

Any other method?—Sometimes he goes to the court.

That is a universal method. Have you any idea whether he is more successful in his recoveries than an ordinary money-lender?—I think he is.

Do you assess any of them?—No. They do not reside in my ward.

Chairman.—Are there many of them in Lahore?—There is a legion of them everywhere.

Do you mean that they number hundreds? I would not venture to give you an estimate of the number, but they are in quite large numbers.

Lala Harkishan Lal.—From the Income-tax records which of these various methods of recovery—through courts, *danda* and "*Khuda ka-khauf*"—would appear to be the best for making recoveries?—The Pathan is the most successful. The other two are perhaps equally good. I mean to say that the genuine money-lender is a careful man and does not have many bad debts.

He gives only to men of good credit and character?—Yes. During the last two or three years he may not have found realisation very good because of the trade depression.

There would be regular repayers in all the three cases, but the percentage of such would be higher in the case of the genuine money-lender?—Yes. Because he generally chooses men of character as his debtors.

The second class of lender does not care what the chances of recovery are, provided he gets a big amount entered into his documents?—Yes, and then he is recompensated by the large interest he charges.

His average of recovery is better though he has more trouble in making the recovery?—Sometimes.

In the third case if there are bad debts, it is on account of poverty, not cussedness? Yes.

Have you seen any special forms of pawn-broking documents when jewellery is pawned or is the transaction only verbal?—To my knowledge it is only verbal.

Are these eventual sales by the pawn-broker through courts or without reference to courts?—I do not know.

In your note you say that almost all the loans are made to clerks, railway guards, engine drivers and others in the service of Government or the Railway. Do the seven money-lenders to whom you are referring here lend out money to business-men if they are in difficulties?—No. Not one.

I know that these people do lend also to orphans, young inheritors and to some speculators?—I have referred to inheritors in my note.

Do you know about speculators in cotton etc.?—No.

What documents are used in the case of the Pathans? Generally they get pro-notes.

Any other documents?—I hear that they get bonds also, but I do not know for certain.

What do the exploiting money-lenders take?—Pro-notes and bonds.

Mortgage deeds?—Yes.

And the genuine money-lender?—Generally speaking, they lend on the security of property.

Then if it is property, they take mortgage bonds?—Yes.

Do any of these classes lend on the security of goods?—If at all it is not to any appreciable extent.

Do not the shopkeepers borrow on the stock in their shops?—To my knowledge they do not borrow from the money-lenders. They do borrow on the basis of goods from the banks.

I did not know that?—The importers do.

But not on actual goods in the shops?—Not to my knowledge.

Did not the firm of Partap Singh-Harnam Singh do other business in addition to banking? Did they not fail because of this other business and not on their banking?—This is what people say. I cannot give further details.

Under expenses in your statement you have included interest paid, bad debts and miscellaneous. Evidently they do not charge anything as their salary?—No. Our rules do not allow that.

Why I am asking this is to compare them with the banks where it is charged. Is the salary of *munims* included?—Yes.

Any cost for guards or durwans?—If they keep any they are allowed to charge for them. Is it included under "Miscellaneous"?

Does 'Miscellaneous' include *bakhshish* also?—Provided it is not put down as *bakhshish*.

Chairman.—And there is no reason to suppose it is a *bakhshish*?—Exactly.

How much of this total of 128 lakhs has been advanced by money-lenders you describe as exploiting money-lenders?—About seventy lakhs, may be more.

How many such money-lenders are there?—About twenty.

Is the bulk of the remaining 58 lakhs advanced for unproductive and consumptive purposes as you say not much is advanced for trade?—No.

Could you give us any rough idea of the amount that is advanced for trade?—Not more than eight lakhs.

Chaudhri Niamatullah.—You say that people lend on the security of property and ornaments. Why should there be any bad debts in their case?—One reason might be that the property has already been mortgaged to somebody else. Another reason might be that the value of the property has fallen or that the original valuation was wrong.

You say that these money-lenders do not keep accounts. Are you referring to the smaller money-lenders?—As far as I know most of them say that they do not keep accounts.

Do your figures refer to those who keep accounts?—A few of them keep proper ledgers, etc., others bring only a *bahi* which are a type of accounts which we can not call complete accounts.

Do the urban money-lenders deal with zemindars?—Yes.

What would be the rate of interest?—I could not say.

Do urban money-lenders lend to the rural money-lenders?—They do.

What would be the rate of interest?—It is less than for the other people.

Rai Sahib Kishan Lal.—Do you know whether the agriculturists are also doing money-lending business?—Yes, they do.

What rate of interest do they charge?—When I was in the Montgomery district my experience was that that they charged one pice per rupee or more.

Were the rates of the two types of money-lending different?—Both were the same. In my opinion the agriculturists charged more.

Who realised more?—The agriculturist money-lender because he could put pressure on the borrower in some ways which the money-lender could not.

Chairman.—Roughly what proportion of these 128 lakhs are invested in rural money-lending?—A very small proportion. Not an appreciable proportion.

(Witness withdrew.)

Chaudhri Narain Singh, Income-tax Officer, Amritsar.

• 2. (i) All classes of money-lenders do not lend on security of jewellery. However, if jewellery is offered as security all classes welcome it and respectable persons in time of need in order to avoid publicity do offer such security. In the urban area females generally lend on security of ornaments as a rule. It is the only way to get loans from females because they are casual lenders and loan on document is impracticable among them due to social customs and illiteracy. In rural areas almost all money-lenders lend on security of jewellery to a lesser or greater degree. The *sarafs* in the urban area do lend on security of ornaments because borrower finds it most convenient method after ascertaining its value from various *sarafs* and the *saraf* knows his business well how to profit thereby. In rural as well in urban areas the man with no property or of changing abodes can get loans on security of jewellery only, etc.

(ii) Yes, besides jewellery other moveable property such as cattle, bullock-carts, tongas, tonga horses, clothes, grains stored as well as standing crops, etc., are accepted as security.

(iii) No hard-and-fast rule of proportion is followed, when advancing a loan. Much depends upon the rate of interest charged, future fluctuations in the value of the goods pawned and their nature of deterioration, the period within which the loan is expected to be repaid the marketable condition of the goods pawned and the financial position of the debtor. Keeping all these things in consideration and keeping a further margin of profit when in case of foreclosure the goods had to be kept for some time before their disposal in the market the loan is advanced and the proportion of the value of the goods pawned which is advanced may be roughly put at 75 per cent for urban area and 50 per cent for rural area.

(iv) The money-lender himself is the sole arbiter in the matter of valuation. But help is sought from a *saraf* in an urban area and from goldsmiths in the rural areas as to the quality and quantity of the gold or silver of the ornaments pawned. But nothing is charged for such valuations because only rough calculations are made when advancing loan on security of ornaments, etc.

(v) The goods pawned must be redeemed within the period in which the amount of interest, etc., is expected to come up to the estimated value of the goods pawned, but in no case later than the time of limitation. Such loans are generally emergency loans and are paid back before the expected time and in other cases when the debtor feels his inability to repay within the stipulated time he himself comes forward to settle the debt and to make the best of the bargain before the value of the goods pawned is likely to be wiped out by the rising amount of interest, etc.

(vi) The money-lenders do not maintain or hire special godowns for the storage of goods pawned in this ilaqa.

(vii) The rates of interest do not vary very much according as goods are pawned or only personal security is offered. Much depends upon the financial condition of the debtor and his known habits of paying back the debt. The man of no property or of changing abodes can get the loan only on security of goods and the rate of interest is not affected in his case. The man of property or the person whose financial condition is sound can get a loan on his personal security at the same rate or at a less rate than if he pawns his goods, because the pawning of goods would rather shatter and lower his credit. On the other hand, the man whose financial position is not sound can secure a loan on security of jewellery, etc., but not on lower rate of interest. But his personal security would fail to secure a loan. But generally the loan on security of goods or jewellery is advanced on a somewhat lower rate of interest, though the difference is not much.

(viii) In the case of man of sound financial condition the rate of interest does not change with the amount or duration of the loan, nor in the case of the person who secures loan on the pawn of jewellery, though some times persons contract loans with a condition of a higher rate of interest if it is not paid within the stipulated period and the rate of interest in their case rises on the expiry of the stipulated time. In the case of pawn too some times they stipulate for a higher rate of interest to be charged if the loan remains unpaid on expiry of the stipulated period.

(ix) The money-lenders do not generally complain of losses in connection with their pawn broking business. But some time it may happen that the cattle pawned may die or grains pawned are attacked by insects abnormally, etc., which may cause loss to the money-lender. But I have never come across a money-lender who has claimed or complained of losses in connection with his pawn-broking business.

(x) The loans on security of jewellery, etc., are not made at the instance of borrower in order to secure more favourable terms. The debtor if he has no property or is of changing abodes has to pawn his goods before he would be able to obtain a debt. The man of respectable position who wants to avoid publicity has to offer pawn of goods. On a sudden emergency quick loans can be had on security of goods. The loan from a female can be had only on pawn of jewellery. The financial position of the debtor counts much as well his habits of repayments. The money-lender consequently would demand security of goods in the above circumstances before he would advance a loan; but he would not demand pawn in order to secure better security as such.

4. The purchase of jewellery is decreasing in the rural areas, but not in the urban areas.

Jewellery.

(i) The sale of ornaments has decreased as is patent from the books of the *sarafs* who sell to the rural areas. Of course on the occasion of marriage the purchase of ornaments is indispensable. But the Akali movement in the villages has done much propaganda work among the Sikh population of this District and the purchase of ornaments has consequently decreased. The poor cannot afford to purchase ornaments and the rich people like to invest money in the purchase of lands in the rural areas and in profitable concerns in the urban areas where there is much stringency of money, in preference of purchase of ornaments. The fear of dacoities also stands in the way of purchase of ornaments in the rural area. The standard of living is changing and the clothes are the fashion of the day with the women in preference to ornaments. The education has changed the mode of living and has also effected decrease in the purchase of ornaments.

(ii) Please see the above.

(iii) The money saved is spent on better living, education of children and purchase of lands or is deposited in banks. It is also employed in profitable concerns.

**Oral evidence of Chaudhri Narain Singh, Income-tax Officer,
Amritsar.**

Chairman.—How long have you been Income-tax Officer at Amritsar?—One and-a-half years.

How long have you been in the Income-tax Department?—Since 1921.

Where have you served?—I have served at Amritsar, Sialkot, Gurdaspur and Lyallpur.

Before that you were a member of the Provincial Civil Service?—Yes, Sir.

How much Government service have you got?—Twenty-one years. I was Revenue Assistant for 2½ years before I joined this Department.

Are you a land owner in the Nurpur tahsil of the Kangra District?—Yes, Sir.

You put the net profit of the urban money-lender at 4½ per cent.?—After deducting bad debts.

Have you worked that out statistically or is it based on general experience?—It is based on general experience.

Do urban money-lenders often have bad debts?—Yes, Sir.

As often as rural money-lenders?—In the cities it depends upon the firms with which they have dealings. Last year eighteen firms failed in Amritsar, and there was a tremendous upheaval in business circles.

Does it apply to Amritsar only or is it your general experience?—It is my general experience.

You say that tonga horses and bullock-carts are pledged. How are they pledged?—Does possession pass?—The possession does not pass, but the mortgager cannot dispose them of.

I suppose there is a document in the form of a registered deed? If the property is worth Rs. 100 it is registered, otherwise not. I have seen a document here in Amritsar. A tonga and a horse were mortgaged and two deeds of Rs. 99 each were executed. The term of the contract was that the owner could not dispose them of, and it was further provided that if sold, the sale proceeds would remain encumbered.

Am I right in thinking that that class of security is very rarely handled?—Yes.

Is jewellery only pledged when a man cannot raise money in any other way because his credit is bad?—Generally women lend money on the security of jewellery, because they are not familiar with the documentary formalities. They only advance on the security of jewellery.

Do many women lend on the security of jewellery here?—In every urban place I have seen that women lend on the security of jewellery.

We have been told that jewellery is only pledged as a last resort?—It depends upon the status of the person who raises the money. If the borrower is of very weak financial position, he can only get credit on the security of jewellery.

Is that the way in which jewellery is usually pledged?—Even a big businessman, if he is in urgent need of money and realises that his credit would be lost if he could not get immediate finance, he would pawn jewellery worth Rs. 1,000 to get only 500 in order to save his credit.

You say that the purchase of jewellery is decreasing. What rural areas have you in mind?—It is decreasing in all the Sikh districts like Gurdaspur, Lyallpur, Amritsar, etc. The Akalis are making propaganda in favour of khaddar rather than of jewellery.

What about your own district? Is it decreasing there?—Kangra is too poor for jewellery.

Do you find that Muhammadans and Hindus buy much jewellery? It depends upon the status of the man. Amongst Muhammadans there is no such movement. They can purchase if they have got money.

Chairman.—Then the decrease in jewellery is mainly confined to Sikhs?—The decrease is due to two reasons; partly to the Akali movement and partly to the lack of funds.

Supposing more money were available, would an ordinary zemindar go on buying jewellery?—Certainly.

What about the Sikhs?—They would not; moreover zemindars have to purchase brides; therefore they cannot afford to purchase ornaments.

You give certain figures for the amounts recovered out of court. Are these figures based upon definite enquiries or upon general information? It is a rough calculation; I have not made any special enquiry, but I know that the realisations are made out of court, because now under a High Court ruling the civil courts can force the Deputy Commissioner to get the land of a zemindar mortgaged on certain conditions to another zemindar. That High Court ruling has gone against the provisions of the Land Alienation Act. So the unsecured loans have become secured loans.

Khan Bahadur Chaudhri Sultan Ahmad.—Do you mean 40 per cent of the debts owed or decreed which are recovered out of court?—Forty per cent of the debts for which the lender has to go to the civil courts.

You say that Kangra District is too poor for jewellery. You know that formerly certain classes, *i.e.*, *kamins*, were precluded from wearing ornaments, but now they wear?—There certain classes don't wear gold ornaments. They are too poor to purchase gold ornaments, but they wear ornaments made of brass or silver. Formerly they were prohibited from wearing gold ornaments by the local rulers, *i.e.*, Rajputs, but now they wear gold ornaments too.

Chairman.—Since when?—Many years ago the restrictions were removed; people were prosecuted for such like interferences.

Lala Harkishan Lal.—Was it customary prohibition or under Hindu Law? It was customary; the rulers prohibited them from wearing gold ornaments.

Khan Bahadur Chaudhri Niamatullah.—Where do the Sikhs invest their savings now?—They lend their savings on interest either on personal security or against land.

You say that here women advance loans on the security of jewellery. What do they do in case of default? They have got the jewellery with themselves.

Rai Sahib Kishan Lal.—Can you quote any instance where jewellery may have been appropriated by the mortgagee on account of default?—There may be many such instances.

Is there any limitation fixed for such transactions?—No period is fixed, but if the principal and interest taken together exceed the value of the ornaments pawned, they are appropriated by the mortgagee.

Is there any village money-lending now?—Yes, there is; it has not decreased considerably.

Have the co-operative banks not affected this business?—They have to some extent; but the difficulty is that the co-operative societies have fixed M. C. L. for each member, and if a man has reached that limit and wants more credit, the society cannot advance more, and consequently the borrower has to go to the money-lender and borrows from him at a higher rate. The D class societies are mainly of such members who cannot repay.

Do such agriculturists pay to the money-lender?—The money-lender employs all sorts of devices to recover his money both at the harvest time and on other occasions.

What is the annual net return of the money-lender? The money-lender charges from pies three to anna one per rupee per month. On advances made in kind he charges *sawai* (25 per cent) at the harvest time. If the loan and interest are not recovered then in the course of two or three years the amount becomes double or three times the original amount advanced. His net return is ten per cent per annum, as stated in my note.

(Witness withdrew.)

Lala Asa Nand, M.A., Income-tax Officer, Amritsar.

2. (i) Some *sarafs* lend on the security of jewellery as they can test the genuineness of the articles pawned and have also the facility to sell it at profits, if need be. There is, however, no class of professional pawn-brokers. In rural areas almost every *sahukar* does it to a lesser or greater extent.

(ii) Standing crops, cattle, bullock-carts, etc., are also accepted as security.

(iii) In cities about 75 per cent of the value of the goods pawned is advanced, while in villages the proportion is about 50 per cent. Besides keeping a margin for interest this is done to guard against depreciation of the articles pawned and of fall in the price of those things.

(iv) If the money-lender is a *saraf*, he does the valuation himself. Other money-lenders get the valuation done by *sarafs* or other experts, but nothing is generally charged for such valuation.

(v) Ordinarily the goods must be redeemed within the period of three years because by that time interest accrued will almost cover the margin kept.

(vi) No such goods are pawned in this *ilqa*, which require special godown for storage.

(vii) The rates of interest in the case of goods pawned are generally less than those charged when loans are given on personal security. But if the financial position of the debtor is sound, he will be able to get a loan on personal security at probably the same or less rate than if he pawns anything because in the latter case the creditor is put to the trouble and botheration of keeping the goods pawned and has also to incur other incidental expenses. If, on the other hand, the financial position of the debtor is not sound, he in case of urgent necessity, will not be able to get a loan even on the security of ornaments or any other moveable thing at rates less than 9 per cent to 15 per cent in urban area and from 18 per cent to 24 per cent in rural area. There is no chance for a man like him to raise a loan on his personal security.

(viii) In the case of unsecured loans the rates increase with the duration, but in the case of pawns there is no such variation so far as the marginal period is not reached. Some lenders, however, impose this condition that if the pawn is not redeemed after a certain period, then the rates would increase. If the borrower is a man of sound financial position, he can get smaller or bigger loans at the same rates, but if the position is unsound, then the rates will increase with the amount.

(ix) Losses occur in connection with pawn broking business if the goods are not redeemed in time or if the value of those articles depreciates. If, as sometimes happens the goods are found to be stolen property, then in that case the money-lender is put to great loss and trouble.

(x) A borrower can get loan on easier terms if he pawns some article. In the case of money-lender the position of the debtor counts a great deal in offering terms. If the debtor is of an unsound position, then the lender will insist on a pawn without which he would not give a loan.

3. (i) & (ii) Hoarding is getting very uncommon now a days and rare.

(iii) & (iv) In rural areas sahkars take recourse sometimes to hoarding for fear of dacoities and loot and to guard against evil days. In cities widows generally hoard their little cash or jewellery.

4. (i) & (ii) The purchase of jewellery is diminishing to a great extent, the reason of which is shortage of money. As the standard of living has gone up more is spent on cloth in these days than on ornaments. The poor cannot afford to buy ornaments and the rich would like to invest money in profitable concerns. The spread of education is greatly responsible for this state of affairs. The zemindar pays more attention to land, and if he has any money to lay by he would purchase land therewith. In this ilaqa the Akali movement has considerably inculcated these ideas amongst the Sikh zemindars.

(iii) The money so saved is spent in better living, education of children, keeping of conveyances and investments in Banks, etc.

5. The mortgage debt is increasing every year on account of unemployment and successive failures of crops. The agriculturist is getting less laborious and hence the yield of land is much less than before. The needs of life have also considerably increased and thus a man who gets once encumbered cannot extricate himself from the burden and his debt goes on increasing every year.

**Oral evidence of Lala Asa Nand, Income-tax Officer,
Amritsar.**

Chairman.—You have been Income-tax Officer, Amritsar, for six years?—Yes, Sir.

How long you have been in the Department?—I was at Ferozepore for about three years.

Before that you were Tahsildar?—Yes, Sir.

In your note you mention several systems of finance in regard to trade in foreign cloth. Which is the commonest?—Generally it is the importer who opens a loan account with the exchange bank and then he sells goods to the wholesale merchant who either directly or through the importer makes payments for packages taken piecemeal. At first he would go and pay for one package and after selling that he would go again to the bank and get another package, and so on.

To what extent does the indigenous banker finance the piece-goods trade?—There are very few firms here who would advance money on piece-goods.

Is most of the finance provided by the exchange banks?—The main system employed is the loan account system.

You say in your note that you only know a few firms who do indigenous banking, but we had a large number of gentlemen in the morning who said that they were all doing indigenous banking in which they included hundi business also?—There are of course many firms doing hundi business.

Are there very few who do deposit business?—I know only two or three.

How many firms would you say, strictly speaking, were indigenous bankers?—So far as my knowledge goes, there are about a dozen such firms.

Has the number decreased since you came here?—It has decreased on account of shortage of money and loss of credit too.

That is forcing people out of business?—Yes, Sir.

In your note you say that interest is charged by importers at rates varying from 7 to 12 per cent.?—I may correct the statement, Sir, it is about 6 to 9 per cent., and the average rate is about 7 per cent.

What does the rate vary with?—With the financial position of the merchant.

Further on you say that the number of representatives of the manufacturing firms is increasing. Is this possibly due to the decline of confidence in local merchants?—To some extent this is the reason, but the main reason is to save the middleman's profit, because the representatives of the manufacturing firms get something like Rs. 200 or Rs. 300 from the firms.

Is that the result of the crisis of 1921 when a certain number of firms repudiated their obligations?—Yes, it is mutual; either the importer may not have confidence in the merchant or the merchant may not have confidence in the importer.

You say that *arhtis* partly resort to borrowing on hundis or receiving deposits. From whom do they borrow on hundis?—Either they would pass circulating hundis from hand to hand or they would get loans from some of the banking firms.

At the same place you say that sometimes it has been found that the retail dealer works with no capital of his own. Is this common or only occasional?—To start with, of course he must have some capital, but if he has once started his business, then he can work on what is called “bank dhara or muddat” system with the wholesale dealer and he gets free credit for about ten to fifteen days. After that he has to pay interest.

At what rate?—Between 6 and 9 per cent.

Is most of the retail trade financed in that way?—If the retail dealer has got capital of his own, he would work with it; otherwise the trade would be financed as stated already.

Does that apply to other trades besides the piece-goods trade?—Here the main trades are of piece-goods and *kiryana*; it finances both.

The retail dealer does not go to the money-lender for his finance?—The retail dealer might require money on hundis. Generally he is financed by the wholesale dealer.

If the retail dealer has to borrow, on what security does he generally borrow?—It may be on personal security or house property.

Under the heading “Indian Mills Cloth” you say that a certain amount of security has to be deposited with the mills. What type of security do you mean?—It is generally cash security. It is only those who take the monopoly of those goods that are required to deposit cash security. They get 6 per cent interest on the security.

Your note speaks of losses. Do you think that credit in the past has been too freely given?—If goods are ordered more than they are required, the market is flooded and the wholesale dealer thrusts the goods on the retail seller who cannot dispose them of. These losses were due to over-trading of that sort.

And over-trading is due to more credit facilities?—Yes, Sir.

The merchants who came before us this morning, were of opinion that they were hampered by lack of capital, and that if more money were available, they would do more business and not indulge in speculation; while merchants elsewhere have stated that they have got enough, and that if they got more, they would speculate, and that speculation had been a source of considerable loss to them. With which view do you agree?—So far as I understand, there is enough of commercial credit for import business. I have been informed that

the losses were due to the fact that they ordered more goods than they required and they could not dispose them of.

You are inclined to take the view that the losses of the past have to some extent been due to overtrading and to too abundant credit facilities?—I think it comes to that.

Wherefrom did you get these interest rates on various kinds of securities?—I extracted them from the account books of a respectable firm.

With whom is most of its business done?—They deal mostly with big zemindars.

We were informed by the bankers in the morning that they agreed generally with the rates given in that statement with the exception of the rates on pro-notes. They said that the pro-note rate was never as high as Re. 1 per cent per mensem for urban areas?—It may relate to rural area; this firm has got large dealings with big zemindars.

Khan Bahadur Chaudhri Niamatullah.—Have you assessed any money-lenders in the villages?—Yes.

How many?—I am in charge of the Amritsar tahsil only. I have assessed about forty or fifty village money-lenders.

You say that standing crops, cattle, bullock-carts, etc., are also accepted as security. Who keeps the cattle and feeds them?—There are very few cases in which such security is offered, but if it is a milch cow, it would remain with the lender.

If it were bullocks?—The agriculturist money-lender would take them.

Those who do pawn-broking, do they give a receipt for the articles pawned?—They only keep a chit in the form of a memorandum with the jewellery. Very seldom entries are made in the account books in respect of the articles pawned.

Is there any difference in the rates of interest charged on personal security and against jewellery?—In rural areas the rate of interest is less on jewellery.

What is the difference?—It may be Rs. two per cent per mensem on personal security if the borrower is an ordinary villager and on jewellery the rate is Re. one per cent per mensem or Re. 1-8-0 per cent per mensem on small amounts.

You say that hoarding is getting very uncommon and rare now-a-days?—Yes, the Akali movement has affected the public to such an extent that very little is now invested in jewellery.

You say that in rural areas sahlukars take recourse sometimes to hoarding for fear of dacoities. Do they hoard in their own houses?—In very rare cases; it is not common.

Further on you say that the poor cannot afford to buy ornaments and the rich would like to invest money in profitable concerns. What

do you mean by profitable concerns?—By profitable concerns I mean lending on interest or investing in business.

Do Sikh agriculturists lend out money on interest?—Yes.

What is their rate of interest?—That depends on the position of the borrower.

Do the Muhammadan agriculturists advance loans on interest?—I have not come across any such instance.

Khan Bahadur Chaudhri Sultan Ahmad.—Of which tahsil are you in charge in Amritsar District?—I am in charge of Amritsar tahsil.

Do the village money-lenders generally borrow for lending purposes, or have they got their own capital?—Some of the business is done by borrowing and some with their own capital.

What would be the proportion?—They generally have got their own capital. There are very few who borrow for lending purposes.

Khan Bahadur Chaudhri Niamatullah.—Have you ascertained the rates of interest charged by the money-lenders from their account books or you made any independent enquiry?—We work out the rates of interest from the amounts recovered during the year under assessment. As we have got no connection with the zemindars, we cannot enquire from them.

Rai Sahib Kishan Lal.—Is the rural money-lending increasing or decreasing?—It is decreasing.

Are they leaving the villages?—Some have migrated to towns on account of fear of dacoities; while others on account of irrecoverable debts.

Chairman.—You say that in a period of five years an ordinary urban money-lender earns about 25 per cent on his capital and a rural money-lender about 60 per cent. That means 5 per cent in a year in the first case and 12 per cent in the other cases?—Yes.

You say in the same note that the agriculturist is getting less laborious and hence the yield of land is much less than before?—Whenever enquiry is made as to why the crops are failing, they attribute it to natural causes, and also that people have become less laborious.

Is that what the zemindar says to you or the sahuakar?—I have never made any regular enquiry.

Khan Bahadur Chaudhri Sultan Ahmad.—Have you ever had a chance of noticing the returns of the yields of the cultivated and uncultivated area?—I have no personal knowledge; that is my general impression which has been given to me by the zemindars.

(Witness withdrew.)

**Oral evidence of Lala Lal Chand, Khanna, Income-tax
Officer, ' B ' Circle, Amritsar.**

Chairman.—How long have you been Income-tax Officer at Amritsar?—For the last twenty months.

Where else have you been in that capacity?—Muzaffargarh, Dera Ghazi Khan, Lyallpur and Gujranwala.

How long have you been in the Income-tax Department?—For the last 8½ years.

Are you not a resident of Lahore?—Yes.

Am I right in thinking that your family does banking?—Yes.

In your note you say that the amount of capital furnished by indigenous bankers is four lakhs. Is that the result of special enquiry?—It is the result of special enquiry. It is between three and four lakhs.

Why is it less than before?—It is due to two reasons (1) on account of the general banking facilities and (2) the improved financial conditions of the hide merchants.

They are working more with their own capital?—Yes. And the other reason is that the deposits of indigenous bankers are decreasing everyday on account of the advent of co-operative banks.

In the old days people used to go to the indigenous bankers?—Yes.

Have you found this kind of thing elsewhere?—Yes, Sir. Because in the last four or five years the deposits with co-operative banks have increased very much. This is due mainly to the high rate of interest offered by the banks. These indigenous bankers pay 5 to 6 per cent, and these banks will pay 6 to 7½ per cent.

You say that the amount of capital invested by the joint stock and exchange banks is approximately thirty lakhs. How do you arrive at that figure?—This figure should be corrected, it is about 22 or 23 lakhs. Two-thirds is invested by the exchange banks and ⅓rd by the joint stock banks.

How have you arrived at the figure?—By enquiry from the hide merchants and exporters.

Do you regard these figures as fairly reliable?—Yes. These figures are from information received from these people.

You say that the speculative spirit is fostered by the general financial facilities offered by the banks?—These merchants know that they can get money on railway receipts and receive full amounts on lading bills. They go in for lots irrespective of whether they can

get loans in the market or not, so at the time of buying they pay higher prices.

You think that these financial facilities are largely responsible for the losses?—Yes. And the other factor is that these people are more indiscriminate in booking orders.

Would you then be against extending financial facilities to the merchants of Amritsar on this ground? The merchants are of opinion that the facilities offered by the banks are sufficient, but I think and so, I believe, do some of them, that these losses are due to these facilities. This is due to their misusing these facilities.

(Witness withdrew).

Chaudhri Zaffrulla, M.A., Income-tax Officer, Gurdaspur Circle.

An attempt has been made to arrive at the net return on capital invested by rural money-lender. A number of instances have been taken. But it is very difficult to strike an average. In the first place it is difficult to get old books or bonds. Whatever instances are supplied by him are those in which he has not been able to make sufficient profits.

Average net rate of 12 per cent. in case of rural and 6 to 9 per cent in case of urban capital may be considered to be approximately correct.

2. (i) Offer of jewellery as security is rare. While no money-lender would refuse to accept jewellery as security, there are usually a few money-lenders who mostly do this business.

(ii) Not appreciably.

(iii) About 75 per cent.

(iv) Generally himself. Valuation is done roughly by weighing the ornaments. In case precious stones are offered, these are shown to the experts who do not, as a rule, charge for their advice, which is given in a friendly way.

(v) Usually three years.

(vi) No.

(vii) Not much as loan on personal security is given only to those persons on whom the money-lender has trust.

(viii) Not usually.

(ix) No complaint is even made to the Department as no money-lender admits doing this business. There can be no loss of capital but only of interest.

(x) Pawn broking loans are usually made to persons who have generally no assets, e.g., widows, etc. It is all a question of confidence.

3. (i) No.

(ii) Yes.

(iii) Agriculturists.

(iv) Cash.

4. Yes.

(i) Business of goldsmiths is decreasing. A large number of goldsmiths' shops have been closed down.

(ii) (a) Want of money.

(b) Akali movement.

(c) Stability of Government.

(iii) Standard of living has increased without corresponding increase in income. Expenses have increased and there is no money to hoard.

PART I.

8. (i) Myadi Hundi period varying from 80 to 180 days. Interest charged is usually from 9 to 12 per cent.

(ii) All. Yes.

(iii) Yes. Sometimes to Amritsar.

(iv) Yes.

(a) Batala is the chief town for Hundis in this circle and Hundis used to go to Amritsar freely. About six years ago a big Dalal of Hundis named Malawa Mal of Amritsar forged fictitious Hundis on behalf of Amritsar merchants to the value of about two lacs and lost the amount in speculation. Since that day Batala money-lenders have lost the trust which is so necessary in Hundi business.

(b) It is a matter of trust and Government cannot help.

(c) No.

PART VI.

(7) (i) Baniyas.

(8) (i) Middle class put by.

(ii) In Banks or shops.

(iii) Yes.

(iv) For expenses to be incurred later.

(10) (i) They seldom have. If they have, they pay off their old debts. If any one is lucky not to have any debts, he purchases lands.

(ii) Yes. Sikhs.

(iii) Yes.

(15) Urdu would be better than Landa Script as it is clear and unambiguous.

Oral evidence of Chaudhri Zaffarulla, M.A., Income-tax Officer, Gurdaspur.

Chairman.—How long have you been Income-tax Officer here ?—Two years.

How long have you been in the Income-tax Department ?—Six-and-a-half years.

Does your note refer only to Gurdaspur or to both Gurdaspur and Kangra ?—It refers to both.

Is there no indigenous banker either in Gurdaspur or in Kangra ?—I don't think so.

Not even in Batala ?—No.

Do you assess any agriculturist money-lenders ?—Yes.

How many ?—About eighty.

Is the number increasing ?—It has not increased appreciably during the past two or three years.

They are mostly Sikhs ?—Yes.

Almost entirely ?—Yes.

Do the Muhammadans do money-lending ?—I have not assessed any.

Have you enquired into their rates, as to whether they differ from the rates of ordinary money-lenders ?—They are practically the same.

To how many money-lenders do these 24 cases, of which you have given us particulars, relate ?—About twelve or thirteen.

Are they all rural money-lenders ?—Yes.

Were the account books taken at random ?—Yes.

Taking the whole 24 cases do you regard them as fairly typical of rural money-lending ?—I think they are fairly typical.

The actual rates received vary from 6 per cent to 58 per cent ?—Yes.

Do money-lenders frequently complain of losses ?—They always do.

Do you think their complaint is justified ?—In many cases it is justified. They cannot recover full amounts always.

Of these 24 cases only two resulted in a loss ; is that typical ?—Of course cases of loss are not many, but there are cases of loss.

You put the rural money-lenders' net return at 12 per cent per annum. Is that after allowing for all expenses and bad debts ?—Yes, this is their net profit.

Do you think that the figures that you have given for court expenses are reliable ?—I have taken these figures from their books ; they are reliable.

Lala Harkishan Lal.—Is there anything described as miscellaneous expenses?—They are all described as litigation expenses.

Chairman.—Is it common for the town money-lender to finance the rural money-lender in your circle?—I don't think it is common; they have got a sufficient capital of their own.

You say that no money-lender admits doing pawn-broking; why is that?—They don't admit that before me; they might admit before others.

Do you know of any reason why that class of business should be kept secret?—Because they generally don't show it in their returns, and it is not easily traceable.

Is the information you give us about hoarding, the result of any special enquiry?—I made enquiries from a number of persons.

Is it common in Kangra or Gurdaspur?—It is not common anywhere.

Do you think the Akali movement is an important factor in the reduction of jewellery?—I think so.

(Witness withdrew).

Oral evidence of Lala Krishna Chandra, Khanna, Income-tax Officer, Rawalpindi.

Chairman.—How long have you been in the Income-tax Department?—About nine years.

How long have you been Income-tax Officer, Rawalpindi?—Since the 17th of April last year.

Where were you before that?—Four years at Jhelum which included Gujrat, and prior to that 3½ years at Ambala; with short periods at Simla and Hoshiarpur.

You have not submitted a memorandum?—I apologise for that, Sir. I thought I would submit that after the close of the financial year as I did not have enough time. I have however, made enquiries on the various points required by you.

What are the commonest rates of interest charged by the urban money-lenders?—9 to 12 per cent.

And by the rural?—12 to 20 per cent.

Is 24 per cent uncommon?—Anything above one pice in the rupee is uncommon.

We were told yesterday by the zemindars that the ordinary rates were 24 to 37½ per cent, were they exaggerating?—In those cases the amounts borrowed must have been small, say, Rs. 100 or so. If the amounts are substantial, say, Rs. 500, it will not be more than a pice in the rupee.

But for sums of Rs. 50 or Rs. 100 what would be the common rate?—Two per cent per mensem.

Taking a period of not less than five years, what would you say was the average rate per cent per annum earned by the urban money-lender on his capital?—Eight per cent.

And by the rural?—Twelve to fifteen.

Is that after allowing for bad debts?—Yes.

Are bad debts heavy in the case of the rural money-lender?—I should think so.

Have you made any enquiries as to the amount recovered out of court when a decree has been given?—I have made enquiries from two or three people and they tell me that quite 50 per cent* of the amount decreed is recovered out of court. This is only a guess work and not the result of any specific enquiry.

Were they lawyers?—No, business people, fruit merchants and money-lenders.

* I have since consulted my informants again and find that this estimate is excessive, 50 per cent including the 27 per cent recovered through courts. Indeed a leading Civil lawyer whom I recently consulted did not estimate realizations out of court at over 10 to 15 per cent.

Do you think that the position of the money-lenders in this district is deteriorating?—I think so, because that is a trade that is bound to disappear with the spread of education.

And has that tendency begun?—Yes.

In your note on the present position of the money-lender you say that the agricultural landlord is swallowing up the smaller. What evidence have you of that?—Hearsay. I heard that especially in Shahpur district, the big landlord was buying up the smaller one.

Have you served in the Shahpur district?—No, Sir.

You say that the life and property of a village sahkukar in this part of the world is less secure than it used to be. What evidence have you of that?—In Chakwal tehsil especially we used to hear of the murder of a sahkukar every half year; and some people who appeared before me as assessees one year were said to have been murdered the next year. Such cases also occurred in Gujrat. I am not sure, but sahkukars say that if they can recover 75 or even 50 per cent of the money they have invested in the business they would give it up.

How many of your assessees in Rawalpindi and Jhelum are reported to have been murdered since you came to this area?—Two or three.

Did you ever verify the statement?—Yes, in one case I know this to be a fact.

You did not verify it in the other two cases?—No.

Chaudhri Sultan Ahmad.—Did you enquire into the cause of the murder?—No. I was simply told that the man had been murdered.

Chairman.—Did you make any further enquiry?—No, but most of the big people are migrating to the towns. Very few such money-lenders are now left in the villages.

What do you mean by a big money-lender?—A man with an investment of about Rs. 50,000.

How many such men have you known migrate to the towns?—I have made no detailed calculations, but that is what we are told. People have come to comparatively big towns like Chakwal and Pind Dadan Khan after giving up their business.

In which of these three districts—Rawalpindi, Jhelum or Gujrat—is the money-lender losing most ground?—I could not give a clear answer to that.

Is there no marked difference between one district and another?—No, Sir.

Would you say that in this district the rural money-lender was still in a much stronger position than the agriculturist?—I have no experience.

What about Jhelum?—The trouble is that we do not get quite-disinterested news. The money-lender comes and gives us news, but we have no access to the other party.

Have you made any enquiries about hoarding?—Only casual enquiries. People say that it is decreasing very much.

Did you gather that the hoarding of cash was common till recently?—No, I do not think it was common. If there was any hoarding at all it was in the form of gold and silver jewellery. Cash may perhaps have been hoarded in the case of the money-lender, but otherwise it is always in the form of jewellery.

Have you made any enquiries as to whether the purchase of jewellery is decreasing?—It is decreasing.

Markedly?—I think so, because the means of people are decreasing and jewellery has taken a far less important place in the budgets of families than before, especially in the case of the educated people.

Have you any view on hundis?—There is very little hundi business in this district. There is only one firm of Chela Ram-Sant Ram that does any hundi business. There are two forms of hundis, one the bill of exchange and the other the promissory note payable on a fixed date. The second kind is not prevalent on this side.

That is the *mudati* hundi?—Yes, Sir.

Have you any views as to why the hundi business is declining?—Because of the facilities offered by the banks.

Is there any other reason?—No. I do not think the hundi business was ever popular on this side.

Why is that?—Because of the absence of commercial traditions. Hundi business is prevalent even now in Amritsar.

Can you explain why there should be a commercial tradition in one place and not in another?—There is a sort of convention among those people that they must pay by the due date and all the people of the community enforce that convention in commercial centres because a man is looked upon as insolvent if he fails to pay up. But there is no such important community in a small commercial centre like Rawalpindi.

What took the place of hundis before the banks came?—I do not know.

Have you made any enquiries into the fruit trade?—Yes, Sir.

Can you give briefly the results of the enquiry?—I made enquiries on the lines of what you wrote to the Income-tax Officer at Ferozepore. I am told that about three lakhs of capital is invested in this trade, and that most of this capital comes from the commission agents themselves. There is a subsidiary class of commission agents, mostly Muhammadans, who have not got any capital of their own, and that class is financed by the primary commission agents who charge commission at 10 per cent for acting as a sort of guarantee brokers.

What interest do they charge?—Interest is very seldom charged. But they also charge commission at $3\frac{1}{2}$ per cent. Whatever purchases the subsidiary commission agent makes are all debited to the name of the primary agent who is financing him.

How many people do this financing?—Not more than half a dozen.

From where do they get their money?—They have their own funds.

Do they not borrow?—No.

Are the Muhammadans doing the actual business?—About four or five are Muhammadans. One Sindhi has also taken to this business.

How many are there who are doing this business?—Not more than half a dozen are doing the subsidiary business. The goods are auctioned and the purchaser takes them away, but the person who auctions them does not debit them to that man but to the name of the financier and realises the money from him, so that the financier acts as a guarantee broker. Similarly when such buyer sells his goods, the purchase is also credited to the name of the financing agent so that this man does not come into the books. The financier acts as a guarantee broker both ways.

So that the financier finances from the place of export to Rawalpindi?—Yes, the people sending consignments from Kashmir in most cases have already got advances from the commission agents here.

Who finances from Kashmir?—The big commission agents in Rawalpindi.

Do the agents go to Kashmir?—No. But they go to settle accounts. The general practice is that fruits are sent here on consignment basis and sold by auction. Sometimes the agents do not get a good price and buy it themselves.

How is payment made for these goods? Do the Kashmir people take payment in Rawalpindi?—I did not make enquiry about it. Probably by means of banks, *i.e.*, either the sender draws a bill on the agent here, or the money is remitted by means of currency notes.

Chaudhri Sultan Ahmad.—Are the fruits distributed from here all over the province or do they also go direct from Kashmir?—Rawalpindi is the distributing centre. The people who buy here do not generally buy on their own account, but on the account of the merchants of other places.

Chairman.—And the purchasers in Amritsar and other centres have their agents here?—Yes, Sir, they have formed connections with certain commission agents here through whom they habitually buy or who send the consignment to be sold by auction at Amritsar, etc.

Who finances the goods exported from Rawalpindi to the other centres?—The buying merchants here don't pay any interest. In fact, they have surplus cash. They will send the goods to Amritsar,

for instance, and recover their money at once or, say, within a week, while the selling agents here can afford to wait for a month or two. So, in fact the purchasing agents have got more money than they want. The selling agents at Rawalpindi advance goods on credit to the purchasing agents at Rawalpindi and the amount is payable, say, after a month or so. Meanwhile the purchasing agent recovers from his customer at Amritsar or Lahore much sooner than he has got to pay to the selling agent at Rawalpindi.

In effect the person who finances trade from Kashmir to Rawalpindi also finances it from Rawalpindi to other centres?—Partly; he is of course paid by the purchasing agent here.

Subsequent inquiries show that interest is charged very seldom or not at all. At what rate is the second stage financed from Rawalpindi to the other markets?—For the first stage you cannot have a uniform rate, while in the second stage there is a uniform rate of 9 per cent, because all the purchasing agents here are governed by one rate.

Khan Bahadur Chaudhri Sultan Ahmad.—You have said that the purchasing agent pays the selling agent here; *i.e.*, the Amritsar gentleman's agent here pays within a month while in fact he recovers it from his principal much sooner, and he has to pay interest at 9 per cent?—After a certain date.

After the month of grace?—Yes; the interest rates are always operative after the grace period has expired.*

Who is given a month's grace?—The purchasing agent referred to above.

And generally payments are made within that month; there are no bad debts?—I have enquired from the purchasing agents here, and they told me that bad debts were very few.

Chairman.—Is that because comparatively few people are in this trade and they are all well known to each other?—I should think so.

They finance the trade at a comparatively low rate owing to the mutual trust existing between the different parties?—But the commission is quite high and that counterbalances for any decrease in the rate of interest.

Who pays the commission, I am not quite clear as to that?—Ultimately the consumer pays the commission. First the man who has contracts of gardens in Kashmir has to pay the commission in this way that, supposing ten baskets of apples are auctioned for Rs. 100 here by his selling agent in Rawalpindi; he will be credited here by his selling agent with Rs. 96 after deducting Rs. 3 as his commission and Re. one on account of miscellaneous expenses.

How much grace is allowed in that case for payment by the purchaser here? There are two sets of agents here; one is the selling agent and the other is the purchasing agent. The selling agent on behalf of the Kashmir garden contractor sells the fruits.

*Please see my note on fruit trade page 213 Report.

to the purchasing agent, and the latter either buys the fruit on his own account, in which case he sends the fruit to outstation on consignment basis, or he has orders from his principals in other centres to purchase goods on their behalf.

How much grace is allowed by the first agent to the second agent?—One month.

After that he charges interest at 9 per cent.?—Yes, Sir.

The first agent deducts $3\frac{1}{2}$ as his commission; that covers the interest charges for the first month?—The interest will come later. As I was submitting, first we are concerned with the exporter from Kashmir, and his commission agent. The transaction is finished as soon as the goods are auctioned and he is sent a statement of account. The agent, after deducting his commission from the sale-proceeds, credits the balance to the exporter's account. The exporter might have got an advance of, say, Rs. 500, from the selling agent, and the sale-proceeds will be adjusted against that advance.

Is it usual to give advances to the contractors in Kashmir?—Certainly.

And those advances bear interest at 9 per cent or at fluctuating rates?—At fluctuating rates.

The rates fluctuate round 9 per cent.?—I think so. When the auction is finished, the man who purchases the goods, has not got to pay anything to the seller. He buys goods, say, for Rs. 100. He will send the invoice to the Amritsar principal, on whose behalf he makes the purchase, saying that he is sending, say, ten baskets of apples for Rs. 100, plus Rs. 3 as his commission, total Rs. 103. So the exporter in Kashmir gets Rs. 97 for ten baskets, while the actual purchaser at Amritsar has to pay Rs. 103, and the difference of Rs. six is divided between the two sets of agents, the selling agent and the buying agent.

Rai Sahib Kishan Lal.—What is the risk?—Bad debts.

Chairman.—Who bears the loss, if there is any in transit; the man who sends the goods from Kashmir?—Up to Rawalpindi only; from Rawalpindi to the other market the second agent bears the loss, if any.

The Amritsar man generally has his purchasing agent at Rawalpindi?—There are never more than two agents, the selling agent and the purchasing agent, and sometimes there is only one.

If there are two, they divide the commission of Rs. six between themselves; otherwise all go to one man?—Yes, Sir.

And that commission includes the cost of the auction and interest charges for the period of grace?—There are generally four persons in the transaction; A, the exporter in Kashmir; B, his selling agent in Rawalpindi; C, the purchasing agent of D, the man in Amritsar. There is a definite period of grace between B and C, but there may not be a definite period between C and D. I must confess that my

information on the point is more or less second-hand, and if you wish, I shall let you have detailed information on the point.

The losses always fall on the consignor in transit?—Yes, Sir.

That is to say on A or on C?—I am not sure about C, but they do certainly fall on A; but there are very few losses in transit.

Khan Bahadur Chaudhri Sultan Ahmad.—Is the trade expanding?—It is quite prosperous; in fact, I was quite surprised to find that some people had an income of about Rs. 2,000 per month from this trade.

Chairman.—Where does most of the fruit go? Calcutta, Bombay, Lahore and Amritsar and other centres.

Khan Bahadur Chaudhri Niamatullah.—Are there any agriculturist money-lenders whom you have assessed?—No.

How many rural money-lenders have you been assessing for the last three years in Rawalpindi?—We have assessed the following:—

| | | | | | |
|---------|----|----|----|----|----|
| 1927-28 | .. | .. | .. | .. | 95 |
| 1928-29 | .. | .. | .. | .. | 77 |
| 1929-30 | .. | .. | .. | .. | 86 |

Have you ever verified the rates of interest charged in advance by the money-lenders?—We assess the money-lenders on the basis of their *bahis*. Some people say that they were actually paid Rs. 93-12-0, while a bond for Rs. 100 was obtained from them, but such people are very few. If a borrower is improvident, he may execute a pro-note for Rs. 500, while he actually got only Rs. 100. Generally if a man is borrowing Rs. 1,000, he will not agree to pay Rs. 6-4-0 per cent to begin with. In fact, loans of Rs. 1,000 and more are very few.

Rai Sahib Kishan Lal.—Have you got the figures about the rural money-lending for Jhelum and Gujrat?—No.

Is there any marked difference in the net return which they get?—I don't find any marked difference about the rates of interest.

Both for Gujrat and Jhelum?—Yes.

(Witness withdrew.)

Sardar Gyan Singh, Income-tax Officer, Lyallpur.

6. (i) Such hundis are often executed by *arhtis* or businessmen when taking loans from banks. The duty is a sort of addition to interest and its reduction will lighten the burden and will accelerate business. Abolition is not desirable as then resort will be had to bonds. The creditor always wants something legal to seal the contract. May be reduced to half the present rates.

(ii) Bills of exchange payable more than a year after date of sight are uncommon and the duty on these need not be reduced.

(iii) Three and six months. For loan taken.

(iv) These are not common. Bonds are obtained instead.

(v) Abolition will affect the duty, but not reduction.

SUPPLEMENTARY QUESTIONNAIRE.

(2) (i) A few here and there lend on the security of ornaments. This source is often not brought to the books in such a way as to distinguish it from other interest earned.

(ii) No.

(iii) Fifty to 60 per cent.

(iv) Often himself. In bigger cities through some *sarafs*. A nominal charge.

(v) Ordinarily a year. But the period varies according to the debtors' requirements and capacity to pay back.

(vi) No.

(vii) There is an increase of 50 per cent in the latter case.

(viii) I don't think. The amount advanced is often confined to a few hundreds at the highest.

(ix) Not except when there is a sudden and a heavy fall in the price of gold and silver.

(x) Very few people like to borrow on the security of ornaments. The creditor no doubt likes this kind of security.

The above applies to both.

3. Hoarding—

(i) It is not common in the canal colony.

(ii) It is decreasing all round.

(iii) It was common amongst the zemindars but they now deposit their funds in banks.

(iv) Only cash is hoarded.

10. (i) Buy land. Sikh agriculturists invest in money-lending.
(ii) Yes, Sikh Jats.
(iii) They are increasing in numbers but exact figures are not available as those earning taxable income are very few at present.

Execution proceedings—

- (i) Fifty per cent out of Court.
(ii) Twenty-four per cent becomes irrecoverable in the case of debt sought to be recovered through Courts.

Oral evidence of S. Gyan Singh, Income-tax Officer, Lyallpur.

Chairman.—How long have you been in the Income-tax Department?—Since September 1921 when the Department was started.

Before that you were in the Provincial Civil Service?—Yes.

How long have you been in Lyallpur?—For the last two years.

Where did you serve as an Income-tax Officer?—Gujranwala, Ferozepore, and Lyallpur.

You say that the abolition of the stamp duty on hundis is not desirable, as then resort would be had to bonds. Why should the abolition of stamp duty on hundis involve resort to bonds?—A creditor advancing Rs. 1,000, if he is asked to have a note on a blank paper, would naturally feel diffident to have a blank paper. He would naturally want that there should be something legal on it.

Lala Harkishan Lal.—You mean that stamped paper has some psychological effect on the mind of a not very well educated creditor?—Yes. But the legality of the document is not affected by it?—No. If the law lays down that without the stamp duty it is pucca who can say that it is not pucca?—Simply the not very well educated creditor might prefer to have it on a stamped paper. They want some kind of paper bearing King's figure. An ordinary creditor would be satisfied with a one anna stamp on a pro-note worth several thousands. If it is a blank paper, for the first few years of its currency he may not be satisfied with it.

Chairman.—You put the net outturn of a money-lender on his capital at 6½ per cent in the case of urban and 11 per cent in the case of rural money-lenders.—Yes, approximately.

In your statement you have put it the other way round, but that is a mistake, I think?—It should be the reverse. The figures worked out by me on the statistics obtainable are wrong.

My point is, do you intend your 6½ per cent to apply to rural or to urban?—To urban.

Eleven per cent to rural money-lenders.—Yes.

In both cases that is the net result after allowing all expenses and bad debts?—Yes.

Are these figures based on impressions or upon statistical information?—On impressions formed from practice. Drawn from your income-tax files?—From my general knowledge of assessment work. It was difficult to go through all the files, at this time, to obtain this information.

How many cases have you examined?—Hundreds of cases. I have got registers in the income-tax office for the classification of business, and taking the total tax for the year on urban and rural money-

lenders, as my basis, I tried to work out the average net rate for five years and found that in urban it worked to 11 per cent and in rural to 6.5 per cent which showed that the method of calculation on this basis was wrong.

You mean to say that these figures are based upon the income-tax records for the last five years and they give the result stated in your reply ; that is to say, 11 per cent in the case of urban money-lenders and 6½ per cent in the case of rural. You think that something must be wrong with these figures ?—I think that something must be wrong with these calculations because in actual practice it should be the other way. There is no data in the registers for these calculations and the rough method employed by me (with the figures of annual tax as my basis) led to misleading results. Do you think the figures upon which the statements are based have not been correctly compiled ?—There are no figures available in the registers to arrive at the conclusions sought for and the assessment files could not be gone through for the purpose.

Can you work out the correct figures ?—I will go into these figures once again and will give the results. I will send in the result along with my note on the marketing of wheat.

Lala Harkishan Lal.—What do you think, from your general experience, is the average net rate of profit after taking into consideration all expenses and bad debts ?—In the case of rural money-lenders 10 or 11-12 per cent and in the case of urban 6 to 7 per cent. In actual practice we apply 15 per cent to the rural money-lender and if we take off 25 per cent for expenses and bad debts it leaves 10 or 11-12 per cent and in the case of others we apply 8 to 12 per cent the average is 10 per cent and if we take off 25 per cent for bad debts and other expenses we get a rate of about 7.5 per cent.

These rates are net rates or do you allow any reduction for expenses ?—The rates that we apply are the gross rates.

Do you allow bad debts ?—We allow bad debts in the case of urban money-lenders.

But in the case of a rural money-lender who is able to prove bad debts do you allow that as reduction when the figures are worked out ?—We apply the gross rate and allow interest, the expenses incurred and irrecoverable loans proved (generally in the form of cattle account, cattle received from debtors in discharge of debts and sold at a loss).

Why have you taken 15 per cent. ?—Because their general rates vary between 12, 20 and 25 per cent and 15 per cent is generally the average rate.

What do you think is their actual earning ?—In their actual net earnings it comes to 10 or 11-12 per cent.

Therefore, 15 per cent is wrong. We take into account the concealments which they might be making and then allow for interest paid, and expenses and irrecoverable loans proved.

You know that it is wrong when you tell us that the actual is 10 to 11 per cent. and you make it 15 per cent on whatever ground it may be?—Fifteen per cent is the gross rate and when interest expenses wherever incurred, and irrecoverable loans proved, are allowed the net earning reduces by a certain percentage.

Chairman.—You only apply standard rates when proper accounts are not kept, and when proper accounts are not kept you have no assurance that everything is disclosed?—Exactly.

When you say that a money-lender earns a net profit of 10 to 11 per cent you mean on his total investments, of which part may be concealed, and when you have to apply the standard rate you apply a higher rate to allow for possible concealments. Is that correct?—We estimate the *ugrahi*, apply an average gross rate and then allow for interest paid, expenses proved and irrecoverable loans written off.

Is it your experience that sometimes very large amounts are concealed in income-tax cases?—Yes, if the entire accounts were produced and if these disclosed the true income, and if a rate of 10 per cent were disclosed we would accept it.

You say that the average money-lender earns 10 to 11 per cent over a number of years, that does not mean of course that some money-lenders don't earn a larger amount?—That is an average; there might be some who may be earning more than that.

Lala Harkishan Lal.—Average means that the money earned was less also?—Yes, in some cases it might be less, where the deductions are excessive.

Chairman.—Do you think that the position of the money-lenders is deteriorating?—Yes.

Does that apply to both types of money-lenders, urban and rural?—Both of them are decreasing their business in money-lending.

Why is this so?—Because of the difficulties in realisation. That is the only reason?—Many of them are taking to other business.

Is there any feeling that money-lending is a derogatory profession?—They don't consider it derogatory but it is not so well-paying as it was before.

That is owing to the difficulties of recovery?—Yes.

Have these difficulties been increasing during the last five years or so?—Since the passing of the Land Alienation Act these difficulties have increased.

But the Land Alienation Act was passed many years ago?—Nothing special increased in the way of these difficulties during the last five years. In execution proceedings they cannot attach land, they cannot get the household effects of the debtors.

Is it possible that zemindars are becoming more alive to the fact that the law protects them?—I cannot say that. It may be so.

Have you come across any cases of hoarding?—No.

Have you made any enquiries on the subject?—It is my general knowledge of things.

You say in regard to execution proceedings that 50 per cent is recovered out of court and 25 per cent is irrecoverable. What is that based on?—That is my experience as a Judicial Officer. I was a Munsif for nine years.

Have you made any enquiries recently?—No.

Do rural money-lenders borrow from urban money-lenders in order to get funds?—Yes.

At what rates do they borrow?—The same ordinary rate 8-12 per cent.

Do most of the rural money-lenders borrow part of their capital?—The majority of them borrow.

Do any rural money-lenders finance urban money-lenders with their spare capital?—I don't know of any such case.

How many rural money-lenders do you assess in this district?—Two-hundred and eighty-five rural assesses and 160 urban.

Has the number decreased or increased during the last three years?—I could not total these figures, but I will send this information along with the other statements.

Do you assess any agriculturist money-lenders?—There are some.

How many?—I could not get the number. It will be about twenty or 25.

Is the number increasing?—It is increasing in the case of smaller investors of an income of Rs. 1,000 per annum or less, but we could not get hold of many zemindar money-lenders who earn a taxable income. They are comparatively few.

Are their rates much the same as those of the ordinary professional money-lenders?—I think so.

Is there much advancing on ornaments?—That is unusual. I suppose that there are seasons when a money-lender has more money than he is able to employ, and other times when he has less. How does the ordinary money-lender adjust the one against the other?—He invests the money again if he has spare.

How does he invest it?—In the same usual way.

The recoveries of a big money-lender must be very considerable in a good harvest year. What does he do with that money?—He invests it either in property or in money-lending again. It does not lie idle with him.

Does he put it on deposit with a bank?—I think he carries on the money-lending business only.

Does the rural money-lender lend money to the commission agent ?
—No.

Does the commission agent lend money to the rural money-lender ?
—Yes.

Do you think that the money-lender has no difficulty in disposing of his surplus money ?—There should not be any difficulty.

He finds investments for it ?—The money market is tight and money is required everywhere.

Since when has there been a scarcity of capital?—For the last three or four years there has been scarcity of capital.

Can you offer an opinion as to the popularity or otherwise of post office cash certificates ?—I have not got any figures, but I think they are generally taken by people.

Only in the towns or in the villages as well ?—In the towns only.

By traders ?—By small investors.

By traders or by the professional classes ?—By the professional classes.

Do you hear any complaints about them ?—No.

You are studying the subject of marketing. Have your enquiries led you to suppose that excessive profits are made at any stage in the whole system of marketing ?—I don't think so. The profits of the *arhtis* might be considered excessive, but in actual practice they are not.

Lala Harkishan Lal.—I would like to have a little information from you. You have been in Ferozepore which is not supposed to be a colonised district ; you have been in Gujranwala which is partly colonised and partly old ; Lyallpur is an entirely new colonization district. Will you kindly tell me in any way you like if you noticed any difference in the conditions and manners of the money-lenders in these three districts under the influence of colonization and also of the borrowers ; whether the money-lenders are more prosperous and make more money and realise more easily in the colonies than in the old districts ; whether they make more profits or less profits ; whether the borrower has got more money and repays more quickly or whether he has less money. What is your general impression ; what has been the real moral as well the financial effect of the new colonies on the people of the country ?—*A.*—The zemindars are better off in the colonies, and excluding years of bad harvest they are able to pay off their debts more easily ; and in that view the sahlukars in the colonies are better off than the sahlukars in non-colony districts.

That is, both are happier in the colony districts ?—Yes.

Have you ever noticed that as years pass on the conditions in the colony districts are becoming just like those in the old districts ?—Yes, as years advance, conditions are becoming just like those of the old districts.

Don't you think that the results should have been otherwise ; both sides must have accumulated fortunes during the course of ten years and their conditions should have been improving, both of the agriculturists as well as the money-lenders. On the contrary you find that their conditions are getting worse. What is the reason ?—The land loses its fertility as years pass by and it does not give similar better produce and the same quantity per acre as it does in the first ten years, and now it is deteriorating.

Is there any other reason ?—I can think of no other reason at present except that in the year of abundance the sahukar and zemindar invest or spend away surplus funds.

I might suggest one reason that both the sahukar and the agriculturist are living beyond their income and to such an extent that their incomes, though higher than before cannot keep pace with the expenses. Is that in your opinion one of the reasons ?—Yes, it is.

There is no third reason ?—I can think of none at present.

Is it not that both the agriculturists and the money-lenders live more luxuriously and are addicted to bad habits ; is that also anywhere apparent ?—It is not due to bad habits, but because the cost of living has increased everywhere.

Perhaps agriculturists marry more than one wife now and, therefore, their expenses have increased ?—I don't know that.

Why the prosperity of the colonies is decreasing so fast ?—Those two are the main reasons.

Chairman.—Has the assessment gone up during the last five years ?—In Lyallpur district we have a deficiency for the last three years.

Comparing these figures with those of five years ago, do they still show a decrease ?—We had an increase in the assessment in the years 1921, 1922 owing to the effects of War and that increase continued till 1925-26. Since 1926 we are on the decrease.

Owing to bad harvests and the fall in the prices ?—Yes.

How much income-tax did you get in this district last year ?—A little above 2½ lakhs.

How much in the last years that you have mentioned ?—It may be a little above three.

Khan Bahadur Chaudhri Niamat Ullah.—You say that the number of money-lenders is decreasing on account of the difficulties in recoveries and the Land Alienation Act. Does the Land Alienation Act apply to this District ?—Yes, it has been extended to the whole of the Punjab.

Rao Pchay Singh.—The Land Alienation Act is 28 or 29 years old. Do you mean to say that the difficulties began to increase from that date and continued ?—Its effects were felt some years after the introduction of the Land Alienation Act.

Since what year?—I think for the last twenty years the difficulties have been experienced and as a Munsif I found that the decrees were not easily realised nor fully satisfied.

Money-lending began to decrease from that date?—Yes, it must have been affected since those years.

Can you give an idea as to what percentage of the money-lenders have ceased doing this business now?—I can give comparative figures for the last five years.

These difficulties have not increased during the last three or six years specially?—I know of no special circumstances which would have put further difficulties in the way of money-lenders.

Do you see the account books of money-lenders?—Yes.

What percentage of that which they give to the borrower is in kind and what percentage is in cash?—I cannot give any exact idea, but it may be in equal shares, because grain is advanced for seed and for consumption to the smaller zemindars.

What are the general rates of interest?—I have already given these rates in my reply to the Chairman's question.

Is there any difference between the rates here and in Ferozepore?—I think the rates are the same.

Zemindars are not taking any special advantage of the laws in their favour?—They know that these laws are in their favour and they take advantage of them in the Law courts.

Since when?—All along they must have been taking advantage. Ever since the passing of the Land Alienation Act no land has been transferred to a non-agriculturist.

Excepting that there is no other special difficulty in realisation?—There are other restrictions imposed by the Civil Procedure Code. Certain moveable properties cannot be attached, for instance, implements, household effects, the grain needed for seed and similar things.

How old are those restrictions?—As old as the Civil Procedure Code is.

Any other special difficulties?—Not to my knowledge.

This 24 per cent interest is not realised; why? are the debtors too poor to pay that rate or do they create any special difficulties?—They don't pay because they have got nothing to pay. When the sahuakar finds that he cannot get anything out of court, he comes to court as a last resort.

Chairman.—Does that 24 per cent include a certain percentage of compound interest?—Yes, it does.

How much?—Some portion of it is compound interest.

The major portion?—No, not the major portion.

Rao Pohap Singh.—You state that the money-lender goes to court as a last resort when he finds that he cannot get anything out of court. When is that stage reached?—When payment is refused or the debtor begins to dispose of his property in some other way and the creditor finds that his money is in danger.

Is it sometimes the case that the creditor finds that it is not safe to lend him any further amount and the borrower has not got anything to pay at that time, and the creditor, therefore, goes to court to get a decree against him and get it executed at a suitable time?—It comes to the same thing.

Supposing a man commences his dealings with the money-lender just to-day. After how many years do you think that stage would come?—I cannot say. I have no personal experience of that.

You were a Munsif. Were any objections raised before you by the debtors that they paid something to the creditor which he had not credited in their account?—All sorts of objections were raised.

In how many cases?—In almost 90 per cent of the cases.

Do you think any of those objections was a genuine one?—Five per cent of such objections might be genuine, but I cannot say exactly. When the debtors come to court they raise all sorts of objections which they possibly can.

Lala Harkishan Lal.—Some of those objections are stereotyped drafted by the petition-writer himself?—Yes, Sir. Even the denial of the receipt is a stereotyped objection.

In colonies fertilising manure is not used?—It is being advertised, but I don't know if it is used.

Rai Sahib Kishan Lal.—You have been in three Districts, Ferozepore, Gujranwala and Lyallpur and you have got experience about the money-lending of those places too. Do you think money lending is decreasing there?—It is decreasing there, particularly in Ferozepore and Gujranwala and money-lenders are migrating to mandis.

For the reason that they cannot make realisations?—Partly owing to this fact and partly because they are not safe in those places.

Of the money-lenders and the co-operative societies who gets the best realisations?—I have not compared these figures.

Khan Bahadur Chaudhri Sultan Ahmad.—You have said that the productive capacity of the land has decreased in this colony. Have you any idea of the produce figures of ten or twenty years before, in

order to see what was the produce of wheat per acre in the infancy of the colony, *i.e.*, in 1896 and now?—I have not got these figures, but I will get them.

My personal experience is that the productive capacity has not decreased?—It is a matter of opinion.

Chairman.—You say that in Ferozepore and Gujranwala the money lender is trying to give up money-lending and come to mandis. Is it because the agriculturist money-lender is increasing his business?—He is taking his place, but not driving him out.

As the professional money-lender retires, the agriculturist money-lender comes forward?—Yes.

In which of these three districts is the agriculturist money-lender most prominent?—In Ferozepore and Lyallpur they are on the increase.

(Witness withdrew).

S. Kishan Singh, B.A., Income-tax Officer, Multan.

2. (i) Confined to urban money-lenders lending small amounts.

(ii) In the case of petty dealers who deal with low classes and this business is confined to cantonments.

(iii) Sixty to seventy per cent.

(iv) Mostly the money-lender himself does the valuation except in some cases of jewellery when the advice of a goldsmith may be called in. In other cases of pawn-broking it is a question of haggling. Nothing is charged for valuation.

(v) Three to five years in case of ornaments and in other cases less than a year.

(vi) No. They do not maintain or hire special godowns. They have their own safes for the purpose.

(vii) In cases of personal security alone a rate not exceeding 3 per cent is generally charged in excess of that charged on advances made on good security.

(viii) No.

(ix) In very rare cases there is a loss of interest only. No loss of capital is sustained.

(x) If the borrower with an otherwise sound position wishes to raise a loan at a favourable rate of interest, he would be prepared to offer some jewellery as a security instead of raising that loan on his personal security alone. If the lender wishes to advance to a person who has no immovable property or has such as is already encumbered, then he would far rather advance on the security of jewellery than otherwise.

Oral evidence of Sardar Kishan Singh, Income-tax Officer, Multan.

Chairman.—How long have you been here as Income-tax Officer?

A.—Three years.

Q.—Where were you before you came to Multan?

A.—In Lahore.

Q.—How long have you been in the Income-tax Department?

A.—Seven years.

Q.—Your circle consists of Multan, Dera Ghazi Khan and Muzaffargarh?

A.—Yes, Sir.

Q.—In the course of your work have you come across any indications that money-lenders are adding to their capital?

A.—No, their capital is decreasing.

Q.—For the reasons given in your note?

A.—Yes, Sir.

Q.—In your first note you say that “Decrees obtained from Civil Courts are in many cases not worth the paper they are written on,” but in your second note you say that 25 per cent is recovered out of court.

A.—I made further enquiries on the point. I have consulted four or five sub-judges and senior sub-judges since I wrote that note. It was only one gentleman who said that 25 per cent was recovered out of courts, the others put it down to 5 per cent. So recoveries out of courts are very very small.

Q.—Have you any figures to support your statement?

A.—No, this is my general information.

Q.—Are not fresh bonds often taken for the balance which cannot be recovered in court and out of court?

A.—They are taken.

Q.—And is not a great part of that subsequently recovered?

A.—The idea of taking the bond is that, and some is recovered.

Q.—Have you any reason to suppose that most of that amount is not recovered subsequently?

A.—I could not say. But fresh bond is always taken to extend the time of limitation and with the extension of the time of limitation there is some hope of getting some money, though the recoveries in such cases are necessarily poor.

Q.—Have you ever tried to ascertain statistically what proportion of the sum lent out by the ordinary rural money-lender is lost as a bad debt?

A.—No. I have not worked it out.

Q.—Could you give any percentage from your general experience?

A.—It ought to be about 88 per cent of the total amount advanced.

Q.—In what period? Not every year?

A.—Not every year, but during the course of three years.

Q.—Do you mean to say that during the course of three years the ordinary money-lender would lose 80 per cent of his capital?

A.—Yes, Sir. Especially during the last six or seven years this has been the case.

Q.—Have many money-lenders been applying for insolvency?

A.—I do not know about that, but perhaps not many.

Q.—How do they live?

A.—Most of them have some land and they live on that. Their needs also are very small.

Q.—Are a great many money-lenders withdrawing from business?

A.—They are.

Q.—Can you give any approximate figure or estimate of the number?

A.—I think during the last three years I have let off sixty or seventy in Multan from payment of tax. This means that their income has considerably decreased.

Q.—Does this apply to all the three districts?

A.—Yes, particularly to Dera Ghazi Khan and Muzaffargarh districts.

Q.—In those districts the plight of money-lenders is at its worst?

A.—Yes, Sir.

Q.—Do you know many cases of money-lenders who have left villages.

A.—Yes. But very few.

Q.—Is that because most of them have land and when they give up money-lending they cultivate their land?

A.—Yes, Sir. Some do.

Q.—Do they cultivate themselves or get tenants?

A.—They cultivate themselves in very rare cases. They always depend on outside labour.

Q.—How many money-lenders do you assess in these districts ?

A.—There would be about 600 rural money-lenders.

Q.—How many were there when you first came ?

A.—There were as many as 800 assessment cases in Dera Ghazi Khan and Muzaffargarh in 1923-24, now there are about 400.

Q.—Have most money-lenders some influential friends amongst the zemindars ?

A.—Sahukars who wish to reside in villages mostly seek the protection of zemindars. They require the help of influential landlords to recover their debts, realize interest and for protection of life and property.

Q.—Do they have to pay for it ?

A.—Not in cash but it is a matter of mutual obligation.

Q.—Do many money-lenders lend on the security of ornaments ?

A.—Not many. They are doing that now but in villages there are very few ornaments, otherwise they would certainly lend on ornaments.

Q.—Is there any idea among the villagers that there is any social disgrace in borrowing on ornaments ?

A.—No.

Q.—Do you assess any agriculturist money-lenders ?

A.—No, none in this circle. None of them is big enough.

Q.—Do a certain number of Muhammadans deal in money-lending ?

A.—No not many. The average agriculturist has hardly got enough to meet his requirements and the bigger ones deposit money in the banks. They do not usually lend it out.

Q.—What is the ordinary rate now charged in rural money-lending ?

A.—It varies from 18 to 20 per cent.

Q.—For loans against ornaments is the rate lower ?

A.—Yes, Sir, because the security is better.

Q.—In your note you estimate the average net rate earned by the rural money-lender at 12 per cent.

A.—It ought to be 10 per cent and I am inclined to reduce it further.

Q.—Does that take all expenses and bad debts into consideration ?

A.—Yes.

Q.—You have just said that the average money-lender loses 30 per cent in three years, *i.e.*, 10 per cent in one year.

A.—Yes, his average gross rate of interest being 18 per cent.

Q.—He should save at least 8 per cent on his outlay and net ten per cent as already suggested.

A.—I would put it down at 30 per cent.

Q.—In three years?

A.—Yes.

Q.—What would you put his gross profit at?

A.—At 18 per cent.

Q.—If he loses 10 per cent of his capital per annum, he makes eight per cent net.

A.—Yes, Sir.

Q.—Then your figures for bad debts do not tally.

A.—Not exactly but of 10 per cent do so.

Q.—You would have to be sure that they were typical cases. You would work it out for a period of five years?

A.—Yes, Sir. The main difficulty is that the accounts of money-lenders are not made up in the way you want. I would take a small number of cases and work them out.

Q.—Would you like to modify either the estimate you have given us in the light of what I have said or do you hold to both figures?

A.—I would like to consider that further.

Khan Bahadur Chaudhri Sultan Ahmad.—In your note you have said that they take mortgage of land with possession. Now you say that they do not cultivate themselves.

A.—Some do plough but an average money-lender is not physically fit for it. If he does not plough he helps in the reaping, and other agricultural process.

Q.—What do you mean by mortgage with possession?

A.—*Mustajari*.

Q.—That is land is redeemed after a lapse of twenty years or earlier?

A.—Yes. It is very common amongst the money-lenders. Sometimes the land is auctioned through the court for that purpose.

Rao Sahib Pohap Singh.—Is this estimate of 30 per cent in three years that you have given, only a general impression and not based on any calculations?

A.—Yes, Sir.

(Witness withdrew.)

**Special Questionnaire for Financial Adviser to the
Co-operative Department.**

SUPPLEMENTARY TO MAIN QUESTIONNAIRE.

Q. 1. (i) What relations exist between Co-operative Societies (including Commission Shops) and—

- (a) The Imperial Bank,
- (b) Joint Stock Banks, and
- (c) Indigenous Banks (if any) ?

(ii) Could these relations be improved in any way with advantage to the co-operative movement ?

A. 1. (i) (a) The Imperial Bank of India grant overdraft facilities to Central Institutions against the Institutions Government Security lodged with them. This accommodation is freely used by Central Institutions for the purpose of repaying deposits. It is not used to any appreciable extent for lending to primary credit societies. It is a convenient arrangement as in many cases a branch of the Imperial Bank is in the same town or adjacent and money is available with little or no delay.

In addition the Imperial Bank of India, Lahore, has granted cash credit limits to the Punjab Provincial Co-operative Bank, against the security of Central Institutions pro-notes. This arrangement has been in force for some years but it has only been found necessary to use it to a negligible extent.

- (b) Relations do not exist.
- (c) Relations do not exist.

(ii) I would suggest that the above cash credit arrangement be discontinued, because as pointed out, it has not been used to any extent and it is not reasonable to ask the Imperial Bank to keep extant a liability to them, without profit.

In lieu of this I would suggest that the Imperial Bank be asked to agree to accommodate Central Institutions, through the Punjab Provincial Bank, at any time, against their "on demand promissory notes," at bank rate, under the following conditions :—

- (a) The accommodation to be in the form of fixed loans and not exceed in duration six months.
- (b) No Central Institution to be allowed to borrow an amount at one time in excess of its subscribed and paid up capital plus its own reserves.
- (c) The loans not to be used to finance co-operative societies.

- (d) The Imperial Bank of India to be furnished with the last audit report and balance sheet of the applicant bank and to have the right to refuse the advance if it considered that the bank's business was not sound.

This arrangement would give Central Institutions credit facilities to the extent of 50 lacs. In my opinion such an arrangement if made an accomplished fact would not be availed of to any extent, but it would remove that disability of feeling that a perfectly sound institution, in a time of temporary need, could not obtain credit facilities other than against Government Securities. As regards the Imperial Bank it has the following advantages :—

- (a) The loan is not granted until it is required and used.
 (b) It is temporary accommodation for a definite period.

I cannot suggest any other way in which the relationship may be improved. Where there is a clearing house in any town Central Banks are members. Central Banks can use existing facilities offered by Joint Stock Banks if it is to their interests to do so.

Q. 2. Is there any serious competition in any part of the province between co-operative banks and either (a) or (b) above ?

A. 2. The Central Institutions have a large sum of money, the major portion of which, in their absence, would have gone to the Imperial Bank of India. There is no conscious active competition. Central Institutions in the majority of cases, can get more money than they can profitably employ.

Q. 3. (i) Is the amount of capital available for financing the co-operative movement in the province sufficient for present needs ?

(ii) If so, assuming the present rate of expansion, do you think it likely to be sufficient for the needs of the next five years ?

(iii) If not, can you estimate the approximate amount of additional capital required, and suggest the best means of raising it ?

A. 3. (i) Yes.

(ii) Yes.

Q. 4. (i) For the purpose of encouraging co-operative finance, which of the concessions enjoyed by Co-operative Societies (e.g., income-tax relief, remittance by money order and remittance transfer receipt) do you consider the most valuable ?

(ii) Would you advocate any further concessions from the same point of view ?

A. 4. I place the existing concessions in the order of their value :—

- (a) Remittance by Money-order.
 (b) Remittance by Transfer Receipt.
 (c) Income-tax relief.

(ii) I would request Government, to permit Central Institutions to open ledger accounts in treasuries and sub-treasuries. This would be a great help as it is difficult particularly for the many small institutions, to arrange for adequate protection for appreciable amounts of cash, which they otherwise must retain on the premises to meet current demands; no banks being near.

Q. 5. As a banker, do you regard the figures given in paragraph 21 of the last annual report (1929) as satisfactory? They show that about 49 per cent of the short terms loans taken in 1928-29 were repaid on due date.

A. 5. A figure taken for the whole province and for one year only does not give a fair criterion. One has to take into account the various adverse conditions prevailing in several areas, such as floods, pests and drought, and to examine the repayments from each section over a number of years taking into account the conditions ruling. Bearing all this in view I would be prepared to say that 49 per cent for the Province for one year, represents a much more satisfactory return than one might assume from a cursory reading of it.

Q. 6. (i) What are—

- (a) Central Banks,
- (b) Banking Unions,

doing at present to encourage savings, particularly of small sums, apart from the general acceptance of deposits?

(ii) Do you think it would be possible for them to do more, see for instance, the Home Safe Service scheme of the Midland Bank described in the papers below?

(iii) Are commission shops of any service in attracting deposits? (The question of enabling them to assist in this way was considered in 1928).

(iv) Would you advocate the establishment by Central Banks of branches for the same purpose, bearing in mind the difficulty of operating a branch satisfactorily?

(v) What is the smallest sum ordinarily accepted in deposit by—

- (a) Central Banks,
- (b) Banking Unions?

A. 6. (i) (a) and (b) Apart from accepting small sums in fixed deposit (Joint Stock Banks have a higher minimum) and opening freely Current Accounts and Savings Bank Accounts for small sums, they are not doing anything of a special nature.

(ii) I do not think they can do more at present. The Central Bank of India has a system of "Home Safe Service" similar to the one detailed in use by the Midland Bank. Central Banks could start a similar system which possibly would benefit a small proportion of the people. So many are so very poor and have no spare annas..

They would most probably lose the box or it would be broken into to provide for an urgent necessity.

¶ (iii) Not to an appreciable extent. The majority are willing to accept and most of them have small deposits. One being the only institution resembling a bank in the district and being well managed, has quite an appreciable amount. The people find it a convenience.

As regards the others, the majority of their customers are indebted to them, usually small amounts. When they sell their produce the proceeds go to repay these and other debts.

As regards the conducting of a commission shop, I recommend the following:—

That they deal with one or two Artis only, and they must be members and give acceptable security. The shop to undertake to give all their business to them provided they in turn give current rates.

The shop to deal with members only.

I should like to see in years to come a system of transport linked with commission shops, bullocks and motor lorries, so that members produce could be collected. The shops would go ahead then and with safety, if the *arhti* gave security and worked under an agreement. If the shop only advanced to members, and then, except for very trifling sums, only against ample security.

With a bigger turn over, better organization and management, they would attract more deposits and safely deal with them.

(iv) I would. Though in purely rural areas I prefer a Union.

The principal reason for decentralising is, to my mind, the bringing of facilities nearer to the primary society.

There is no great difficulty in properly controlling a branch. As an example Naraingarh, a branch of Ambala Central Branch, some 24 miles away. There is a local body of directors functioning as a Working Committee, to conduct expeditiously ordinary current business. Their decisions are subject to confirmation by the Ambala body of directors, and the arrangement works well. A senior member of the Ambala Staff takes charge of the branch for six months, when he is relieved and reverts to Ambala. The Manager of Ambala pays periodical visits to the branch and checks all transactions from the date of his last visit. The branch so far has not got deposits to any extent. It is financed by Ambala. The boon to the cultivators must be greatly appreciated.

I would always advocate the opening of a branch in a good deposit getting centre, if not already effectively served by another adjacent Central Bank.

(v) (a) Several Central Banks have a minimum of Rs. fifty for fixed deposit. Others accept smaller sums.

(b) Banking Unions, in many cases as far as I can see, have no minimum and several accept any small sum, allowing fixed deposit rates of interest, and permitting the depositor to operate the account as a current account.

Q. 7. (i) To what extent are cheques (including cheque bonds) used in the co-operative movement?

(ii) Could their use be further extended with safety to all concerned?

(iii) To what extent are cheques in the vernacular accepted by—

(a) Central Banks,

(b) Banking Unions?

(iv) In the case of vernacular cheques, what precautions are taken to prevent fraud or error? Are these precautions sufficient?

(v) In the light of your experience of the use of vernacular cheques in the co-operative movement, do you think that they could be more freely used by Joint Stock Banks? If so, subject to what precautions?

A. 7. (i) Cheques are used by Current Account holders.

Cheque bonds are used exclusively by primary credit societies in operating on their accounts with Central Institutions.

(ii) It is proposed to frame general rules for Savings Bank Accounts and to permit the general use of cheques in operating on these accounts. In this departure we are only falling into line with several of the Joint Stock Banks in India. I consider this form of account with the added facility of operating by cheque is particularly suited to the needs of a large number of people with small means, throughout the Province.

The use of cheques cannot be further extended, other than as above indicated.

The use of a cheque bond, which is a document created for a particular need, cannot be further extended.

(iii) Without restriction.

(iv) No particular precaution. I am told, and have no reason to doubt the statement, that an Indian conversant with the script can detect an irregular signature with the same degree of accuracy as an Englishman can detect an irregular signature in roman characters.

(v) I do. It would entail, in Bombay and Calcutta particularly, the bank employing men who were conversant with the various scripts used by their customers.

Q. 8. (i) Are you satisfied with the progress made by land mortgage banks in the Punjab?

(ii) Do you think it will be possible to extend them all over the province? If not, why?

(iii) What at present are their chief weaknesses?

(iv) How far can these weaknesses be remedied?

A. 8. (i) I am.

(ii) No. They cannot operate successfully in areas where—

(a) Fragmentation is excessive.

(b) Small holdings and so heavily indebted as to be beyond hope of redemption.

(iii) (1) The difficulty of recovering against the mortgaged security.

In the case of a mortgagor defaulting an award is obtained. Thereafter one has to seek the aid of the Civil Court. This means firstly interminable delay. Secondly on the decree being made absolute two remedies can be given.

(a) Warrant for arrest.

(b) Attachment of the mortgagor's rents for a period fixed by the Court on figures supplied by the Revenue Authorities.

As regards "a", the mortgagor can and often does successfully evade arrest. When arrested he can be detained for a period not exceeding six months at the plaintiff's expense.

As regards "b" I regret to state that the figures on which the Court gives judgment are frequently in favour of the mortgagor (defendant), so much so that the plaintiff cannot hope to recover the amount decreed.

The sureties, in equity, cannot be called upon to pay until all possible means of recovery against the principal debtor have been exhausted.

(2) It has to be admitted that the maximum period for which loans are granted, i.e., ten years, is too short in cases where accommodation is required to repay debts and for redemption of land. The debtor, if he feels he must meet his obligations, has to borrow to do so, in many cases. In many others, he defaults.

(3) The Directors, through want of business training, do not tabulate all available information pertaining to an applicant's security and his financial worth.

(iv) (1) In case of default, the Government, by special enactment should give power to the Registrar, to make an award absolute to take possession of and sell the mortgaged property to an agriculturist. To remove the necessity of seeking redress through a Civil Court, I desire to point out that this power, if given, would seldom have to be

enforced. Its moral weight would be tremendous and defaulters would be rare. The honest man would have no need to fear it. It would only be enforced in extreme cases which deserved no sympathy.

(2) With the above in force for say two years and proving effective, of which I have no doubt, the maximum period for lending could be safely increased.

(3) With the system in force of intensive audit and inspection, the present improvement in control and administration, which is already considerable from that of early days, will improve.

Q. 9. Have you any suggestions to make for strengthening and extending the present system of co-operative banking and finance?

A. 9. I can only enumerate the various improvements which the department have put forward from time to time during the last few years and which they have or are bringing into force.

(1) The Provincial Bank and Central Banks should work together as parts of one organization. All surplus funds should be placed with Provincial Bank and accommodation be taken from that bank, other than day to day requirements obtained by overdraft from the Imperial Bank of India.

(2) Fixed deposit rates should be uniform, as much as possible and flexible in accordance with money conditions. Young banks or banks in areas where deposits from the Public are not plentiful should not offer excessive rates, as this tends to wasteful competition. They should keep their rates more or less in uniformity and obtain financial help from the Provincial Bank, until such time as they became self supporting. This would come in time in most cases, as they would get their share when the public found that they could do no better. Banks in good deposit centres, which could get deposits cheaply to be encouraged to supply the nucleus.

(3) Unifying the system of book-keeping and general procedure.

(4) Improving staff efficiency.

(5) Extending the usefulness of the banks on the Urban side to help the small trader whose business is too small for him to deal with a joint stock bank.

(6) Thorough audit and frequent inspection.

(7) A conservative policy of conserving profits, building up reserves and keeping the dividend within a figure as will insure, as far as one can see, that it will be feasible for the bank to pay it regularly. In this way the public's confidence will be maintained.

Supplementary Questions arising out of his written statement addressed in writing to the Financial Adviser to the Co-operative Department by the Chairman and answered in the same way.

Question 1.—(1)—(a) Is the present cash credit arrangement with the Imperial Bank unsatisfactory from the point of Central Banking Institutions ? No.

(b) Has the Imperial Bank objected to its continuance ? No.

(c) What do the existing facilities amount to approximately (on the latest available date)? The facilities given under your proposed arrangement would apparently amount to fifty lacs.

Actual existing facilities are—

| | Rs. |
|--|-----------|
| (1) Overdraft against Government Securities .. | 30,00,000 |
| (2) Cash Credit Limits aggregating .. | 22,80,000 |
| | 52,80,000 |

The proposed arrangement, if agreed to, on the figures available to the 31st July 1929 would give a facility of Rs. 53,92,000. This of course is in addition to (1) above, namely, the overdraft facility against Government Securities of Rs. 30,00,000.

Question 2.—Can the amount of surplus money in the hands of Central Banking Institutions be approximately estimated? What is done with the surplus?

I have no figures available to give this estimate. I could obtain the information by reference to Central Banking Institutions. The surplus is placed in:—

(1) Current Deposits with Imperial Bank of India.

(2) Fixed and current deposits with Provincial Bank.

Question 4.—You suggest Central Institutions being allowed to open ledger accounts in treasuries and sub-treasuries. It has been suggested in one province that co-operative societies should be allowed to open current accounts with post offices. Which is likely to be more advantageous to co-operative societies?

The Treasury or Sub-Treasury is more advantageous because—

(1) they remit funds or funds may be remitted through them at par, with certain restrictions;

(2) on account of their strong room accommodation and guard they are a safe repository for funds.

Permission should be asked for as regards both Treasuries, Sub-Treasuries and Post Offices, because where there is not a Treasury but a post office the bank can open an account with the latter.

The two great needs, particularly for smaller organizations, are—

(1) a safe place in which to keep its money;

(2) an organization by which it can remit money and receive money with reasonable rapidity.

Question 6.—Are you satisfied that the finance of commission shops is sound? If not, in what respects is it defective and what remedies would you suggest?

You ask if the finance of commission shops is sound. As conducted it is not. I would suggest their adhering to the following principles, in cases where they do not do so :—

- (1) No unsecured advances to be given to non-members.
- (2) Unsecured advances, of a temporary nature, may be given for small amounts, when necessary, to members, provided they deal regularly with the shop and their dealings are satisfactory. Such advances not to exceed the value of member's share holding. The Manager at present is said to be responsible for all unsecured advances. He, in addition to the usual security bond, to furnish a cash security of Rs. 500. In his agreement it should be stated that he will be definitely responsible for unsecured advances and any given by him outstanding for one year or over to be debited to his cash security. The cash security to be maintained at a minimum of Rs. 500.
- (3) Advances granted against produce to be for a season only. That is not to be carried on the shops' books for twelve months and over. If the owner does not dispose of the produce during the selling season of the year of harvest, the shop to have the power to sell without reference to him. A margin of a minimum of 25 per cent always to be maintained. Storage charges to be levied. The produce stored in the shops' godowns, to be insured against fire. The owner to pay the charges incurred.
- (4) *Arhtis* to be called upon to pay for produce purchased within the days of grace in accordance with mandi custom. This to be insisted upon. If an *arhtis* delays, further dealings with him to be stopped.
- (5) The most adjacent Central Bank to send one of their senior men to check the general working of the shop after intervals of one month. He to report to the Circle Registrar. The Circle Registrar to bring to the notice of the Directors any irregularities.

7. (i) Does the cheque bond system work well and what precautions are taken to secure this? For instance, to what extent are specimen signatures accepted by the banks concerned?

The cheque bond system, as far as I know, works satisfactorily. I have heard no complaints against it and for the purpose it is used I cannot suggest a more effective substitute.

(ii) Can Savings Bank Accounts not be operated by cheques.

As regards precautions against fraud these bonds are serially numbered and Central Banks are asked to keep a register in which they are entered. When issued the name of the receiving society is entered against the cheque bonds issued to them. When the cheque bonds are presented complete for payment this register is referred to.

Central Institutions are requested to obtain, where feasible, specimen signatures of the office bearers of primary societies affiliated to them. It has to be remembered that a considerable percentage of such office-bearers are illiterate, and thumb impressions, other than in the hands of an expert, are of little use as a means of identification.

Central Banks are further recommended when asking primary societies to send specimen signatures, to request them to send a party to withdraw money other than he, who authenticates the relative documents.

(ii) The majority of banks in India do not permit savings bank accounts to be operated on by cheques.

7. (iv) Have you any personal experience of the acceptance of Vernacular cheques? If so, are any special precautions necessary?

(iv) My personal experience of the acceptance of vernacular cheques, and it is the experience of all Englishmen employed in banks in India, is that I relied entirely on a senior clerk translating the endorsement under his initial.

No special precautions would be necessary always understanding that a bank requires to know something concerning the person before they will open an account. It would be necessary for the bank to maintain amongst the members of its staff those who would be competent to translate the several scripts in common use in the town in question.

8. (iii) (a) At what point does "interminable delay" take place.

(a) The point when Court proceedings are commenced.

(b) approximately in how many cases have courts given judgment in favour of the mortgagor?

(b) I am not in a position to give an approximate figure. Several have been brought to my notice. The information can be obtained if required. I append the following examples (attached on sheet "A").

Could you give an example or two to illustrate your point?

(2) (a) Do you consider ten years too short in the ordinary cases dealt with by mortgage banks? If so, are you in favour of extending the period?

Yes, as regards repayment of debt and redemption of land. Not as regards improvement to property, etc.

I should not extend the period until the banks, through the Registrar, had power to take possession of and sell the security without reference to or intervention from the Civil Courts. If the borrower defaulted, where it was felt that he could pay, I should proceed against him at once. This would be the best form of training that he could receive.

(b) You say that in many cases the debtor borrows to repay. Do you mean that he often has to do this in a normal year, or are you referring to seasons of bad harvests?

The debtor often has to borrow in normal years to enable him to pay his instalments in full.

(iv) (i) Is your proposal that any award confirmed by the Registrar should have *ipso facto* the force of a decree and not be called in question on any ground by a court; if so, has this been done in any country?

My proposal is that any award confirmed by the Registrar should have the force of an absolute decree and not be called in question on any grounds by a court. You ask if this has been done in any country. I am not in a position to reply. I would point out, however that the Land Alienation Act is peculiar to India and an equitable mortgage, as commonly used in England, gives the mortgagee, in case of default, the right to take possession of his security and to dispose of it without any reference to a court.

8. (iv) (2) If the above is not done, would you extend the period of loans?

No.

9. (i) What is the present position in regard to surplus funds being placed with the Provincial Bank?

These are accepted in deposit for twelve months at 5½ per cent. In current account at 4 per cent. Central Institutions at date have on fixed deposit Rs. 40,70,000 and on current account Rs. 7,50,000.

(5) Do you think that the time has come to develop co-operative banks in towns? If so, on what lines would you do this?

Gradually as staff efficiency increases. I should develop on the following lines:—

- (1) Collection of railway receipts.
- (2) Remittance of funds by draft.
- (3) Small advances to traders against their merchandize.
- (4) Helping the agriculturist to obtain the best market for his produce. Looking after the business details of getting this produce to that market.

It would have to be decided whether an organization to do all or part of the above work would have to be an urban bank as distinct from the rural bank. Two separate organizations mean higher overhead charges. I would prefer the one bank with separate departments.

"A."

| Year loan granted. | Original amount of loan. | Year award granted. | Amount recovered to date. | Present balance. | REMARKS. |
|--------------------|--------------------------|---------------------|---------------------------|------------------|--|
| Rs. | Rs. | Rs. | Rs. | Rs. | |
| 1926 | 9,000 | 1,926 | 4,475 | 4,525 | The Civil Court granted an attachment for lease of land for two and-a-half years. Terms of decree not sufficiently liberal to enable the balance to be recovered. Proceedings for arrest being taken. |
| 1926 | 3,900 | 1927 | 845 | 3,055 | Annual rental value is Rs. 400 only. It was considered that to apply for an application for attachment of rent would be unsatisfactory; as probable duration of attachment would not be sufficient to recover an appreciable amount of the debt. Considered arrest more effective as debtor or sureties, to obtain the former's liberty, may be influenced to pay. |
| 1926 | 2,400 | 1927 | Nil | 2,400 | A decree was granted empowering half of the land to be leased on rent for seven and-a-half years. The rent to be paid to the mortgagees. This rental value is said to be some Rs. 250 per annum. |
| 1926 | 5,500 | 1927 | 450 | 5,050 | Proceedings for attachment of rents are still going on. A warrant of arrest has been issued. |

**Oral evidence of P. D. Macpherson, Financial Adviser to the
Co-operative Department, Lahore.**

Chairman.—You are the Financial Adviser to the Co-operative Department?—Yes.

How long have you had that post?—Since October 1928.

What were you before that?—I was Assistant to the Liquidators of the Alliance Bank in liquidation. Prior to the Alliance Bank going into liquidation in 1923, I was a branch manager and Inspector.

For how many years?—I have been banking in India 24 years. I was employed in London Office of the Delhi-London Bank, Limited; came to India in their service in 1906 and went over to the Alliance Bank, when they absorbed the Delhi Bank.

You say that insecure advances are commonly given to non-members by the commission shops for trivial amounts?—Yes. To retain their custom. They sell their produce through the shop. Having received an advance they frequently do not return. There have been considerable losses in several shops. Managers have absconded and the losses have amounted to Rs. 4,000 and Rs. 5,000. These losses are made up of (a) advances given to non-members, (b) amounts due from *arhtis* for the produce sold to them.

Are not the losses in connection with the latter very much greater than the former?—Yes.

Are the losses in connection with the former really considerable?—No. Total of unsecured advances are as high as Rs. 2,000 to Rs. 3,000, and of these advances probably aggregating Rs. 300 to Rs. 400 have been outstanding for a year or more.

Have the actual losses amounted to hundreds?—As regards advances to non-members, I should put actual loss in some shops down at Rs. 150 to Rs. 300. This is not a large amount, but the capital of these shops is small.

Have they discontinued the practice of making insecure advances on account of these losses?—No.

You say that the *arhtis* should be called upon to pay for the produce within the days of grace. Is not that done at present?—I consider managers generally slack in this respect. When checking advances in the books of commission shops you will find four or five of such advances have been owing for two or three months.

Is that because the payment has not been asked for?—The managers say, they do.

Have you reason to believe that they are not correct?—I believe they do. My point is they must be insistent.

Provided these difficulties are remedied, do you see any financial reason why these commission shops should not develop considerably?—No. The difficulty as regards the commission shops is that their success

or otherwise is very dependent on one man, the manager. They are drawn from two classes, the zemindar and the *arhtis*. The former is wanting in business training; the latter has capacity, but being left to work greatly on his own responsibility, is frequently tempted to further interests other than his employers. Closer supervision and education in business methods and promptness are required.

Who should provide that supervision?—The Central Bank. They finance these shops, and it is in their interests to see that they are well conducted.

Should it not be provided by the management of the society itself?—It should. But with rare exceptions they have not the knowledge, nor, I am afraid, the application.

Do you expect better supervision from the management of the Central Bank?—I do. I would request the adjacent Central Bank to send their second man, say, fortnightly to examine the books, etc. His report to be forwarded to the Circle Registrar.

Would that not lead to friction between the Central Bank and the management of the commission shop?—I do not think so. It would be a matter of arrangement.

With the exception of the difficulties that you mention, do you think that the finance of these shops is on the whole sound?—Yes.

Then there is no reason why they should not be steadily developed?—None; development is very much wanted. They should be steadily developed in many ways. They are of great help.

In connection with Question 8 would you kindly let us have more information as to cases in which courts have given judgments in favour of the mortgagor?—I will.

Further on you say that the debtors of the mortgage banks have often to borrow in normal times in order to enable them to repay their instalments in full. Why is that?—When they borrow for repayment of debt or redemption of land, so I am told by men connected with mortgage banks, they are not able to repay instalments from income in ten years.

Do you think that the period fixed is too short for the loans advanced to be repaid in time?—Yes; they have to borrow from outside to pay instalments.

Would your remedy be to extend the term or to reduce the loan?—I would extend the term; it is not of much use to reduce the amount of the loan; because he cannot free his security which has to be pledged to the bank unless he can obtain the amount of the debt over it.

At the same time you have said elsewhere that you would not extend the period unless certain powers were vested in the Registrar?—That is so.

Then till these powers are vested in the Registrar, what would your remedy be?—I would not reduce the loan. To do so would in many

cases make the accommodation available of no value. The land must be freed of the encumbrance or the transaction cannot go through. The Revenue Secretary in reviewing the report of the last co-operative year, referring to mortgage banks, states that the Directors by the inclusion of a simple clause in their mortgage, have the right to take possession of, and to sell, the property mortgaged without reference to a civil court. Here there is the remedy, either this suggestion or that of giving the Registrar powers, should be acted on at once. Till then we should go on as we are.

Does this difficulty also relate to loans taken for liquidation of old debts?—Yes.

Would the remedy in that case be to liquidate less than the whole amount?—That would be possible.

Does this difficulty seriously arise in connection with the redemption of land?—Not entirely so. In redemption of land the whole debt must be cleared before the land can be made available for security. In liquidation of debt if a part only is redeemed, you leave the borrower with an outside debt on which he has to pay interest at a high rate.

Have you made any definite enquiry to ascertain in what proportion of cases this difficulty arises?—No.

You are speaking only what the Directors of mortgage banks have said?—From information furnished by those connected with mortgage banks, when investigating cases of defaulters.

Have you ever ascertained definitely whether the default was due to circumstance beyond the power of the borrower?—I received my information from the staffs of mortgage banks. It was confirmed by the Departmental staff. Possibly in certain cases the default is not beyond the means of the debtor. In many others I am told that it is.

In most cases now they are not advancing more than thirty times the land revenue?—That is so.

Assuming that land revenue is not more than 25 per cent of the net income of the land mortgaged; that means that not more than $7\frac{1}{2}$ times the net income of one year is advanced?—Yes.

And they are given ten years to repay that?—Yes.

Should it not be possible to repay the income of $7\frac{1}{2}$ years in ten years?—It should. On the figures it should. On arriving at net income it is not possible to estimate unforeseen, but quite legitimate expenses. Such expenses I surmise very often preclude their doing so.

How long has it been insisted upon?—Since the conference of mortgage banks in November 1928.

Has the change had any serious effect on the business of the banks?—No. The banks receive many applications for advances.

Does it not mean then that an ordinary mortgage bank should be able to carry on its business satisfactorily on this new basis according to which a man is advanced for ten years what presumably he should be able to repay in $7\frac{1}{2}$ years?—If the period is not extended, still many people will borrow and endeavour to repay within the period. The banks' usefulness would be increased by extending the period of repayment.

Do you think that most of these complaints relate to loans which exceeded thirty times the land revenue?—There are reasons given for non-payment of loans the amount of which is in excess of thirty times the land revenue.

In that case, now that the change has been made, that difficulty should not arise. It is said that an extension of the period for repayment would be a facility?—I have not heard the view expressed that the basis of thirty times the land revenue should be altered.

Do you think that if the period were extended to fifteen years, the difficulties of recovery would increase?—No. They should decrease so long as the mortgage banks insist on receiving instalments when due and only waiving them in case of absolute necessity. In cases of default they can proceed for recovery, so the period of the loan is not very material.

Is that the procedure they follow at present?—Yes.

Are they strict in recoveries?—Yes.

Why would you postpone the extension of period till certain powers have been vested in the Registrar if you think that the extension of period will not add to the difficulties of recovery?—Because of the difficulty of recovering through the courts, and because I consider the Directorate have not had sufficient experience.

If there is that difficulty in recovering loans made for ten years, will it not continue if the period is extended to fifteen years?—Yes.

On the whole, do you consider that the development of mortgage banks is proceeding on satisfactory lines?—Yes.

Do you think it advisable to develop them more rapidly than has been done during the last three or four years?—No.

Do you regard them as having passed the experimental stage?—Yes.

Subject to the few modifications you suggest do you think that if development continues on the present lines, they are likely to succeed?—Yes.

Would you in this connection differentiate between an area that is secure, so far as harvests go, and one that is insecure?—It has been said that a co-operative mortgage bank is only likely to succeed

where the harvest is secure. We have in the Punjab a group of banks in insecure areas and another group in very secure areas like Lyallpur (Gurgaon and Mianwali being insecure)?—I don't think it is possible for a mortgage bank to be very successful in areas such as Gurgaon or Sirsa where there is one good harvest in seven years.

That is a little pessimistic. Would you then differentiate between the two types of area?—It would be necessary when the harvest is irregular. For instance, at Bhiwani the average harvest is one in three or four years. One cannot assume that loans for ten years will be repaid in that period.

What modifications would you suggest in an insecure area?—In the insecure area one would have to assume that it would take longer to recover the debt.

Khan Bahadur Chaudhri Sultan Ahmad.—Would you suggest more flexibility in recovery when the harvest is bad till such time as they have a good harvest?—Mortgage banks are only permitted to defer instalments when Government defers revenue. It would not be possible to continue remitting instalments for three or four years. The mortgage bank is drawing on money given for a definite period.

Chairman.—So far as the present debentures go, they have been issued for 25 years and the loans for ten years; so there is sufficient margin for the postponement of instalments?—Loan money repaid is re-issued. There is a finality to the period of the debenture. As a matter of fact in practice repayment of loans cannot synchronize with repayment of debentures. So long as the loan money is turning over, and advances sound, a debenture will be repaid from sinking fund or on a re-issue of debentures. As regards advancing in insecure areas, if after enquiry one felt there was the security and from that point of view the loan was safe, the difficulty of repayment could possibly be overcome by lending for longer periods.

Are you in favour of debentures issued by a central banking agency to raise money for mortgage banks being made a trustee security?—Not at present; later perhaps.

Why not at present?—Because until the debenture is actually secured on the land and until the bank in case of default can take possession of the land, debentures should not be made a trustee security.

Would that apply to debentures issued with a certain amount of protection in regard to interest?—Yes.

You would not make the debentures issued by the Central Bank a trustee security for that reason?—Yes.

Do you not regard the present debenture issued as sufficiently secure to be included in the trustee security?—No.

Where does the insecurity lie?—Firstly, the mortgage banks are in their infancy. Secondly, the difficulty, which I consider is a big one, of recovery in the case of default.

These debentures are secured upon all the assets of the Provincial Bank. Are these assets not a sufficient guarantee for an issue of this kind, limited as it is to 25 lakhs?—They are sufficient, but they should not have been taxed with the guarantee.

You object to it in this particular instance as a point of principle rather than of fact?—I do. The assets of the Provincial Bank are sufficient to justify debentures guaranteed on such assets being made trustee securities.

In combination with the guarantee or without?—I should say even without the guarantee.

It is a case of *a fortiori* then with a guarantee?—Yes.

As a matter of principle you think such debentures should not ordinarily be made trustee security. Is that your point?—Yes.

Then in this particular case a wrong course is being followed?—Probably the only course that could be followed at the time. At that stage the public might not have subscribed to a debenture floated against the mortgage banks' security.

In that case would you make the debentures a trustee security?—Yes. If the power previously mentioned to take possession and sell the security were given.

Am I right then in thinking that you would not again follow the course hitherto followed if you could avoid it, but as in this particular instance a guarantee has been given by Government and the debentures are secured on all the assets of the Provincial Bank, would you as a special case include them in trustee securities?—The present issue of debentures for 25 lakhs of rupees with the assets of the Provincial Bank behind them could be made trustee securities, but I would not do so. Future issues, if floated against the mortgage banks' mortgages and the power was there to take possession and sell the land, could be made trustee securities.

Have you considered the possibility of developing urban banks?—Not particularly. There is a scope for development on the urban side. As I have mentioned in my note, I would prefer to develop by a separate Department of existing central banks.

Why should you have two distinct types?—Two distinct types mean separate directorates and staffs. Would it not be possible to have one bank with two departments with one staff and one directorate drawn from urban and rural. This would mean economy in working.

What would be the difficulty in starting urban banks of an entirely urban character?—They would probably run at a loss for some time.

Would not that depend upon the margin between their borrowing and lending rates, which might be sufficiently wide?—It would take some time for them to collect sufficient business to give them a reasonable turn over.

But that applies to all co-operative banks; they must begin on a small scale?—A department of an existing bank could build up the business without much additional cost.

From your experience of people who live in towns, do you see any reason why co-operative societies should not be formed in towns?—An urban organisation could undertake with safety several branches of banking which would assist small people in towns. There would be no difficulty provided usual business precautions were taken.

From your knowledge of banking would you say that ordinary joint stock banks are unable to finance all who live in towns, small as well as big?—It is generally accepted, I think, that they are unable to deal with villagers. Would that also apply to some extent to small traders who live in towns? Joint Stock banks cannot afford to establish branches in small towns as a rule, as the profit is too small to cover over head charges. There are many small traders joint stock banks cannot cater for. The business is too trifling.

Is there not perhaps a field for the co-operative movement which cannot be filled by joint stock banks?—I think it so.

With your experience now of the co-operative banking system in the Punjab would you say that on the whole it was developing on sound lines?—Very sound lines.

Do you think it would be safe from the financial point of view to develop much more rapidly than we are developing at present?—No.

Would you adhere to the present rate of progress?—Yes, it has made considerable progress during the last three or four years. It is reaping the reward of improvements started some years ago. If it progresses on quietly, as at present, further improvement will be noticeable during the next few years.

Do you think that it is likely in time to be able to take over the bulk of the rural money-lenders' business looking ahead, say, twenty or thirty years?—There is no reason why it should not be able to do so. This is a very big question. Co-operative banking has to work on certain recognized lines. The sahukar lends with little or no formalities attached. He is there on the spot. It would take a long time for an organisation like co-operative banks to take the place of the sahukar. I think the best idea is to join forces with him.

How will you do that?—I can hardly express an opinion on this point. One can only suggest joining forces with the best of them, those who are willing to lend at reasonable rates. Accept their money on long term deposits at rates which give them a reasonable return and lend that money through the agency of co-operative banks.

The *sahukar* should be induced to take part in a bank, if not as a member, at least as a depositor? He should join the directorate of the bank and give it the help of his money and his knowledge.

You don't anticipate the co-operative movement being able to take over the bulk of the money-lending of the Province for a long time?—No.

Would you try to improve the money-lending system meanwhile beyond asking money-lenders to co-operate with the co-operative credit societies by becoming members and depositors?—I am in favour of legislating to remove abuses. It is not always possible, however strong the desire.

Have you any suggestions to make for co-ordinating the various credit agencies in the country—the Imperial Bank on the one side, the indigenous bankers on the other side and the joint stock banks and the co-operative societies in between?—By co-ordination you mean more or less linking them up; my views are contrary to that. I would leave each man to his own job; I would leave things as they are.

Lala Harkishan Lal.—Have you had any experience of the co-operative movement outside India?—No.

Have you had any experience of joint stock banks outside India?—Yes. I commenced as an apprentice in the London Office of the Union Bank of Australia, Limited. I was employed by them in Australia for 3½ years before I came to India.

How long ago was that?—Twenty-eight years ago. I went to Australia in 1902.

Have you any idea whether the joint stock banking of Australia has changed within thirty years in any respect—practice as well as rules and regulations?—No, they have not changed. They have developed tremendously.

But are the laws of Australia what they were?—Since my time they have started the Commonwealth Bank of Australia which is a Government reserve bank. The laws of the country have not been materially altered to my knowledge.

They have started lots of banks. Australia and New Zealand and those places have got dozens of banks. At your time they had only one or two banks. But I was thinking that the laws of that country so far as produce, etc., is concerned are different from what they were thirty years ago?—You are referring to laws regulating banking.

Yes as well as securities?—No, there has been no alteration. There were the following banks in Australia in my time:—Bank of Australia, Limited, Australian Joint Stock Bank, Limited; Union Bank of Australia, Limited; Bank of Queensland; Bank of Western Australia; Bank of New South Wales; Commercial Banking Company

of Sydney. I may mention that the majority had then head offices in London. I am not aware of any marked increases in banking houses.

Not the majority. However that may be I do not think you have kept yourself in touch. But what I was mentioning was that rules and regulations and laws governing securities and the rules and regulations governing the practice of banking have undergone tremendous changes in new countries like Canada and Australia in the last thirty years. That is what I read in papers and books. So you have not been up to date?—As far as general legal practice and general banking practice and fundamental principles, they have not been changed.

And so far as cheques are concerned?—I am not aware of any alteration in law as regards cheque.

But with regard to loans and securities they have changed a great deal. However, you are not *au fait* with the whole practice?—I left Australia some 25 years ago. I am not up to date.

Was not the first bank you served in India an exchange bank?—In a small way.

Now that you have had experience of exchange banks and joint stock banks and co-operative banks, which you are looking after now, would you kindly tell me what is the essential difference with regard to borrowers, with regard to depositors, with regard to establishment and the ordinary rules and regulations between these different kinds of banks?—The exchange bank confines itself to exchange. It does not cater for small current account business. Its principal interests are centred in the buying and selling of bills and financing the produce of the country.

By "the produce of the country" do you mean exports?—Yes. The financing of imports and exports.

But imports would not be the produce of the country?—No. They finance both imports and exports. As regards joint stock banks, their business is very much more concerned with the local business of the country. They wish to have traders' current accounts and the private accounts of people generally. They accept deposits from all classes.

So do the exchange banks?—Yes. But they do not encourage the opening of a large number of current accounts.

Of the whole $\frac{1}{3}$ rd of deposits of India are with the exchange banks? That may be so; they do not cater for the general banking business of the country as joint stock banks do. Several of the latter lend money against land and immoveable property.

While the exchange banks do not?—No.

Now let us go to the co-operative banks. I said that leaving aside indigenous banks and money-lenders there are three credit agencies in

the country. The central banks accept money on deposit fixed, savings bank and current account, and lend the money to primary credit societies.

Can you point out any difference between the scope of central banks in the Punjab and the joint stock banks?—The scope of the joint stock banks in India is enormous, in comparison, they transact all classes of banking business, too numerous to enumerate.

What is the difference between the scope of the central banks and the joint stock banks? You say the central banks have limited scope?—The central bank confines itself to one type of business; the accepting of deposits and lending to primary credit societies.

Is that all? No, lending it directly on produce?—There is one other thing they do to a small extent:—granting loans against fixed deposits with them. They do not lend against produce.

Do not the central banks do that? Do they not do any remittance business for their clients?—The majority do not do remittance business.

But they do occasionally?—They can issue a cheque on their account with the Provincial Bank, Lahore. Drafts are not issued.

And do they do what is called agent's business. Collect money on behalf of clients, like railway receipts?—No. An isolated case came to my knowledge. The Brayne Central Co-operative Bank, Ltd., Rewari, collects R. R. for a firm in Bombay and one in Delhi. There is no other bank there. They do not do this business even to a limited extent. I am only giving this as an isolated case.

Does not the Imperial Bank occasionally use them to cash their cheques or documents?—Not to my knowledge.

Is your function as an adviser really to advise the Registrar or the societies?—The name given to you is Financial Adviser to the Department. Does that mean the Registrar and Sub-Registrars?—Yes. The department, the banks and any one connected with the movement can refer any matter of banking to me for an opinion.

Do individual societies consult you?—Not primary societies.

The Union?—A Union would and so could a primary society.

I am thinking of the person. The Registrar, Assistant Registrar and the Department would ask for your advice?—Yes, and any institution or person in the movement.

Can the mortgage banks and the Provincial Bank do that?—Yes.

Would you give advice according to the circumstances put before you or only according to rule. I mean do you make a rule of advice and give it to everybody whether it is a central bank or mortgage bank?—I follow definite principles, taking into account particular circumstances and advise as much as feasible to suit them. I cannot advise according to rule.

I mean my question in this way ; you have formed a certain policy on a certain matter and so have to advise according to it or do you advise according to the circumstances put before you ?—If I have decided on a policy on major matters, I advise according to my policy. To other questions I advise to the best of my ability based on my practical experience.

Your best experience is of the joint stock banking business as you have been longer there ?—Yes. I advise according to my experience and most of the questions are banking questions.

Chairman.—Your answer to these questions would be governed to some extent by your experience of the co-operative movement ?—Yes.

Lala Harkishan Lal.—Your experience of co-operative banking is of sixteen months ?—Yes.

You said, but did not explain, that the money lending or the credit associations of the country should join forces. There is the Imperial Bank on the top at present (of course there would be later on perhaps a Reserve Bank but that is not under consideration now) then come the exchange banks in magnitude, then come the joint stock banks in magnitude, then come some of the indigenous bankers (of course in the Punjab there are very few but in other provinces there are many and of huge magnitude), then there is the money-lender who is spread over practically the whole of India, and then there are these other co-operative movements. This is the credit part of it. Would you advocate joining forces from the bottom to top or would you have two water tight compartments, say from the Imperial Bank to a certain limit and from there to the bottom and have a partition between, or would you have a joining of forces all along the line ?—I would not join forces at all. Work together if this is in the interests of the community but I think it is better to keep banks separate, each dealing with its own particular class or classes of business.

But joining forces would mean more resources and better looking after their own interests and it has been put to the Central Committee of this enquiry that means, if possible, should be found of linking all these forces together. I mean this is one of the questions that the Central Committee has to solve and which is a distinct reference to the Central Committee and we are here enquiring into matters which would lead up to that enquiry and to their report. Therefore, I am asking this question whether the resources of all these should be pooled together in some form or other or would you keep them separate ? Would you link the joint stock banks with the Imperial Bank ?—No.

Would you pool the resources of the exchange banks with the joint stock banks in India ? No. You cannot do indigenous banking and exchange banking under the same roof. The money is employed in such different ways.

Well I might give you one instance of what is passing in some minds. They say that there should be a Reserve Bank and that bank should be the bank of bankers as well as of banks and also of Government so that all the resources from every quarter would be centred as they are now centred in the Provincial Bank of the Punjab for the co-operative movement; in the same way they want that this Reserve Bank should be over the top of all and have the resource of all India, whether of the indigenous banks or the Indian States or the Indian Government or of bodies like municipalities and district boards or of co-operative societies, centred in one place and then according to requirements should spread it out. Is your opinion against this?—No. You spoke of linking up and pooling the resources of exchange banks with joint stock banks. I am in favour of a Reserve Bank with functions similar to the Bank of England.

The idea is that all resources should be pooled together in the Reserve Bank and linked up in this way that the indigenous banker may be able, if the new scheme comes into operation, to have his bills discounted and rediscounted with the joint stock banks and the joint stock banks could rediscount their bills with the Imperial Bank and the Imperial Bank with the Reserve Bank and so on and in that way the money operations would be more economised?—Feasible with proper safeguards. The discounting bank would reserve the right to accept or not to accept bills for discount. Trade bills are freely discounted in England and call and usance money or loans pass from Bank to Bank.

And would you consider the co-operative movement outside the scheme or would you bring it in also?—I would not to any great extent. There is no harm in linking up if you refer to discounting trade bills, etc., for temporary needs. Central institutions' pronotes may be advanced against for temporary needs outside of advancing to primary societies.

But when primary societies go to the central banks and the central banks to the Provincial Bank and the Provincial Bank to the Imperial Bank would it not mean linking up with the Imperial Bank or Reserve Bank?—I should only permit such credit facilities for short term needs. Primary Societies' needs are not short term needs.

Then a person or institution who wants short term accounts will not come in. But Provincial Bank or central banks may require them?—Central banks may, to repay deposits under certain possible conditions, or also to help societies in the case of famine or other grave necessity, such loans being special loans for a definite period.

They may want them in a limited way to pay deposits or for a temporary loan to pay the primary societies in case of famine or necessity. In that case you would not mind if they are linked and arrange and pay deposit when there is increased need for money?—No.

You would link them up to that extent with the Imperial Bank?—Yes.

You would like them to have credit facilities in that way?—I have no objection to that.

Would you have some arrangement between the joint stock banks and the central banks or not?—There should be no objection.

And would you have the same relation between the joint stock banks and the Imperial Bank?—Yes, I am not thinking of co-operative banks.

Then you would bring in this arrangement the *sahukars* like *Devi Chand* of Amritsar?—Yes.

Then subject to all precautions, and safeguards and principles of banking there is no harm in linking all banking business connections?—No.

Chairman.—Do such connections not exist at present between indigenous banks and joint stock banks?—Yes, they can get accommodation against security.

Does the suggestion then involve any change in present procedure?—No.

Lala Harkishan Lal.—It does involve a change. The point is that there is a wall between the joint stock banks and the co-operative movement. This partition should not exist. At present these two movements are divided by a partition and are entirely separate. Only in Lyallpur a joint stock man said that to us that he had made a deposit with a co-operative bank and the co-operative bank had received it but I have not heard any instance of that kind before. That was a very strange thing for me. Since when has the co-operative movement been accepting money from banks? That has always been the case.

I know of some correspondence between some joint stock banks and co-operative banks in Lahore to the effect that those people would not accept deposit from the joint stock banks. A bank may not always refuse a deposit if it can profitably employ it. The Provincial Bank does not encourage deposits from the public. It does not wish to actively compete against central banks.

The idea has been expressed that if this pooling is done, the Reserve Bank would not be everywhere. There would be branches in Bombay, Calcutta, Madras, Cawnpur, etc., say in five or six places, not more, and there would be the advantage that money would go a longer way than it does at present. Do you view this idea with favour or disfavour?—With favour. I am assuming that the business would be subject to ordinary banking precautions. If so, the more interlinking there is, the better.

Under that condition you would not exclude the indigenous banker?—No. He would come in on the same footing.

Chairman.—What change exactly would that involve in present practice?—None.

Lala Harkishan Lal.—A good deal.

Chairman.—You mean that present practice should continue?—Yes.

Lala Harkishan Lal.—It would not be the same as the present practice in as much as the partition and separating walls would be broken up so far as finances are concerned.

Mr. Macpherson.—The classes of business are so entirely different that suppose the Punjab National Bank were to ask the National Bank of India, Ltd., for a loan of one lakh, the National Bank could not accommodate them, if they desired to do so, as in the chain of their business that lakh must be remitted to a port town at once to be returned to London to complete an exchange operation.

Lala Harkishan Lal.—I was limiting my enquiry to securities and resources. And I might tell you that in Karachi the exchange banks have got credits with the joint stock Indian banks and *vice versa* for remittance business, for example, bills are received from England by the National Bank of India, and they send these bank bills to an Indian Joint Stock Bank, say the Allahabad Bank.

Mr. Macpherson.—Are you referring to ordinary trade exchange bills coming from home?

Lala Harkishan Lal.—If the National Bank of India sends in on a particular day bills to the Port Bank or any other bank, to be collected they want the money and money within the limit is given to the National Bank of India and *vice versa*.

Mr. Macpherson.—In other words they discount their bills of exchange with Indian Joint Stock Banks.

Lala Harkishan Lal.—Yes and *vice versa*. That is done in Karachi, according to your information they would not do it.

Mr. Macpherson.—They could not do it without permission from headquarters.

Lala Harkishan Lal.—That is another matter. I do not imply that the manager should be authorised to do these things, but rules and regulations ought to be such that, within all the safeguards, all the precautions, there should be more co-operation so far as the resources are concerned? That is perfectly sound. I would point out that the transaction you describe is short term business defined by the usance of the Bill. The discounting bank is safe, as it can select bills. The transaction I deprecate is borrowing against paper for lock up business.

Should not the practice be introduced in Lahore also?—It could be done. In Lahore bankers discount approved firms' bills. It is done in the ordinary way of business.

Chairman.—The example given by Mr. Harkishan Lal, suggests that there is close co-operation between exchange banks and joint stock banks at the ports.

Lala Harkishan Lal.—I know only of Karachi.

Chairman.—From your experience could you say whether this co-operation is lacking at places like Lahore?—No. I do not think it so.

Then you do not think that any change or modification is necessary?—I have not found any lack of co-operation or assistance between banks in any town that I have been in.

Lala Harkishan Lal.—My information is also extensive and does not tally with yours. Therefore, I should not like to be contradicted on the point. Your meaning is that so far as your information goes this is so?—I have not been in active banking since 1923, but I was agent of the Calcutta branch of the Alliance Bank for sometime. Lending for temporary needs went on freely there among banks. The same facilities would pertain to up-country if the need was there and the business sound.

That is impression not information?—I have been in Delhi which is a small business centre.

Did you lend money there?—Banks bought and sold one-another's drafts for the purpose of placing them in funds or remitting funds. Banks usually have overdraft limits arranged with the Imperial Bank against Government securities to be used as necessary. I was not asked for accommodation. Had I been asked to lend money for a few days or a few months, the request would have been considered. It would have been undertaken as an ordinary business transaction and dealt with accordingly.

Chairman.—Have you been employed as a banker in Lahore?—Yes.

Were you satisfied with the co-operation between joint stock banks and exchange banks then?—Yes.

Lala Harkishan Lal.—Would you kindly explain one or two things in these answers you have given?—You say that the actual existing facilities of the Punjab Provincial Bank in overdrafts are Rs. thirty lakhs. Cash credit limits are 22 lakhs 80 thousand. You do not mention the securities?—The securities for the overdraft are Government paper. For the cash credit limits central institutions' pronotes.

Rediscounted as it were?—Yes. They are drawn by central institutions favouring the Provincial Bank. The latter bank endorses them over to the Imperial Bank of India. That bank advances 75 per cent of the face value of the pronotes.

Then you say that the proposed arrangements, if agreed to, on the figures available to the 31st July 1929, would give a facility of Rs. 53,92,000. Is this the total of these two items?—No. The facility of Rs. 53 lakhs odd, if agreed to, would be in substitution of the existing cash credit arrangements.

What do the existing facilities amount to approximately (on the latest available date)? The facilities given under your proposed arrangements would apparently amount to fifty lakhs?—This relates to the Provincial Bank entirely. The central institutions have not expressed any wish to have the existing cash credit cancelled. I express the opinion that as they are infrequently used and then for a small amount only, it is not reasonable to ask the Imperial Bank to carry so heavy and permanent a liability without profit.

This is the present arrangement and there is some other arrangement which would give Rs. 53,92,000?—Yes. Instead of having these fixed cash credits with the Imperial Bank, provided the Imperial Bank would be agreeable to rediscount. In other words the central institution prefers the cash credits to be cancelled because they feel that the cash credits had never been available, and it was safer to having to hold such a lot of money for such a lot of time?—The existing arrangements are:—

(1) Overdraft limit thirty lakhs against Government securities Bank rate. (2) Cash credit limits aggregating Rs. 22,80,000 $6\frac{1}{2}$ per cent fixed. The proposal I suggest giving a facility of Rs. fifty lakhs odd, would, if acceptable to parties concerned be in substitution of (2). No, I will continue.

That would make nearly 83 lakhs. It is a very large amount. Now you mention in your note that "the Treasury or Sub-Treasury is more advantageous because they remit funds or funds may be remitted through them at par, with certain restrictions". Have you knowledge if this par system is only for co-operative banks or for everybody?—Co-operative Societies may remit money by R. T. R. at par from *bona fide* co-operators only. This facility cannot be used for remitting non-members' money from one bank to another. The R. T. R. is not issued to the public. Supply bills are issued to the public.

I was asking the question in the interest of the public whether remittance at par is confined to co-operative movement and Government has given a special concession to the co-operative movement or is it available to everybody?—Supply bills are issued to the public sometimes at par, sometimes at nominal rates. The R. T. R. concession is confined to the co-operative department.

But where there are no facilities, say in a small place like Chunian, is this arrangement sometimes made with joint stock banks if there is no treasury or sub-treasury?—Yes. The Registrar's permission has to be obtained. I know of certain cases in Delhi.

But Delhi is a big place. What about a small place?—If it is a small place there will be no banker.

There are bankers sometimes or sahu-kars?—I have no knowledge as to whether in a small place as you describe, they deposit with such banks.

Chairman.—It is done occasionally.

Lala Harkishan Lal.—Because in a small place the sahuakar is a bigger man than in a big place.

Chairman.—They do sometimes keep their money with leading sahuakars. But it is exceptional.

Lala Harkishan Lal.—Taking these commission shops, are they only commission shops and do no other business?—They buy, sell and advance against produce. They sell seeds and agricultural implements. I have no experience as to whether a combined society does better.

You say “no unsecured advance to be given to non-members”. What security would you have for those temporary loans to members you have mentioned?—I do not think that advances should be given to non-members.

Then non-members should be excluded from assistance?—Yes. They can become members.

But would you give advances against supply of produce to members or give as money credit?—Unsecured, to the value of their share holding as temporary accommodation. Other advances to be secured against produce.

Would not that be taking the wind out of credit societies if they exist in the same town?—Their credit societies are in a district some five or ten miles away. Unsecured advances are for some Rs. ten or twenty.

You say that advances granted against produce should be for a season only. How would you define season? Less than twelve months. It ought to be sold in the selling season after harvest.

Would it not be better for the zemindar to hold on to his stock? I think that it very seldom pays to hold on.

So you want everybody to sell off before the next crop comes in?—Yes.

So the wheat season is to be limited by the *kharif*?—Yes, in the mandi there is a period when wheat is being sold. I think produce held against advances should be sold during that period immediately succeeding harvest.

You say there are tracts in the Punjab where there is only one crop in the year. What would you make the season there, twelve months?—No. The produce should be sold in the busy selling season following the harvest.

That is six months?—Yes.

Chairman.—What is the objection to the produce being stored till the next harvest comes in?—It does not improve by keeping. Grain of a previous harvest does not command so good a price as that of the current harvest. It may be spoilt by rain or eaten by rats. The

owner has borrowed against it, and if he does obtain a better price by waiting, this is usually more than offset by the interest accrued, etc. I think it is always in the owner's best interest to sell during the year of harvest.

You would not leave it to him to judge his own interest?—Not, if the commission shop has lent money against the produce. Give the owner reasonable latitude. He may defer sale within the selling season, but I think the shop should have the right to insist on it being sold before the busy period preceding the harvest finishes.

How does the commission shop stand to lose provided the charges are paid?—The difficulties are:—The borrower frequently will not provide margins (when rates are falling). He usually wishes to defer payment of interest and charges until the grain is sold. All commission shops, I find, do not in all cases levy legitimate charges. It came to my notice recently that one shop had stored 250 bags of wheat for two years and were making no charge for storage. They charged 9 per cent on the advance and were paying Rs. ten per mensem rent for the godown in which the wheat was stored. The result was that after paying rent there was little of the interest left to go to the shop as profit.

Lala Harkishan Lal.—Would you kindly enlighten me on the question of cheque bonds. I should like to know what a cheque bond is?—A cheque bond is a combined form of pronote and resolution completed by a quorum of the managing body of a primary society when they borrow money from a central institution. The Chairman produced the form for examination.

Chaudhri Niamat Ullah.—In Jullundur there is a tribe called Awan who are called 'Agriculturists' but in Lyallpur they have got land but are called 'Non-Agriculturists.' If such a man was a member of a mortgage bank, how would he be treated?—As an owner of land he is eligible for membership. He would be treated as other members.

Are you in favour of the Imperial Bank giving advances to co-operative banks against the produce of zemindars?—It is not necessary to borrow from the Imperial Bank. Commission shops obtain all necessary finance from the most adjacent central banks.

But if the Imperial Bank gives to the traders on the security of their goods will it not be of benefit?—The Imperial Bank of India advance against grain. Their rate of interest is lower than that of commission shops.

Lala Harkishan Lal.—It is a question of knowledge; you think people might misuse it?—Yes. Many, until they were educated up to not doing so.

Are co-operative societies using cheques in their savings bank accounts?—Not generally. It is proposed to make it general.

You say the advantage of the cheque is that it is a negotiable instrument while the receipt is not a negotiable instrument?—Originally the custom was that all requests for withdrawals had to be

supported by the Pass Book. It follows that the depositor had to present it in person or by authorised messenger.

Chairman.—Is that no longer the case now?—Not as regards banks which permit operations by cheque. The cheque may be made payable to third parties and negotiated in the ordinary way.

Did banks not allow drawings without the production of the pass books? No. The system of operating by cheque is a new departure.

Is it working satisfactorily so far as you know?—Yes.

Do you see any reason why it should not be introduced into the Central Bank?—No it would be a great boon to people of small means.

Lala Harkishan Lal.—With reference to 'Question* 9, clause (5), our question is:—"Do you think that the time has come to develop co-operative banks in towns; if so, on what lines would you do this," and your reply is:—"Gradually as staff efficiency increases. I should develop on the following lines:—(1) collection of railway receipts, (2) remittance of funds by draft, (3) small advances to traders against their merchandise, (4) helping the agriculturist to obtain the best market for his produce; looking after the business details of getting this produce to that market," and for no other purpose?—I mentioned these as instance where in places we could fill a gap and increase the utility of central banks.

They might require to start societies for the supply of milk, for example?—I am concerned with the banking side.

The question was "do you think that time has come to develop co-operative banks in towns"? and you said that if the co-operative banks are developed, they ought to undertake these?—I quoted examples. They might be developed in other ways if such extensions will benefit the small men, and when they are not entering into needless competition with existing institutions. The intention would be to fill the gap where the ordinary commercial bank cannot function.

In England some societies run into crores and millions; would you not have such societies in India or in the Punjab?—Yes, societies, if their organisation was to better the lot of the zemindar and the man of small or no means.

Then so far as banking is concerned, you will keep the co-operative movement to its proper limits; i.e., small business?—Yes.

Chairman.—Some of the banks in Germany and Italy have very large dealings; if it were possible to develop banks on those lines in this country, would you be against them?—No. Provided that they were assisting the cultivator and the poor people.

It is the function of those banks to assist the middle and small class traders?—I think they should be developed as much as possible on lines which will not compete with banks already established.

*Vide p. 229.

Lala Harkishan Lal.—Would you not favour the scheme that all banks in India should be under one system of co-operation; that the present joint stock banks should be replaced by co-operative banks, or they should cancel their registration under the Joint Stock Companies Act and bring themselves under the Co-operative Societies Act; don't you think it would be of advantage?—That all banking in India would be administered by a department on co-operative lines.

Chairman.—Co-operative societies are not administered by the department, they are guided?—That is so.

Lala Harkishan Lal.—If joint stock banks came under the co-operative movement, they would not like to be interfered with more than guided; so that pre-suppose the position. I am asking for the reason that the co-operative movement and especially co-operative banking has got certain advantages under the law given by the Government. Why should not these advantages be extended to other banks so that the sense of competition should disappear and the advantages should be to the public generally rather than to a particular classes?—I wonder if the whole of the banking community would agree to carry out the rules that are so rigidly laid down. I think it would be rather of advantage to the banking community.

Either the joint stock banks are to be levelled down or the co-operative banks should be levelled up so far as expenses, for example are concerned. The joint stock banks have many more expenses to incur. In mortgages they have to pay Re. 1-8-0 per cent on the stamp and the result is that very few mortgages are really effected. People have to go round to get over this difficulty?—The stamp on a mortgage without possession is half a per cent.

Now it is Re. 1-8-0. Now the stamp law is provincial; it is not uniform all over India. The question is that if the joint stock banks want to lend money and ask the borrower to give them a mortgage deed, he is not willing to do so, because it is expensive, and the banks have to go round in order to get over this difficulty sometimes in the shape of verbal hypothecation and sometimes pronote. On the other hand, the co-operative bank goes free. Naturally one day will come when either the stamp law, which really affects the joint stock banks and other people, will have to be changed in favour of them or the other way round, if all the banks come under one co-operative movement, and this sense of competition will disappear, and they would be guided by the department and all the wisdom of the department? But you are eliminating all competition. A business man borrowing looks upon such charges as legitimate and such as his business has to meet. He does not question them. If he does, the bank would be well advised not to accommodate him.

Then the Imperial Bank would not be able to lend any money?—The Imperial Bank does lend money and insists on security. The revenue of the country must be maintained. Such charges are common to all countries.

Chairman.—Would you say that the co-operative banks were at present in competition with the joint stock banks?—No. They are operating in different fields.

Lala Harkishan Lal.—At one time there was competition in the rates of deposits; now there is no competition with your bank. When the advertisements came out in the press that certain banks backed by Government offered $7\frac{1}{2}$ per cent and even 8 per cent in some cases, there was real competition?—The average rate is 6 per cent to $6\frac{1}{2}$ per cent.

Chairman.—A year or two ago the rates were higher than they are now, yet in spite of that deposits have increased substantially?—Yes.

Lala Harkishan Lal.—I may just mention here that the joint stock banks did feel the competition when the rates were high?—Doubtless that was so. I don't consider there is competition to any large extent between joint stock banks and co-operative banks at present. There is no great disparity between their rates. The latter of course do take a large amount of money off the market, which otherwise would go to the Imperial Bank and joint stock banks.

Rai Sahib Kishan Lal.—Can you suggest any remedy whereby the bitter relations between the zemindars and the money-lenders can be removed?—It has been suggested that co-operative banks should join forces with the good money-lenders and try and get rid of the bad ones.

Don't you think it would be beneficial to the zemindar as well as to the money-lender, if the co-operative society takes over the indebtedness of the zemindar to the money-lenders?—If the sahuakar would agree to ordinary business terms and loans are within the power of the debtor to repay them, your suggestion is feasible.

You have been manager of the banks; do you think the number of private bankers has decreased very much?—I consider that the number of private bankers has decreased considerably.

Why are they decreasing; is it because of the joint stock banks?—Yes. The number of stock joint banks in India has increased.

Do you think the reason of their decrease in number is that the joint stock banks have taken their place?—The private banker previously depended largely on deposits to finance his business. These deposits have been withdrawn from him and placed with the various banks in the country. It is natural that a depositor should prefer a big bank with a large capital and resources.

Can you suggest any remedy to revive the old banking families?—I cannot. They have had their day. It is the way of the world. In England there were powerful bankers. They have practically all been absorbed by the big joint stock banks.

Rao Pohap Singh.—You say that the surplus of Rs. 40,70,000 of the central institutions is in the Provincial Bank and that it has been

lent out to other central banks from which there was a demand, or it has been invested in some other forms?—Yes, it has been all lent out to central institutions.

You also said that the experience and result of the co-operative societies' working shows that they are financially sound, but at the same time you said that they should not be extended. What are your reasons for that?—I don't think I said that they should not be extended. I said that in my opinion the present rate of expansion was sufficient. One does not wish to lend money until one knows that it will be wisely used on productive purposes.

Are your reasons for not accelerating this speed the want of efficient staff or want of money?—Not want of money. Money cannot be lent until the borrower is educated to use it properly. Too rapid an extension might be financially unsound. The efficiency of the staff is being steadily improved.

Otherwise there is no reason?—No. The movement will extend to its full capacity consistent with financial safety.

Your note shows that instead of overdraft account with the Imperial Bank you would think it more advantageous for the central bank to get cash credits?—Central banks have existing arrangements with the local branches of the Imperial Bank whereby they obtain overdrafts against Government securities. These arrangements are a great convenience and should not be altered. I have explained the arrangements which the Provincial Bank has for accommodation with the Imperial Bank, Lahore. As regards these existing cash credit arrangements, I suggested as preferable the Imperial Bank agreeing for temporary needs only to grant loans against central institutions' pronotes.

Have you consulted the Imperial Bank whether they are ready to do it?—No.

They give cash credits freely and as far as they think it safe?—Yes, to the extent of the arranged limits.

There is no difficulty in that respect?—No.

The relations of the central institutions with the Imperial Bank are cordial?—Yes; they are. This question of the cash credit is between the Provincial Bank and the Imperial Bank. As I have mentioned, central banks have borrowing facilities from the local branch of the Imperial Banks against Government securities.

Do you think it more advantageous for the central bank to get their cash credit from the Provincial Bank or from the Imperial Banks; their rate might be lower at times?—It is more advantageous for central banks, to obtain accommodation from the Provincial Bank, thereby keeping the profits in the movement. I would like the Provincial Bank to work at rates as advantageous as those of the Imperial Bank. The Provincial Bank is now lending money at a

fixed rate of $6\frac{1}{2}$ per cent. The Imperial Banks' rate varies. Their average rate for the past two years works out roughly at between $6\frac{1}{2}$ and $6\frac{3}{4}$ per cent.

That is exactly at times when the central banks require more money?—They require more money between October and March when the rate is highest.

You said that these co-operative commission shops should be supervised by the staff of the central bank. Do you mean to say that their accounts should be checked by the managers of the central banks or should they interfere in their business transactions?—My suggestion is that a member of the staff of a central bank should check the accounts monthly and report their condition to the C. R. Frequent scrutiny would possibly guard against errors being repeated.

So far as figures are concerned, the manager of the central bank will be able to check them, but as far as the working of the shop is concerned, the manager of the central bank has got no training at all?—He will not be concerned with the technical side of the shop's business. He will report on the book keeping and outstandings. If the manager of the shop was aware that these inspections were to take place monthly, he would possibly make a greater effort to realize outstandings.

You were just now asked to take the loans of the agriculturists which are due from them to the money-lenders. If a board of three persons were appointed, the members of which were to be nominated one by the money-lender, the other by the agriculturist debtor and the third by the Registrar of the Co-operative Department and they after going through the accounts come to a certain decision that so much is due and should be paid to the money-lender, and the money due is directed to be paid by the agriculturist within the course of, say, fifteen years, and in lieu of that his land is taken under mortgage, though without possession, and he is asked to pay instalments by certain dates; would you like that the Co-operative Department should take up that sort of work?—If a bank is asked to take over a loan for a period of fifteen years on the understanding that the creditor would deposit the amount for a similar period, the bank making half a per cent profit on the transaction, they would favourably consider the proposal. The Co-operative Department might well consider the suggestion favourably, provided the security was ample, the amount within the means of the debtor to repay and in the event of default they could recover without lengthy legal process. The organization to control a business of this size would have to be extensive and complete.

They will have the sole authority to decide whatever amount the money-lender would get and if the money-lender does not agree to that, he shall not be allowed to go to the civil courts?—If you could get the interested parties to agree I should be much in favour of such a proposal.

Khan Bahadur Chaudhri Niamat Ullah.—What is the difference between the overdraft and cash credit account of the Imperial

Bank?—The interest on the cash credits is $6\frac{1}{2}$ per cent fixed with monthly rests. The interest on the overdraft account is at bank rate.

Therefore, the Provincial Bank does not obtain loans from the cash credit account?—There are two cash credit loans. One has been availed of to a small extent. The other has not been drawn against. There is an arrangement whereby the overdraft is to be drawn against to a certain minimum before the other cash credit is drawn against.

You say further on that in lieu of this you would suggest that the Imperial Bank should be asked to accommodate through the Provincial Bank. Why through the Provincial Bank?—Because the operation can be controlled more easily if dealt with through one institution.

But the pronote will be on behalf of the central bank?—Yes.

You say that loans should not be used to finance co-operative societies; how should the deposits be utilised then?—Deposits from the public are central banks, trading capital. It is legitimate to use them in their principal business, namely, financing societies. Loans from bankers, on the other hand, cannot be looked upon as trading capital, but should only be resorted to for temporary and unforeseen needs.

The present rate of expansion of societies is sufficient or should it be accelerated?—Accelerated consistent with safety.

Do you mean to say that there is lack of money?—To the present, central banks as a whole are not suffering from lack of money. Should necessity arise, in my opinion, were they to increase their rates of interest, they would attract considerably more.

There are 84,600 villages in the Punjab and 19,000 societies. How many years will be required to have one society in each village at this rate of expansion?—It is reasonable to assume that as the years go on, expansion will become increasingly more rapid. On the other hand the people are acquiring the investment habit. It is not therefore unreasonable to assume that the banks' trading capital will keep march with this expansion.

As regards home savings accounts, you say that people have not got anna one to deposit and that possibly they may sell their home savings accounts. Are you not in favour of trying them?—I am.

Are cheque bonds sent by post to the central bank by the societies?—No, a society's representative presents the documents and receives payment.

Do you know that in the new colonies like Lyallpur there are many such zemindars who have migrated from Jullundur and settled down there. In Jullundur District they belong to the agricultural class, but there they have been declared as non-agriculturists in the colony. Are such persons members of the mortgage banks?—Every owner of land can become a member of the mortgage bank.

If he is a non-agriculturist, what is the trouble in his way in getting the land of the agriculturist?—The land of an agriculturist cannot be disposed of to a non-agriculturist.

(Witness withdrew.)

**P. D. Macpherson, Esq., Financial Adviser to Co-operative
Department, Punjab.**

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During my examination there was a good deal said of inter-linking the several banking organizations in India. My interpretation of this, possibly quite a wrong one, was a desire for the stronger brother to carry the weaker more or less permanently.

I hold the view as a broad principle, and every banker will support it, that a bank must look entirely to the public to provide its trading capital. If it is soundly conducted it must employ its trading capital in such a manner as to be available to repay its creditors when called upon to do so. If it is not, any system of credit to enable it to do so would be unsound. A case of robbing Peter to pay Paul.

I gathered later that the endeavour was to find a safe means of making credit more facile for legitimate business needs. It goes without saying that all banks would welcome any improvement suggested in this connection. It appears to me, however, that bankers hold the creation of such credit in their own hands. The bank that has credit can obtain it. The bank that has not, cannot. Legislation or re-organization if on sound lines will not be able to assist a bank that cannot assist itself.

The Exchange or big Joint Stock Banks in India to-day have large credit facilities. Their branches nominally receive all financial help from their Head Offices and these can obtain credit in London and the port towns in India.

The wish, however, I gather, is not so much to improve credit facilities for the bigger banks, but for the small indigenous ones. This is difficult. These banks to a large extent have lent out a considerable part of their resources in property, etc., loans of a more or less permanent nature. Temporary accommodation may relieve, but not cure them.

Possibly the opinion is held that no financial help is ever given to such banks even when if extended, it might carry them over a crisis. I do not think this is so. If it has marketable security it can borrow, of course, but even if it has not, if its general position warrants it I think it would receive temporary aid. The Imperial Bank gave the Alliance Bank a drawing facility of one crore against the hypothecation of its investments (Government Paper and gilt-edged securities) and the title deeds of its properties. The same bank gave the Bengal National Bank accommodation, I regret I have forgotten the amount, but it was a big one, against a debenture over its assets. The National Bank of India, Limited, Lahore, lent the Lahore Bank, Limited, in 1913 one lakh against Government Paper to help it, when other local banks had refused.

The English banking system has backed largely industrial undertakings through the immediate past difficult years. It has been able to do so because of its great resources, but it feels now that it cannot put up further money to any great extent for this class of business. It is a form of finance apart from ordinary banking and requires a separate organization to finance it. As you know England has recently started a banking corporation for this purpose.

American banking has recently come in for severe criticism because of the injudicious extent it lent money to finance unwise speculation in stocks and shares. They were enabled to do so because of the support available from the Reserve Bank. American politicians recently congratulated the country on its sound banking system and contend that it came through the crisis well. Economists severely criticise the happening as a grave error in judgment. The result is penury to thousands and the banks forced to carry a large quantity of defaulted securities for weak holders.

You will remember remarking, some little time ago, that while in the business centres in India there are many banks ; on the other hand, several towns with populations of 10,000 had none. The development of joint stock banking had in a measure driven the shroff out of the field. Previously he had, in many small places, functioned as a banker for the people stationed there. Now, owing to present conditions having gone out of business, and joint stock banks not replacing him people in the class of towns referred to are not as well catered for as formerly.

You asked me to suggest a remedy, and discussing the matter we both thought that the co-operative bank is best fitted to complete this link : the two principal reasons being economy in working and a directorate with local knowledge.

You requested me to send you a memo. giving my suggestions for a better distribution of the banking facilities bringing in the co-operative central banks. I shall try and do so. I am assuming, there will be a Reserve Bank at some future date. When there is, part of its duties will be—

- No. 1. Public Debt.
- No. 2. Currency.
- No. 3. Controlling the bank rate.

When it comes into being the Imperial Bank's charter will be altered and it will have power to enter more extensively into joint stock banking. Until this happens the Imperial Bank will function as at present.

I shall deal with the following classes of banks :—

- No. 1. Reserve Bank.
- No. 2. Imperial Bank.
- No. 3. Exchange Banks.

No. 4. Joint Stock Banks having their head offices in India.

No. 5. Joint Stock Banks having their head offices in England.

No. 6. Central Co-operative Banks.

Reserve Bank.—Head Office, Bombay or Calcutta. Branches—Bombay or Calcutta, Delhi and Simla.

Imperial Bank.—To confine its branches to towns in which there is sufficient business to pay costs and give a reasonable return.

Exchange Banks.—To confine their branches to port towns and up-country piece-goods centres. Their business to be exchange and the lending of money against merchandize.

Joint Stock Banks having their Head Offices in India.—Each to be given a defined area in which to trade. Its extent to be decided after studying their resources and capacity.

Joint Stock Banks having their Head Offices in England.—Branches to be confined to port towns and any large inland towns where it is felt they could supply an added facility not obtainable from banks already there.

Central Co-operative Banks.—To open in small towns where the business available does not justify joint stock banks (No. 4) opening.

In these places the central institutions should try and take the place of the joint stock bank, according to the needs of the particular place :—

- (1) Accept deposits and current accounts.
- (2) Collect cheques, bills and railway receipts on the several towns in India.
- (3) Sell drafts on the various towns in India.

2 and 3, entail entering into arrangements with other banks. There would be no difficulty in this.

- (4) Possibly advancing against produce.

In fact to meet the needs of the people in any direction.

The advantages of the above proposal are as under :—

- No. 1. Removal of excessive competition in certain places.
- No. 2. The Imperial Bank would be relieved of the necessity of continuing branches in small places and opening others, which do not pay.
- No. 3. Joint Stock Banks with Head Offices in India, with excessive competition removed would be able to open more branches and to better administer their area.

Government, though the Imperial Bank, at present, and later possibly the Reserve Bank, would have considerable control over the joint stock banks having their head offices in India.

The following would be stipulated :—

- (a) That they must adequately meet the needs of their area.
- (b) To do so, and also in accordance with sound banking, they must keep a proportion of their trading capital liquid.
- (c) Auditors to be approved and reports submitted for examination.

All this being so, the Apex Bank will finance them during tight money periods, for legitimate temporary needs, against approved security or failing this their note of hand. It being always understood that the right to grant or refuse accommodation rests solely with the Apex Bank.

The Apex Bank would endeavour, to the extent of its resources, to meet the legitimate needs of all banks, provided such requests were in keeping with sound banking principles.

**L. Heath, Esquire, Officer on Special Duty, Co-operative
Department.**

PART IV.

My remarks upon the financial position of cottage workers deal mainly with the hand weavers, as the result of my review, now in progress, of their craft in the Punjab, but my knowledge of other cottage art industries gained from experience as Controller of the Arts and Crafts Depôt for eight years, leads me to infer a similar state of affairs in all cottage industries, with the exception that, the more skilful workers in brass and copper, lacquer work, wood inlay damasine work, jewellery, and cotton printing; whose work is traded direct to the Depôt, get good prices cash down and are independent of outside assistance from either Co-operative Societies or Middlemen.

The Census Report of 1911 give the total number of weavers as 10 lakhs while that of 1921 shows that there were then 11 lakhs. If it is correct that in the Punjab there are only 314 Co-operative Societies, of which 200 are weavers, with a total membership of 5,800 it is apparent that the Co-operative Movement is not doing much to put the hand worker in a position to support himself.

My research shows that the handweaver earns 6, 8 and 10 annas a day according to the demand for his product. Even these low figures do not give a fair idea of poverty as varying conditions owing to seasonal demand, climate, or the state of the market reduce his earnings greatly, especially in the villages where the demand is local, and where work is done with no other protection than the trees under which he works. In the west of the Province where more modern appliances, such as Fly Shuttle, Jacquard and Dobbi are not in use, the condition of the weaver is no worse as regards daily earnings, while his craft is in a better condition as both the material used and the dyeing is better. The hand weaving in the centre of the Province has been degraded from an art industry to an imitation of power weaving and owing to the greater production of the Fly Shuttle loom, competition is greater and the number of hand weavers is decreasing more rapidly recently.

There is no doubt of the evils that have accrued through the agency of the middleman but it must be remembered that in modern trade he has been a very necessary evil, that you can never get rid of him, you can only clip his claws. He has been, and still is, the chief agency for marketing outside purely local demand, he knows a little of the demand, though he has no idea of how to stimulate that demand nor how to create a new demand or a new supply; technically he is as ignorant as the producer and in this ignorance often kills the goose that lays the golden egg through squeezing the weaver of his just earnings, the consequent degrading of quality and failure of both the producer and himself. Many middlemen in the more impoverished localities have gone out of business. The reason the middleman is an evil is not because he is not wanted but because through the appalling technical

ignorance of the weaver and the absence of any organisation to help the weaver to improve his standard or even to maintain it, he has a strangle hold upon him. The reason for this is not far to seek. The direct patronage of the art crafts has ceased to exist between the buyer and the producer, therefore the cultured stimulus of the patron is no longer brought to bear. The middleman steps in and wants money only, the artistic sense of the craftsman dies and is replaced by a feeble commercial sense which leads him to counter the demands of the middleman with inferior work and materials until he is powerless to do anything but the cheap work that satisfies the demand.

The crux of the whole question therefore is not the existence of the middle man nor the non-existence of the demand for artistic hand work but the lack of the artistic and technical sense formerly provided by the patron. If village industries are to be helped it will not be through the agency of Co-operative Societies only, which help the skilled and unskilled equally and helps the unskilled to compete with the skilled and to bring down prices, but through the co-operative movement plus a strong artistic and technical direction.

The present co-operative movement is very incomplete. I suggest that to be adequate three things are essential.

- (1) Supply of all raw materials at a minimum possible rate.
- (2) Selection of products.
- (3) Marketing of the best only. The present system does not allow for any one of these three completely. It does not provide dyes. It does not make any selection of products and its marketing is confined to one or two shops none of which have any organisation for reaching the outer markets nor even for tapping the discriminating trade of the locality.

My opinion is that you can only hope to help directly a very small percentage of the whole community to the higher grades of their craft—that these few will by example help others and so the leaven will work, but I believe that the co-operative organisation has attempted to help as large a proportion as possible and that without any technical assistance of the right type it has really succeeded only in keeping alive the least independent worker and through this and misguided technical assistance brought the whole of the hand-weaving craft down to a level of the least efficient.

I wish to emphasize my view of this particular handicraft. There are two main fields of activity for the hand-weaver. (1) The supply of the necessities of his locality in simple fabrics of well woven materials and fast dyes. These qualities are essential if he is to compete for long with the power loom. Under present economic conditions I see no reason why he should not compete successfully. (2) The artistic branch of the craft for the supply, both locally and further afield, of ceremonial fabrics, household draperies and art fabrics. In this the quality of the yarn, weaving and dyeing are even more essential to a good

market. The fabrics in this class have a comparatively smaller demand and outside ceremonial clothing, it is an ever changing fashion.

The present disastrous financial and technical condition of the industry is due to the facts noted below :—

- (a) The loss of the hand work quality of the products and the replacement of this quality by a cheap machine like character (note the inferior sheetings, shirtings and suitings now being made all over the Province).
- (b) The almost complete eclipse of silk weaving and the substitution of artificial silk of a very poor quality.
- (c) The substitution of the old desi vegetable dyes by aniline dyes, which though fast in an enormous range of colours, become fugitive when ignorantly used by the hand-weaver, who dyes his own yarns without any technical knowledge and with cheapness as his aim. I should say that not more than 5 per cent of the coloured fabrics made in the Punjab are dyed with fast dyes.

Given the above disabilities the finest marketing organisation in the world would have no effect in keeping the industry alive or in bringing a better return to the weaver for his produce.

Even in the United Provinces and Behar and Orissa which are far ahead of the Punjab in the quality of the hand weavers produce, the technical ignorance of dyeing is almost as marked but a good deal has been done in the latter provinces by the Government Institutes at Gularbagh and Bhagalpur to train dyers and to increase the output of silk yarn. The art side of the industry has been fostered with considerable success and it is more advanced in organisation. In Bhagalpur alone there are some 20 hand-loom factories under a master weaver or middleman who not only employs the weavers in his own house but also buys their produce from the villagers. One of these master weavers whose factory I saw markets his goods both locally and far afield, he started seven years ago and now has the reputation of being very wealthy. His weavers are paid piece work and are said to earn 8, 10 to 12 annas a day and some 1 rupee. Here too and in Benares the weavers complain that the universal use of the Fly Shuttle has led to over-production and a fall in prices but this is more marked in the Punjab as the Fly Shuttle has been misused as a means of producing cloth better and more cheaply made by the power loom.

The organisation of the industry appears to have brought the weavers into the neighbourhood of the towns to a greater extent than in the Punjab. The general evidence shows that weavers in Behar and Orissa earn from 6 annas to 1 rupee per day. Considering the comparative value of labour in these provinces and the Punjab the difference is greater than the earnings show. In Benares the saree weavers earn about Re. 1 per day.

The spread of ericulture, which is the breeding of a silk worm that feeds on the castor oil plant, has been considerably helped by the Government Institute at Bhagalpur, both this and the spinning of silk from the ericacoons bought in large quantities from Assam are cottage industries of agriculturists. An acre of castor produces Rs. 50, worth of castor oil seeds and Rs. 120 worth of cacoons per annum with an expenditure of nearly Rs. 50. As a help to the agriculturist it is therefore valuable but it cannot be run at a profit, with hired labour. I do not know whether ericulture has been attempted in the Punjab as a cottage industry, the castor oil plant appears to grow freely here.

A comparison of the above facts with the conditions in this province appears to show that (1) organisation and technical direction can materially assist this industry and add to the value of the produce. (2) With improved technical and artistic quality the middleman awakes to the commercial value of these qualities and pays a fair rate for them and thus becomes less of an evil and more of a cultured agent in marketing. (3) Modern appliances and consequent quicker production, even when properly directed, must tend to increased competition and finally to a reduction of the number of exponents of the craft, and (4) organisation will bring the weaver from the villages to the towns unless organisation can be decentralised, if it can.

My conclusions, as far as weaving is concerned are :—

1. The financial and technical conditions are extremely bad.
2. That the co-operative societies have done very little to improve the financial position.
3. That the middleman, under the present state of technical ignorance is an evil, but in the absence of any Government organisation to take his place his agency has kept the craft alive and that the evil of his strangle-hold upon the weaver will to a great extent disappear as both he and the weaver progress in technical knowledge.
4. That therefore, the Co-operative organisation must be combined with a close and discriminating artistic and technical direction. This combine must work for the provision of all raw materials locally ; training in the technique of the craft in villages by peripatetic instructors as is done in Behar and Orissa by groups of weavers and dyers responsible for their districts ; the institutions of small dyeing centres near to weaver communities ; and by discriminating selection the marketing in Depot shops of the best quality fabrics only.
5. And finally that the financial asset depends in most cottage industries and in weaving particularly, upon the hand quality of the produce. This quality has completely disappeared from the Punjab work and it consists in the main of quality of material and workmanship and beauty

of colour and design. This quality can only be recovered by the direct agency of a Central Institute working as the Arts and Crafts Depot works by designing and making samples for distribution to the villager through Co-operative Societies and buying the produce, if up to standard, and marketing it at home and abroad.

I believe you can only help the weaver or cottage worker by helping the best of them to produce better quality of goods and not by any financial aid, and that without beauty cottage industries are doomed. To show that there is a demand for hand work the two Institutes in Behar and Orissa sell something like a lac worth a year in London alone and liberty charges 150 per cent minimum upon fabrics bought from them. A very pertinent comment on the middleman.

**Oral evidence of Mr. L. Heath, Officer on Special Duty,
Co-operative Department, Lahore.**

Chairman.—Were you till recently the Principal of the School of Arts and in charge of the Crafts Depot?—Yes.

How long have you been there?—I have been in the Mayo School of Arts for nineteen years. This is the 9th year of the Depot. I started it about eight years ago.

Are you now on special duty?—Yes. Connected with the Co-operative Department to enquire into the cottage industries, particularly weaving, and to make proposals for the betterment of those industries.

How long have you been on this enquiry?—Since the end of November last.

When is it likely to end?—On the 29th April 1930.

You say in your note that the hand weaver earns from Re. 0-6-0 to Re. 0-10-0 a day. Are these family earnings or of one person only?—The general earnings vary according to designs and quality. It is not one person's earnings, but very few get better prices.

Is it the amount earned by the worker with the help of his family?—Yes, and of course it is not easy to determine how many days he works.

What do the rates vary with: the class of work?—Partly with the class of work and partly with the condition of the trade, whether it is dull or brisk.

Do you find that the rates vary very much from one part of the Province to another?—In the most backward part of the Province, *i.e.*, on the Multan side, where they have no modern appliances, people are earning as much as those who work in the centre or east side where modern appliances are used.

What class of men are able to earn the rate of Re. 0-10-0 a day?—It depends upon the particular district you are considering. In one place you will have artificial silk weaving involving skilled labour in the form of *daryai* or in the form of shirting. These fetch better prices. Khaddar weaver probably earns the lowest.

That difference would apply all through the Province?—Yes, except in the case of that class of work which is done in Jullundur or Ludhiana or in the eastern side of the Province, where they weave *Durries* and *Lungis* and *khes* (the last on the Multan side).

Would you say that it is the more artistic work that brings in the higher rates?—Yes, it is the more artistic and traditional work that brings in better wages; *i.e.*, the more complicated and skilled work such as *Lungis*, ceremonial fabrics of all kinds. What gets the lesser rate is the plain material or the common material such as they make in imitation of power loom work, such as cotton shirtings and suitings.

Don't you find that the employment of modern appliances has done much to raise the rates?—It has done nothing, because the use of modern appliances without any instructions in their proper use as a means of improving the quality of the fabric has resulted in the improper use of the appliances as a means of competing with power-machines in the weaving of cloth better done by the power loom.

That kind of cloth is really better done by the power loom?—It is better and cheaper done. I will give you an example in order to illustrate my idea. Where people are most backward, they don't have these modern appliances, but they are weaving common place cotton stuff which is ordinarily power-loom work. It has no obvious advantage in being made by hand, but is being made by hand in order to provide them with some means of using their looms, and, of course, having a market only on the spot, they sell it at whatever price they can get for the work. One of the difficulties is that all the weavers have to sell at the end of the day what they have woven in the day and they offer it for whatever price they can get, often at the mere cost of materials.

You have distinguished between the use of modern appliances and their misuse. How can they be misused?—Take the case of traditional materials; that is to say, the silks and good qualities of woven cloths of elaborate patterns woven on the pit loom with the feet on the pedals with which they change the healds up and down, the modern loom and the Jacquered and Dobbi, which makes the pattern through a perforated apparatus which carries the thread and works the healds automatically were used to weave the traditional fabric or improved cloth with its good hand qualities, it would be what I should call a proper use, but if you use a hand machine to enable you to compete with a power loom in the weaving of trade fabrics, then I consider it as an improper use.

These modern appliances are not being used for that higher class of work?—Not at all. But the Jacquered and Dobbi should be encouraged and could be used on the common pit loom which they use in every village and they could attach the Jacquered and Dobbi to the ordinary pit loom at a very reduced expense than by making a high standing loom which takes much more room, but they don't do it, because there is a misconception that *desi* looms are useless and that if they use the modern adjuncts they must use the whole thing. There has been a lost opportunity and means of assisting the weavers in making improved patterns and cloths by not adding these apparatus to the pit loom. Now in the whole of the Hoshiarpur district where they all work under the trees, they cannot use these expensive appliances, but they could use their pit looms with the improved adjuncts added to them.

That would help the ordinary weaver?—Yes, but how are we to bring these appliances to those who are really too poor to buy them.

At the present moment they have no alternative between the old fashioned loom and starting the fly shuttle loom with Jacquered and Dobbi system?—Yes, or until they are shown how to adapt their pit looms to the fly shuttle principle.

How would you compromise between the two?—The mechanical assistance that they want is achieved by attaching a framing over the pit loom to carry the fly shuttle part and also the other attachments as they are required, and thus you would gradually spread the use of these appliances at small cost, while now they are prevented on account of the high price of fly shuttle loom which I think costs not less than Rs. 600.

Lala Harkishan Lal.—Wooden fly shuttle?—Yes.

Rs. 600 is the price of the power loom imported from Manchester, this would be much cheaper?—It may be Rs. 200; I don't know; but any way it is more than they can afford.

Chairman.—Have you any idea of the number of weavers who are using the fly shuttle?—It is not great; I should think it would be less than 5 per cent.

If this adaptation were made, would it very much increase their power of production?—It would not. It would increase the speed only.

What would be the advantage then?—It increases their speed of production, but the fly shuttle loom has tended to over production where there is no good market or demand for the produce. If you bring a machine which works four times as fast in a district which is making common place cloth and they can supply the demand through the ordinary pit loom, then this machine must either put the people out of employment or bring down the prices of the material, and that is what is happening.

But is it putting people out of employment?—Most of the Co-operative Department Inspectors keep on insisting that the number of weavers is steadily reducing, but I have no evidence. It has certainly tended to bring down prices where it is in use.

Am I right in thinking that a further objection to the introduction of the fly shuttle is that it is tending to make the whole art of weaving more mechanical and is therefore really opening a door for machine made goods?—That is exactly what has happened. When I was Inspector of Industrial Schools, I knew something of traditional weaving that was being done on the Multan side, and during the last ten years it has fallen from the traditional to the commercial.

(Here the witness showed certain patterns to the Chairman and explained the difference in quality).

Would hand made goods be more durable than the machine-made?—Possibly, and in some cases they certainly are where the yarn is well spun.

Has that extra durability any commercial value?—It should have. It does not have it in this sense that the middleman makes no allowance for it when buying; only when selling, the middleman is generally out for money, and he wants a cheaper work. He may get a hand woven cloth with a little higher value than the mill cloth, but to pay for it would interfere with his pocket, and so the standard generally falls.

Do you mean to say that the extra durability would not fetch an extra price?—It fetches the local price from the middleman. It is not only in the local market where we want to deal, but we want to spread the demand, then the wearing and other qualities of hand work would count.

Do you think then that the introduction of the fly shuttle is really damaging the hand-made goods and ultimately preparing the way for machine-made goods?—Certainly, but not necessarily; the weaver has very definitely fallen from the indigenous traditional work of best quality to the commonplace commercial work.

What would be the advantage of the adaptations that you suggest if it would not greatly increase the production?—It would slightly but that is not the only advantage; it would require less labour to use a Jacquered and Dobbie than to use a hand loom. The value of any improved tool depends not only on labour saving, but upon improved standard of work produced.

Do you mean that the amount produced can be produced in a shorter space of time?—I mean to say that people who at present are producing commonplace cloth because though they are skilled, they are not trained enough to do better, might produce with improved tools a type of material which would meet a wider demand than the local demand, and provided the skilled weaver were instructed in the making of artistic fabric, *i.e.*, the best quality of hand weaving; the lesser skilled would have an outlet for his labour by weaving a stuff for local demand which would compete with the mill made stuff. The whole "matlab" of the matter is that there must always be a definite aim and object in hand-weaving. Its aim and object is, first, the quality of hand production—that is more or less an accidental quality—the appearance of the material owing to its being hand-spun and hand-woven fabric such as Khaddar and various other country cloths; secondly, the sterling quality of good colours and designs. Thus you have got the hand quality which is more or less accidental owing to the hand-spinning and hand-weaving and you have got the sterling quality of the materials both in yarn and dyeing, and you have got the beauty which is purely artistic owing to design and colour. Those are the main things if you want to preserve the hand industry. If it is going to compete it will only compete in the eyes of those persons who appreciate the difference between hand production and mill production.

So that, so far as these hand-woven goods are concerned, the fact that they are woven by hand and not by machine, makes their future

very uncertain, but if they were to be improved in design, they would have a real field?—Yes.

Should the weaving industry then be confined to the second field rather than to the first?—No; to the production of art fabrics. But the hand weaver ought to be competing with the mill weaver in the better classes of woven goods, such as damasks, tapestry and the like. At present he is not, but sooner or later he will have to, if he is to survive.

But that side of the industry is doomed?—In the long run perhaps, I think it will hold its own for many years.

But ultimately it will have to make way for the mill fabrics?—Yes. The trend in Europe and America is at present in the one class of hand productions. In England Liberty sells silk and cotton at 150 per cent increase over what we produce it. He does not do that without there being a very definite demand.

Then do you think that too much attention has been paid to ordinary handloom weaving and not enough to the development of the artistic side?—No. As a matter of fact no attention has been paid in the Punjab to fitting our ordinary hand-weaving to compete with, say, Japanese imports into India. The demand for the artistic has gone temporarily because the hand-loom weaver depended to a great extent upon definite patronage that has gradually disappeared, namely, the patronage from people who wanted gorgeous raiment.

Lala Harkishan Lal.—But Indian ladies are wearing more *saris* and other finer clothes?—Yes, but those are imported, and the Punjab has not attempted to compete in producing them, and now-a-days there is no direct connection between the hand-weaver and the consumer.

Chairman.—Can that demand be revived?—Yes, because it still exists. But the point is that if a wealthy person wants to buy a rich material, and there is a European supply in many varieties with first class quality and absolutely fast colour, as an Indian, he would buy the European rather than buy the cheaper, inferior *desi* stuff which is of a kachha and crude colour.

What future has this side of the industry got?—It has got an excellent future if it competes with European quality. The Industries Department has never tackled ~~the~~ question. The aniline dyes have a great influence upon the question. The old *desi* dyes were known all over the Punjab, and they have absolutely lost those vegetable dyes. Only one or two colours are left, e.g., Indigo and Turkey Red, but none of the ordinary colours that are in demand are left.

Have they been killed by the aniline dyes?—Yes. People buy these. Aniline dyes are in the main fast dyes. Kachha dyes are not manufactured as such, but there are degrees of fastness. Certain grades of different colours are exported from Europe and those different classes of colours have different uses. Some are used in cold water,

some hot, some body-warm, some want the assistance of acids, etc. The weaver does not know one of these facts. The consequence is that, excepting colours which have a definite use, such as Indigo for Durries, colour is kachha.

Lala Harkishan Lal.—Did you visit Cawnpore?—Yes.

What are they doing in regard to making the dyes fast—both imported and others?—Most big companies import German dyes and use them scientifically.

Are they not telling the people how to make colours fast?—Yes. All importers either send experts to the buyers, and he shows exactly how to use them or they invite buyers to send representatives to Bombay and give demonstrations free. American companies do the same, and I am in correspondence with British companies and they do the same, and I hope in the future they will be able to supply dyes in such a way as to ensure an intelligent use of them. But it is not the bigger people who use the dye with whom we are concerned, but the little trader in the bazaar or in the city who buys the aniline dyes in quantity and sells it out in paper packets for a pice or two without any instructions.

What are they doing in Shahdara?—That does not help the weavers because they only train dyers and excepting cotton all weavers dye their own yarn.

Why cannot the Shahdara people instead of getting the dyers get the weavers for two or three months?—It would be quite simple, but my point is that you want scientific uniformity. The weaver now buys his one pennyworth of dye and dyes his yarn. It is not scientific and it is not an economic proposition. He ought to buy yarn ready dyed.

Chairman.—Are the dyes a comparatively unimportant factor in the cost of weaving?—Yes. The relative cost is certain to be small; the Principal of the Ludhiana Hosiery Institution (he is a weaver by caste and is very well educated) told me that the cost of pucca over kachha was a maximum of 20 per cent; this works out at two pie per yard. Thus if you used a red dye and wanted to dye pink, you dye your red and the exhaust or the partly used solution dyes pink and other shades of rose, etc., and this cuts out completely the extra cost of dyeing pucca over kachha. For this reason it would be a far better proposition to have a dyers centre in each locality where the weaver can come along then and bring his yarn and have it dyed and get all the different tints than dye his own and throw away all the partly used solution.

Supposing the necessary knowledge could be given and skill acquired, do you think there would be a demand for these productions?—I think so. It would make the goods worth buying. In Bihar and Orissa they sell in one institution about Rs. 60,000 worth in London and in another about Rs. 40,000 worth per year of fabrics which are designed and made to meet the market for hand-woven material.

Has the Arts and Crafts Depot in Lahore done anything for the weavers?—Not directly, because the depot only takes up those crafts which the Mayo School of Arts has the means of practising and has never been able to take up weaving because it only sells goods made by the artisans from the Mayo School of Arts' patterns.

Why does the Mayo School of Arts not take up this industry?—It takes up too much room. It would take all the workshop space if we have to do it properly, and these workshops were designed and built for other crafts before I came.

But it is far the most important craft?—Yes. Nothing ever has been done for it except that we took up cotton block printing, but that is not weaving.

You say that the co-operative societies help the skilled and unskilled equally and help the unskilled to compete with the skilled to bring down the price?—I think it works out that way, if you know what I mean. If there are twenty weavers in a village, some of whom are skilled and some of them are unskilled, and they are members of your societies, the societies presumably supply raw material to them all, that is to say, that the men with the least skill can get their raw material at the same price as the man who is more skilled. In other words, he is helped to feed and keep himself, whereas if he had to pay a higher price in the bazaar in the long run, he would go under. Any means that you have of helping, if it helps both the inferior and the superior equally, must, if you have no discriminating marketing organisation, help the inferior to compete with the superior, because if it did not so help, the superior man must in the long run be able to help himself, whereas the inferior man will not.

Then you think that the co-operative societies do keep a number of their members from going under?—Yes, but do not keep up the standard of the industry.

Do you think the skilled worker would be the better without co-operative societies?—No. But the co-operative society not being a technical organisation, is, in its essence, unable to help them to improve their work. I am not criticising the co-operative societies except that it has not at its disposal any technical knowledge, and cannot help the weavers in that way.

Do you mean then that if this technical assistance were available, the skilled man would be able to make more use of it than the unskilled man?—That is the point. It is a great pity that the Co-operative Department has been forced to work in one direction only without giving technical assistance.

You think that the most important point is the technical rather than the financial?—Comparatively, because the truth of the thing is that the man who has developed the technical side is in a better position to help himself than a man who has not; because this age

requires constant improvement in methods and in quality and in finish.

You say that the co-operative organisation has brought the whole of the hand-weaving craft down to a level of the least efficient. Would you care to modify that?—Yes. It is not the Co-operative Department which has brought it down, but the efforts of the Co-operative Department to help them have been very imperfect, as they do not do more than provide the raw material. The point is that the co-operative movement has not helped in the two essential activities of co-operation, the supply of raw material and the marketing of the finished product. All activities have been confined to the supply of raw material. They have assisted the weaver to work and produce more than he would have been able to by himself but not to sell. A co-operative movement that does not provide both is not complete.

I do not question that for a moment, but the point I had in mind was whether it was of any use at all? If you cannot arrange for the marketing of the cloth and the technical organisation, it would be better to stop it.

But even if the co-operative societies could market the finished goods at current rates, the major problem of technical assistance would still be unsolved? It will have no permanent value, because they must progress in order to remain, and you cannot help them to progress without technical assistance.

You say that the supply of the necessities of his locality in simple fabrics of well woven materials and fast dyes is one of the main fields of the activity of the hand weaver. Can you say what proportion of our weavers are employed in providing the necessities of their locality?—I should say 70 per cent. When I say locality, I do not mean the actual village, but the area round about.

What has the Government done, apart from the co-operative movement, to help the weaver?—It has founded the Shahdara Demonstration Factory. It has founded the Shahdara Model Dyeing Factory. It has founded the Amritsar Weaving Institute and the Ludhiana Hosiery institute. Then it has about six industrial schools with instructions in weaving as part of their activities.

You say that the hand quality of the produce has completely disappeared from the Punjab. Can it be revived? It is a natural outcome of good material and good work.

With proper technical assistance it can be revived? Yes, they have not lost the skill.

Lala Harkishan Lal.—You have now spent about five months in this Department and you knew some of the ropes before when you were Inspector. As I look at this problem, it has three aspects, the financial, the technical and the question of demand and supply. You now

know the efforts of the co-operative movement, the efforts of the Industrial Department and the efforts of those patriotic Indians who took up the idea of *swadeshi* and spent money in inventing machinery and fly-shuttle, etc., according to their lights. You also know about the financial, technical side and the question of the supply of raw material and dyes. Can you really get up a complete scheme which if adopted would really revive the industry and these people who are dying?—That is the point of my special deputation. I have got my scheme ready. I cannot answer that question in a few words nor can I say that the scheme will do any definite thing.

I did not say that I wanted you to answer that now ; but I simply asked the question whether it is really possible to devise a scheme within the short time that you have at your disposal which will get over all the defects of the co-operative efforts, the Industrial Department's efforts and the patriotic and natural causes and will at any rate make the revival of the industry look feasible?—This work that I am doing now is not much different from the work that I have done in India. All my work has been entirely connected with the artisan's work and although five months seem a short period for an enquiry and the working out of a scheme, a scheme can only be suggested although it will be definite in detail. It will be suggestive as a feasible way of meeting the three defects.

Why I asked that question was because in my mind is passing not only these three things, but the thought that the actual demand for things both in Europe and India is changing. For example we want *pardahs* (and hand-made *pardahs* will be very useful) and we want tapestry. These were unknown to the Indian weavers and I wonder whether you will be able in making your report to suggest the industries that can take the place of the *swadeshi* materials which have to be replaced. Your evidence led to the view that the *swadeshi* has to be preserved but my view is that it must be replaced? As in all crafts, we preserve the *swadeshi* but adapt it to modern uses and no attempt has so far been made to do that in the weaving industry.

Chairman.—That is being done through the Arts and Crafts Depot? Yes, everything in that depot is *swadeshi* work adapted to modern conditions. But the Arts and Crafts Depot will have to be quadrupled if it takes in weaving.

Why is that?—Because it covers such an enormous field, and you have got something like a million workers while you have, I suppose, three or four thousand workers of all the other works.

Lala Harkishan Lal.—Before the machine cloth came out, I think, about 10 per cent of the population was living on weaving.

Chairman.—You say that you are familiar with all the crafts and that the conditions are very much the same in other crafts. Do you mean that the problem is the same? Yes. Only we have

peculiar circumstances in weaving which have no parallel in other crafts. You have the introduction of aniline dyes and you have also the introduction of artificial silk both of which have very materially worked against the hand-weavers here. Also we have serious competition from abroad.

Then in regard to the other crafts the question of technical assistance and marketing are really more important than finances?—Yes. If you have real technical guidance with the training which you presuppose, you need not worry at all about the financial position.

Lala Harkishan Lal.—Are you still using the old dyes on pottery in Multan?—They are using a new pigment which does not vary from the old pigment.

Khan Bahadur Chaudhri Sultan Ahmad.—You said something about castor silk; they had adopted it some time ago in Chhanga-Manga Forest. Do you know whether they succeeded?—I have not made any enquiry, but I do not think they have succeeded.

There used to be an export trade in *Mashadi lungis* near and across the Frontier. Has it revived? It is reviving a bit, but it has not come into my field.

These used to be sent down to Peshawar for final finish and come back as Bokharis? Since writing my note I have been to Panipat and seen the woollen industry, and find it is flourishing. They make a cloth which might be better than the Kashmiri pattoo.

(Witness withdrew).

Deputy Registrar, Co-operative Societies, Sargodha.

The scheme for financing the cotton growers in Egypt is not likely to become successful in this Province. The Punjab farmers, who are mostly peasant proprietors, cannot generally afford to let their cotton stored for any considerable period; they want ready cash to satisfy their pressing demands and in most cases are not content with anything short of the full price of the cotton, therefore they will prefer to sell the produce immediately, than to store it, receive anything less than the total price and pay interest thereon.

Our Co-operative Commission shops offer advances against cotton stored with them, but the experience shows that in three out of the five shops where inquiries were made only (1·2), (3·5) and (25·6) per cent of the cotton sold was offered for store.

The following figures relating to five principal shops of my division for the year 1928-29 might be helpful in forming some opinion :—

| Name of Shops. | Number of members. | Number of sellers members and non-members both. | Cotton sold through shops. | Cotton stored. | Percentage of cotton stored against the total cotton received. | Percentage of members who took advances against the total number of sellers. |
|----------------------|--------------------|---|----------------------------|----------------|--|--|
| Lyallpur | 238 | 468 | Mds. 16,112 | Mds. Nil | Nil. | Nil. |
| Toba Tek Singh | 276 | 1,940 | 3,172 | 39 | 1·2 | ·1 |
| Gojra | 341 | 490 | 7,972 | Nil. | Nil. | Nil. |
| Chak Jhumra | 239 | 631 | 10,173 | 359 | 3·5 | ·4 |
| Sargodha | 199 | 77 | 5,912 | 1,517 | 25·6 | 12·9 |

No advance whatsoever was made during the preceding two years and nor anything stored.

This shows that the zemindars either do not bring their cotton in the market and sell it in the villages or care little for storing it with the shops. I do not think (and general opinion of the leading cotton growers of my division is in agreement with me) that the Egyptian scheme is worth trial in this Province in the present circumstances. There seems to be only one further step beyond our Commission shops and that is the scheme of Co-operative Ginning Factories, with its agencies for purchase of cotton in rural areas. Those factories if subsidized by Government, might be able to induce the Cotton growers to bring their cotton in the market and thus fetch reasonable price; after that they might be able to consider the advantages of storing their cotton in the hope of better prices.

*Khan Bahadur Malik Fateh Khan Noon, P.C.S., Deputy Registrar,
Co-operative Societies, Punjab, Lahore, on the Egyptian Scheme
of loans on security of cotton to assist the small producers.*

THE scheme is discussed with the leading co-operators who are specially interested in the marketing of the Agricultural produce.

Here in the Punjab it is an open secret that the growers of cotton are very much disappointed with their present system of marketing. They have to face good many difficulties in it. They are always at the mercy of the factory owners who are generally unsympathetic to them. As capitalists they do not confine themselves to the earning of reasonable interest on their capital invested and on a fair amount of remuneration for their services, but they try their utmost to secure as much profit as they can do. To attain this object they do not spare to use ill means also which are familiar to every body in the Punjab and require no description.

The chief trouble given to growers every now and then is the pooling system which is in vogue among factory owners. This makes the growers helpless, finding no competition they are bound to deliver their produce at whatever the rates offered to them.

The growers are illiterate, inexperienced and also lack business capacity. Neither they have got sufficient financial means to stand the difficulties and defeat the opposition on the part of capitalists nor do they possess sufficient knowledge of business to foresee and detect the tactics played by the factory owners, the capitalists.

This all shows that the growers will hail any proposal which gives them some relief from their calamities of this nature; but at the same time a Punjabee grower is unscrupulous and imprudent and is generally of suspicious temper. He always prefers to receive money promptly soon after the delivery of his produce than to deposit the produce and wait for better prices. An elevator with very heavy cost was erected at Lyallpur for the storage of the Agricultural produce. The whole scheme failed and the elevator is perhaps never used. The co-operative department established commission shops a bye-law of which provides that the shops will advance 75 per cent of the market value of the produce deposited by the members but the facility of this by-law is seldom availed. These two experiments are in the support of the idea that Punjabee zemindars do not like the idea of withholding their produce for favourable rates in the market. Under the circumstances I am of opinion that the Egyptian scheme will not be successful in the Punjab. If the Punjab Government is willing to help the growers, it is probable that some proposal suitable to the local conditions may be worked out, it is just possible that it may be helpful to them.

The proposal which I can suggest briefly is that the Co-operative ginning factories may be started and the Government may contribute liberally towards the pay ment of special staff employed to run these factories, and the staff should consist of those persons who may be well versed both in co-operation and in business.

General questionnaire.

PART II.—MARKETING.

1. (i) and (ii).—All kinds of grains and Gur which are surplus from the consumption by human beings and cattle together with oil seeds and cotton are marketed. The cotton is always taken to markets on bullock carts and camels. Donkeys are used for grains in addition to camels and bullock carts. Fodder is not marketed except in places in the vicinity of a town or city, but *bhusa* is marketed in the years of the scarcity of fodder from one district to another both by means of bullock carts and camels. Generally it is carried by railway from the districts having colonies to the *barani* districts.

2. Grain is not stored by petty landlords and the tenants. It is stored by the big landlords in their own godowns in their villages where the customers come and purchase ; it is seldom taken by the big landlords to the market.

The village shopkeepers store produce in their shops or *kachha* godowns in villages whence it is brought and sold to the market when the rates are favourable. Grain and even cotton are stored in the godowns of markets by the *arhtis* or other buyers.

Khan Bahadur Malik Fateh Khan Noon, P.C.S., Deputy Registrar, 1, Co-operative Societies, Punjab, Lahore.

I generally agree with the note of Industrial Assistant Registrar and I add only the following :—

Here in the Punjab, the condition of weavers is quite different from other industrial classes. The latter are in much better condition than the former for the disposal of their finished goods. The weavers are giving up their profession on account of the difficulty of marketing their finished goods. The Co-operative Societies also could not serve useful purpose to them in this respect.

In the beginning the Industrial Co-operative Weaver Societies were quite successful in financing the members to purchase raw material when there was no difficulty for the marketing of their finished goods on account of the Swadeshi movement ; but since the Swadeshi movement disappeared there has been a very rapid deterioration in the working of these societies. This difficulty of marketing has badly affected the work of financing the members for the purchase of raw material, the reason being that the shopkeepers of retail sale discouraged the co-operators by offering very low prices of the goods prepared by them with the raw material supplied by the societies. The members had thus to wait long before they were able to dispose of their finished goods and when it was done it was done at low prices. The shop-keepers for the purchase of goods always gave preference to those persons who obtained raw material from them for the preparation of the goods and discouraged others, the result being that the society members are now giving up the practice of the purchase of raw material co-operatively through the societies.

Please add the following as marginal notes by Khan Bahadur Malik Fateh Khan Noon, Deputy Registrar, Co-operative Societies, Lahore, to Sheikh Manzoor Ali's note.

| Marginal Note of— | Reference to Sheikh Manzoor Ali's note. |
|---|---|
| 1. "I agree with (a) " | (a) Migration of the artisans from the village to towns and large cities specially those whose services in the village were not required for all times. |
| 2. "In small towns also the shoemakers have begun to prepare shoe, boots and Gurgabis while they used to prepare ordinary Indian shoes before." | The extensive use of European style boots and the loss in trans-frontier trade have hit them hard. |

| Marginal Note of— | Reference to Sheikh Manzoor Ali's Note. |
|--|---|
| <p>3. "But it is never done perhaps" ..</p> | <p>A fair proportion out of the profit of the year may be distributed to members as a rebate on the price of the raw material bought by them from the society for a bonus on finished goods sold by them to the society.</p> |
| <p>4. "In good many cases it is not being done. Very few societies are working honestly on these lines."</p> | <p>Raw material is purchased in bulk from the place of its origin as far as possible after eliminating the unnecessary middlemen and supplied to the members at almost cost-price through the Agency of the Co-operative Industrial Bank Ltd., Amritsar.</p> |
| <p>5. "Very little success is achieved through societies to carry out these objects."</p> | <p>To organise sale and purchase business at rate favourable to the artisans. Orders and contracts are secured from the Government, Railway, Local bodies and the public for the goods produced by the members. The value of such orders as received during the last year is estimated at several thousand rupees. A sale Depôt, in Lahore and shops in other important commercial centres are in existence for the same purpose.</p> |

Please add the following as marginal notes by Mr. I. Heath, I.E.S., Officer on Special Duty, Co-operative Department, Lahore, to Sheikh Manzoor Ali's note.

| Marginal Note of— | Reference to Sheikh Manzoor Ali's Note. |
|--|--|
| <p>1. "This loss of independence of the weavers is one of the most serious of the present evils. It is probable that Co-operative Societies could never afford to become dealers in finished goods but I see no reason why Government in certain selected areas and with selected goods could not finance shops. The Arts and Crafts Depôt is such a shop, it has done enormous good in marketing other handicrafts and has run for eight years without costing Government a pie."</p> | <p>During or before the war the number of independent workers was estimated at not more than 25 per cent. I estimate it is not more than 7 per cent at present in the towns of the Punjab.</p> |

| Marginal Note of— | Reference to Sheikh Mansoor Ali's Note. |
|--|--|
| <p>2. "The Co-operative System as practised does not work efficiently in the supply of raw materials in the villages at rock bottom prices. The marketing of the finished produce is practically non-existent."</p> <p>"The Sale Depot in Lahore stocks and sells the good and the bad indiscriminately. Much of the best work of the Province is not stocked. Its total stock is worth only Rs. 3,000 and it has sold about Rs. 2,000 worth only in the eight months of its existence."</p> | <p><i>Co-operative Artisan Societies.</i>—The business of Co-operative Societies in the Punjab is more concerned with the supply of raw material and the sale of their finished goods than with the lending of money in cash.</p> <p>A Sale Depot in Lahore and shops in other important commercial centres are in existence for the same purpose.</p> |
| <p>3. "Hundreds of workers have used improved appliances to produce imitation mill products and traditional beauty has been replaced by bad western patterns."</p> | <p>Hundreds of workers have adopted new and improved methods. New designs and patterns are replaced in place of old ones in many societies.</p> |
| <p>4. "The Co-operative System has done useful work to a small percentage of the community. That it has not done better is not so much its fault as its misfortune, in that it has attempted to cure its ills that exist, unassisted by technical knowledge and it has not had the funds to help to sell what it has helped to produce.</p> | <p>I hold, the Co-operative system has done much useful work and cannot be excelled by any other individualistic system in case of small cottage industry.</p> |
| <p>5. "That is tantamount to saying hand industries must go. You can only obviate the evils of machine competition by not attempting to compete."</p> | <p>6. Competition with the mill made goods from within and outside the country is the main cause of the decline of the cottage industry rather than the financial factor.</p> |
| <p>6. "What should worry us is not the reduction in the number of weavers, that is bound to go on, but the fall in the quality of work. You cannot fight against the increase of machine made goods. But even in more developed countries there is an increasing demand for hand productions so long as these have the qualities of hand work."</p> | <p>That the hand loom weaving industry in the Punjab appears to be affected more than any other, and gives cause for anxiety. As many as 50 per cent of the workers in the towns have given up the weaving profession.</p> |

Oral evidence of Khan Bahadur Malik Fateh Khan, Deputy Registrar, Co-operative Societies, Lahore.

Chairman.—Are you Deputy Registrar, Co-operative Societies?—Yes, Sir.

And stationed at Lahore?—Yes, Sir.

How long have you been in the Co-operative Department?—I joined this Department in the year 1907.

How long have you been Deputy Registrar?—I think, I am Deputy Registrar since 1921.

What part of the Punjab do you know best?—I think I know much about the western Punjab.

And the northern too?—Yes, Sir.

Do you know the south-west too intimately?—I know somewhat, because Multan and Muzaffargarh have been in my jurisdiction for some years.

What is your present Division?—My present Division is Lahore plus Ferozeshah district out of the Jullundur Division.

You have had that Division about a year?—Since February 1929

Have you ever served in the Jullundur and Ambala Divisions for any length of time?—I was only Assistant Registrar there once.

I mean since the War?—During the War in 1916 I held, as far as I remember, the whole of the Punjab.

You are not perhaps very familiar with the conditions of the Ambala and Jullundur Divisions?—No, Sir, I am not.

You have been incharge of artisans' societies for many years?—For about three or four years.

Would you say that the chief problem in regard to weavers' societies was marketing rather than finance?—As far as our societies are concerned, there is no difficulty in the supply of raw materials, but we cannot succeed in giving them sufficient help for the disposal of their finished goods.

Chairman.—Why is that?—The thing is that it is very difficult to compete with the mill made goods. We did a lot in the days of the Swadeshi movement, but after that the societies have been deteriorating regularly.

During this Swadeshi movement you had comparatively little difficulty in marketing their goods?—Yes, Sir, rather I can say, that the members of the societies were not in need of our help really because they were themselves in a position to dispose of their goods directly.

Now that they are in need of your help, you are unable to give them much help?—We are trying different methods, and we are of some use to them, but that is very negligible. For instance, we have started a shop recently at Hoshiarpur; that is doing something.

When was that started?—Only last year.

Is it promising?—Yes, so far it is doing much work.

Is it in effect a co-operative sale society?—It is a shop run by the Hoshiarpur Union.

What else are you doing?—We are trying a sale depôt here also.

When was that started?—It was started in January 1929.

In charge of an expert salesman?—In charge of a business manager, but unfortunately our selection was not good and the man was rather dishonest, and he tried his best to help his father's firm than to do good to our Department. So we had to remove him. Now we have employed another man.

What has been the turn-over of the depôt?—Previously it was practically nothing—about a few hundred rupees—but now that man, (I think he was appointed only two or three months back) is doing comparatively much better work.

Are you now concentrating your efforts more upon marketing than upon any other aspect?—We are first trying to finance them for the purchase of raw material and, secondly we are also helping them in the disposal of their finished goods.

But the extent to which you do the former is very much greater than the extent to which you do the latter?—Yes, Sir.

Chairman.—You say that the sahu-kars deal only with those who obtain their raw materials from them?—That also is the trouble for the sale of goods, because the thing is that we are not finding any other outlet to dispose of our finished goods; so the members had to go to the sahu-kars to sell their finished goods, and the sahu-kars give preference to those goods which are prepared by the raw materials supplied by them.

Is there any financial advantage to the weaver in joining a co-operative society?—He gains in the purchase of raw materials, but loses in the sale of his finished goods. If it is incumbent for him to take the goods to the sahu-kar, in that case he loses, but there are other ways of selling the goods. These societies have employed their own salesmen whom they call *Pheri: alas* or hawkers. Some goods are handed over to the hawker and he carries them from village to village to sell them.

Where a member has to sell his goods through the ordinary middleman, does he gain by being a member of the society? He certainly gains in the purchase of his raw materials, but loses something in the sale of his goods; where does the balance of advantage lie?—I think his gain is greater than his loss.

Could you give any percentage?—It is very difficult to give that.

But you think there is some margin of advantage in joining a co-operative society?—Yes, because the sahu-kar or the middleman knows that if he will not accept his goods, most probably the artisan will be able to make some other arrangement.

How many of these 200 weavers' societies have made the arrangement you speak of for selling their goods?—There is one society, I remember, which has made the arrangement for its members, but in other cases the members have made the arrangement individually.

Where that arrangement has been made, is it more advantageous than dealing with the ordinary middleman?—Yes.

In how many societies have members been able to make this arrangement?—Nearly all the societies which prepare goods from yarn deal in this way, and some societies which prepare Lungis of silk, they also sell their finished goods through "*Pheriwalas*"—

Approximately what would be the total number?—I think it will be about 125 or 130. This is only a rough estimate.

Would you be in favour of not opening more societies until this problem has been satisfactorily solved?—I am going to start societies of other industrial people.

Do these difficulties not apply to other local industries?—No.

So far as other industries are concerned, is the problem of marketing not acute?—No.

And you think there is no reason why their societies should not be extended?—No.

Are they growing?—Yes.

Lala Harkishan Lal.—What you have in view at this stage when you speak of opening societies of industrial people?—Shoe-makers are the prominent of all, and next come those who manufacture copper utensils.

Any other?—Furniture makers.

Furniture makers are in the towns—not in villages?—In Jullundur we have got furniture makers.

Chairman.—Have you got societies for dyers?—Yes.

How many?—There are three or four.

Chairman.—You mention that attempts have been made to improve the marketing facilities for weavers. Has anything else been done by the Department?—Yes, we are trying our best to secure orders on samples. This is not done only through the sale depôt, but we have also a show room here at Lahore. Our Manager takes samples to people, secures orders and these orders are then passed on to the societies. We also approach the Government Departments and secure orders for the societies.

Are there indications that the appointment of this new sales-manager is likely to have fruitful results?—It will be too early to say anything yet, because we have practically lost the whole of the previous period during which we employed that manager who was dishonest, but still, I can guess from the work of three months, that we are getting more orders.

Coming now to marketing, you express yourself against the system of licensed warehouses mainly, I gather, because you think that the cultivator will be dis-inclined to pool his produce?—Yes.

Is that the result of your experience of the commission shops?—Yes.

How many co-operative commission shops have you intimate knowledge of? I think I have got knowledge of about thirteen or fifteen. The majority of these are in my circle and were started by me.

Do they show any marked tendency to increase their business?—I think there are few societies which did not show any progress, but that was due to bad crops during the last three years. Generally they are improving as compared with previous years.

You think then that they are steadily developing?—Yes.

And you look forward to their extension over different parts of the Province?—Yes, I think that we should extend them at least in the colonies.

Are you satisfied with their finance?—There is no difficulty of finance, because the thing is that we don't require money there. Just as I have said, the members don't want to wait for better prices and deposit their produce. Had they done so, we would have needed money, but we don't need it now for they bring their produce, sell it in their own presence and take away its price.

One witness stated in regard to two commission shops in the Sheikhpura district (Sangla Hills and Chuharkana) that they were handicapped by not being able to obtain all the funds they needed from the local Central Bank; do you agree in that?—In case of Sangla Hill you perhaps remember that it was boycotted by the Arhtis and we had to face a great difficulty because we had to take the produce to Rohtak and other districts for disposal.

Apart from these special circumstances, do you suppose that they are likely to have much difficulty in obtaining finance?—I don't think that they stand in need of any money.

Does the same remark apply to Chuharkana?—I think so.

You suggest no improvement in regard to these commission shops?—They have got sufficient share capital, and at the same time there are certain zemindars who sell their produce through the shop and leave the money there, and they don't return till ten or fifteen days, and those who come and sell and want ready money, they can easily have that, because the money is realised after three or four days of grace.

Coming now to the mortgage banks, did you start the first bank in Jhang?—Yes.

How many mortgage banks are you intimately acquainted with?—I am acquainted with the mortgage banks of Toba Tek Singh, Lyallpur, Shahpur, Jhang, Samundari and somewhat about Gujranwala.

Do you think that the mortgage banks have now emerged from the experimental stage?—Not yet. The greatest difficulty which we are experiencing is to find out a good committee. Where there is a good committee, there they are successful.

In how many of these mortgage banks that you have mentioned is there a good committee?—In two out of six.

If good committees could be secured, do you think they would work all right?—Yes, and at the same time I think after gaining some experience we will go on putting some restrictions.

Do you think further restrictions are needed?—Yes, and we are adding day by day.

A certain number of restrictions were agreed to at the conference of 1928. Do you think further restrictions are needed?—I think, when we shall have experience of these things which we have introduced recently, then it would be possible to introduce more improvements.

Do you think then that too much latitude was perhaps allowed at the start?—To my mind we tried our best to be strict, but then it was after some experience that unsatisfactory results came to light.

Are the defects which have come to light mainly defects of inexperience and not the defects inseparable from this form of co-operation?—They are of inexperience.

Do you think that with more experience many of them will disappear?—Yes.

You think then that these co-operative mortgage banks have a good future before them?—Yes.

And there is no reason why they should not be gradually developed?—No, for instance first we had no restrictions on the borrowings of the Directors, and when we found from experience that they were selfish, we put restrictions, and in most cases I find now that we have been successful in that also.

What other restrictions have been imposed?—There are good many.

Can you say whether up to now there has been any advantage to the borrower?—Yes to the majority of them, but the thing is that in certain cases in Lyallpur, for instance, the borrowers did not receive the benefit which they expected in the beginning, because the crops failed successively, and they could not make prompt repayments and we had to stop and we called back the loans all at once, and in that case they were not of much benefit.

In Lyallpur too large loans were issued in many cases at the outset?—I don't think so.

We heard there of a loan of Rs. 20,000?—But there is a loan of 30,000 in Jhang.

Do you consider loans of that size wise having regard to the fact that these banks are very inexperienced?—This all depends upon the committee and the standard of the enquiry that the Committee makes. If after thorough enquiry a loan is made on sound security to a reliable member, then it is not dangerous.

You say that a good committee is only to be found in two out of six banks?—Yes.

Are you in favour of extending the period of the loans from ten years to fifteen years?—Not at present.

Why?—Because our committee members are not fully trained and we are not yet in a position to foresee all the difficulties and we ourselves are inexperienced in this respect.

Some witnesses have said that if the period is not extended, it is difficult for the borrower to get any substantial advantage out of the loan. Do you think there is force in that argument?—To this extent that there are certain people who cannot repay within ten years. So, that class of people are not coming forward.

I am referring to those to whom loans are actually given. Do you find that many of them are unable to repay the instalments fixed through no fault of theirs?—The thing is that as a principle, and as it is explained by the committee, only those members apply for the loans who can repay in ten years, because they know that the maximum period of repayment is ten years. So only those apply for these loans who can repay within ten years.

They do benefit by these loans?—Yes, except in the case of careless members who don't care whether they will become defaulters or not.

Naturally restricting the period of loans to ten years must tend to restrict the business that can be done by a mortgage bank, but then has there been any difficulty in finding people who can borrow advantageously under these restricted conditions?—No, not yet. It is still a beginning and there is no difficulty in finding men who are able to repay within ten years, but the time will come when all these people will be benefited and then we shall have to extend the period and shall have to bring in those people who cannot pay within ten years.

Would you say that the success of a mortgage bank depends to some extent upon its clients being able to spend their money wisely?—The thing is that we are very strict in the proper application of the loan, because in the case of redemption of land we see that the land is redeemed, and in the case of liquidation of old debts when a loan is made, generally the money is not handed over to the borrower, but to one of the Directors who goes on the spot and settles the accounts with the sahuکار or other creditor.

To that extent no doubt the bank can control the use of its money, but what about recovery? Does not punctuality of recovery depend

to some extent upon the business character of the borrower?—Certainly it does.

You think that character is an essential point in the success of a mortgage bank?—Yes, it is not only so in the success of a mortgage bank, but it is so in case of each and every kind of a credit society.

But particularly so in the case of mortgage banks, as the loans are larger and are made for longer periods?—It is very difficult to depend merely upon the character in mortgage banks, because it is difficult to find out about the character of the men, the area of operations of these mortgage banks is sufficiently wide and the committee-members cannot be sure of the good character of each and every member.

Recently in Austria I was informed by the manager of a mortgage-bank that many of their clients paid their instalments before they were due, because, they realised the importance of reducing their debts as soon as possible, and that this was not the result of any external pressure. Have you come across any such cases?—There are two banks in which, as I have said, there are good committees. There the necessity of prompt payment is realised by the borrowers, and they are paying without any external pressure.

Is that the case in the other banks?—Because there had been leniency on the part of the committee members and so the borrowers have become slack in other banks.

From your experience of conditions in the Punjab, would you say that there was any change in the character of the cultivator in regard to whether he uses money more wisely than he did before?—Yes, the credit societies have taught them much in this respect.

Do you think there is a marked change in that respect?—Yes, but I don't say that the majority of the members have learnt this useful lesson, but I am of opinion that there is a sufficient number.

What percentage of the members of the co-operative societies have learnt this lesson or are learning it?—The thing is that whenever I go to inspect a co-operative society, generally I find three kinds of borrowers. The first are those who have inherited indebtedness from their forefathers, and there is no fault in them. They are neither extravagant nor are they less hard-working. There is another class who have come under debt on account of some calamity, *i.e.*, the successive failure of crops, hail-storms or the like. Similarly they are not extravagant, and they are sufficiently hard-working men. The third class is extravagant and they incurred debts on account of their own foolishness. So as soon as a society is started, the members of the first two classes are benefited at once.

Because their burden of debt is lightened?—Their former indebtedness is not due to any fault of their own, and as the loan is advanced, they make a proper use of the money and they are benefited by the loan of the co-operative society. It is the third class which stands in

need of teaching, and the majority of the members come from that third class.

What percentage would you put them at?—I think I will put them at eighty per cent. These eighty per cent of people require teaching.

Is there any indication that an appreciable number of these eighty per cent are learning to use their money more wisely and to repay it more punctually?—I think it will be only five per cent. who are benefited in that respect, and that is since we have started co-operative (better living) societies.

Why is the number so small?—The thing is that this is a very difficult and hard task before our Department. If we succeed in that, then there is no difficulty and every thing is done; so the progress must be slow, because the people are already habituated to their bad habits and it is very difficult to turn them from their previous bad path, which they are following, by merely a few days' teaching.

Then you would say that the effect of the co-operative movement on those two points—the wise spending of money and punctual repayment of instalments,—had so far been very small?—I think that we should include those twenty per cent men also.

What you mean then is that most of these twenty per cent have also benefited?—My point is that when an Inspector or a Sub-Inspector goes to start a society, he visits the place three times, just as I have made a rule that I don't register a society or I don't allow an Assistant Registrar to register a society, until three visits have been paid to a place and necessary teaching given on each of the three visits. So there are certain persons who grasp the situation on the first teaching; some grasp on the second teaching and some on the third.

Would you say then that not more than 25 per cent of those who belong to the societies at present have shown any marked improvement in these two respects?—Yes.

Some people think that the cultivator generally will be the better for an increase in credit facilities; others say that it might be to his disadvantage, because he does not understand the proper use of the money. I take it that in regard to that 25 per cent there will be no harm in gradually increasing their credit facilities so far as they can be taught to improve their land, and so forth?—My idea is that in any case a liberal finance is not useful, because there is a temptation even to thrifty persons if there is money available before them without any trouble.

Even in regard to these 25 per cent you would be against any sudden increase of credit facilities?—Yes.

Would you be against a gradual increase of credit facilities if it were possible to distinguish between those who have learnt the proper use of money and those who have not?—To my mind it appears

inadvisable in both cases. Neither too liberal a finance is useful nor inadequate finance.

Do you think a gradual increase of credit facilities would be to the advantage of the 25 per cent for two main objects, land improvement and clearance of old debts?—That depends upon the requirements of the members. If there are genuine requirements of the members, then these two classes should be advanced freely, but only up to the limit of genuine requirements.

What do you mean by “advanced freely”?—I mean to say that supposing one man wants Rs. 500 for sinking a well. He should not be advanced Rs. 400 or Rs. 450 but the full amount of Rs. 500.

In regard to the 75 per cent who have still everything to learn, would you say that even a gradual increase of credit facilities would be to their disadvantage?—I think they stand in need of strict controlled credit.

The evidence we have before us suggests that in the last ten years there has been considerable increase of debt. Have you any views as to the causes of that?—My experience is that with the increase of the credit of an agriculturist his indebtedness increases.

You think then that it is due to an increase in his credit?—Yes.

How has this increase in credit taken place?—Because new colonies have been opened everywhere. People are getting lands and their credit has increased, and at the same time they need money and so they borrow it.

Do you find that they borrow money to purchase lands in the new colonies?—In Lyallpur I had experience that some waste lands of Chaks were to be auctioned, and previous to that auction people used to have sufficient incomes from their lands, and so they went on bidding, and the prices of the land went very high. They took in their calculation that they would pay so much from their income; they would be able to earn so much from the new squares; they would borrow so much free of interest from their brothers or friends, and thus they would be able to pay the instalments within ten or twelve years, whatever was fixed, but the crops failed for three or four years successively, and all their hopes were frustrated. They could not get the estimated income from their present lands as expected; they could not get what they expected from the new lands, and they could not get what they expected from their friends; so they could not pay off the money. It was the case specially in Lyallpur that they were in need of borrowing money and they did. Co-operation is there since 1909, and it was last year that people were after the Inspectors and the Assistant Registrar to have their societies registered.

Can you say from your personal experience as a farmer or from enquiry what return on money a man may expect on land bought in the colonies at present prices?—I have not here got the accounts of the income of my own property. You want the present day figures?

Whatever figures you can give us?—The thing is that the prices have gone very low in these places.

Have you got any land in the Nili Bar?—I have got land in Ganji Bar.

What return is it bringing you upon what you paid for it?—When the lands were purchased the prices were very high, and then the income was also very high.

What return do you get on what you paid?—The land repays its price in case of cheap bargains in fifteen years, and it goes up to 25 years.

Lala Harkishan Lal.—Irrigated, canal or barani?—Irrigated.

From which crops?—Wheat, cotton and *toria*.

Chairman.—You mean to say that the average is about five per cent.?—Yes.

Would you say from your experience as a farmer that a person may expect five per cent on canal colony land in Montgomery?—Yes, I have got the same experience in Shahpur district.

Does the same rate apply to them?—I think roughly it applies to both.

Lala Harkishan Lal.—Is there any unearned increment in the value of land?—I think it is not.

Chairman.—When was this land bought? Was it before the War in case of Montgomery?—It was after the war.

So you are thinking of post-war prices?—Yes.

Have prices fallen since you bought?—Certainly. I jointly with my other family members purchased fifteen squares of land costing about Rs. 75,000, but it was then irrigated by lift.

In what year?—About seven years back.

In which colony? In Montgomery. Now the position is that in the market there is no money. You will find that every man is prepared to sell, but there is none to purchase.

When did you buy land in Montgomery?—I bought about seven years ago.

At what price?—I think I was rather fortunate in having very cheap rates, because the land was uncommanded and required lift irrigation to be applied.

What was the price that you paid?—I paid about Rs. 78,000 for fifteen squares.

About a little over Rs. 5,000 per square?—Yes.

Chairman.—Would you be prepared to sell them for that figure now?—No. The reason is that previously it was irrigated by lift irrigation but now as the level of the canals has risen it can be irrigated direct from the canals.

What would be its approximate market value now?—About Rs. 8,000 per square.

When people buy land now, are most of them thinking of the appreciation of the value of land?—No, the zemindars do not do that.

Does the ordinary zemindar simply think of getting more land for his family?—Not only the ordinary zemindar, but the big zemindars also. They look only at the land, and the income it will bring and not on any appreciation of the value.

Because they buy it as a permanent investment?—Yes and perhaps no zemindar buys land with the idea that it will appreciate in value and he would then sell it.

Lala Harkishan Lal.—Not to sell it but to acquire it?—Yes.

Chairman.—Turning to the question of debt, do you find that raising money on mortgage is becoming more popular than it was?—Do you mean with possession?

With or without?—There is no increase in the amount raised without possession.

Would you say that the ratio of mortgaged debt and unsecured debt was increasing?—I do not think so.

In Multan we were told that the *miadi* mortgage was popular with the non-agricultural lender. Do you know whether that is the case in any other district?—Generally it is to the interest of the borrower to mortgage *miadi* land.

By *miadi* mortgage I mean mortgages for a fixed period under the Land Alienation Act. I did not make any enquiry, but my idea is that it is not popular among agriculturists. For non-agriculturists there is no other way, but to accept it.

Is the agriculturist money-lender increasing in any district with which you are acquainted?—I think they are increasing in the districts where there is Sikh population.

Do you find in those districts that the ordinary cultivator would rather deal with an agriculturist money-lender than with the non-agriculturist?—I think he would prefer to deal with the agriculturist money-lender.

Why?—Because after all it is not the profession of the agriculturist, and sometimes he is dealt with more leniently by the agriculturist than by the ordinary money-lender.

Generally speaking are the agriculturist money-lenders' rates as high as those of the professional money-lender?—The agriculturist money-lender always prefers to lend money on the security of the land. This is one thing.

Does that mean a lower rate?—Yes. If the land is given on security with possession the land gives a return of five or six per cent

interest on the money invested, and he would prefer to get land as security and lend the money.

Chaudhri Sultan Ahmad.—But five per cent was said to be the rate of interest that could be expected on sale, the mortgage money would be lesser?—Yes. But he prefers to lend money on the security of land.

Chairman.—Do you think that the agriculturist money-lender's rates are lower than those of the non-agriculturist money-lender, because he lends mainly upon mortgage?—Yes.

So far as unsecured loans are concerned are his rates lower?—I have no personal experience.

You have 23 years' experience in the co-operative department. In these years have you noticed any tendency of interest rates to go down?—Yes, the rates have gone down a good deal.

What is the common rate now charged by money-lenders?—I think the common rate is somewhere about Re. 1-8-0 to Re. 1-12-0.

That is between 18 and 22 per cent.?—Yes.

And what would you say the common rate was about 20 or 25 years ago?—In practice it was less than Rs. 2-8-0. Ordinarily it was said to be Rs. two, but there was *kadha* and *chhora* and other charges by which it came to Rs. 2-8-0. Now these have disappeared and there is only the interest. The reduction is of Re. one. This is not, however, the case in Muzaffargarh and Dera Ghazi Khan.

Do you think that in actual practice the money-lender gets the full amount he actually charges?—Yes, I think in these days he is not a loser.

Do you think he does recover the full amount?—Yes.

Does he then have no bad debts?—It has come seldom to my notice where there is a bad debt now. The people are now in a better financial position than they were before, so bad debts, as compared to previous days, are very few.

Are you aware that the Civil Justice Report suggests that only 25 or 26 per cent of the amount decreed and sued for recovery in a given year is actually recovered through the courts?—I did not see that. Is it written there that the rest is bad debt?

The reports say that a certain amount is recovered out of court. Have you any knowledge as to how much is recovered out of court?—Do you mean after the decree?

Yes. Generally the borrower and the lender both compromise after the passing of the decree and come to terms without execution and the borrower makes payment.

Is a substantial amount recovered in that way?—Yes.

Do you think the whole of the amount is recovered in that way?—Yes; the whole amount is generally recovered.

So your considered opinion is that the money-lender, broadly speaking, recovers nearly the whole of what he charges?—He is not a loser and is generally able to recover the whole amount with interest.

You think that in the last twenty years there has been a reduction of about ten per cent in the rates of interest?—Yes.

Have you any experience of taccavi?—No. I have not.

Are you in favour of taccavi under the Agriculturists Loans Act being given through co-operative societies?—I do not think we need the money. We have already sufficient for our needs.

Not even in an emergency?—As far as I see our position now is that we do not want money at all. We are now expecting a time when there will be a surplus in our banks.

It is suggested that even so taccavi should be given through the societies because the taccavi rate is less than the rates charged by societies. On the other hand, it is also suggested that dependence on Government for money may undermine the principle of self-help?—I do not know what is the general rate of interest at which Government makes these loans.

The rate charged by Government is six per cent from the individual borrower?—Then the responsibility to repay will lie with the society.

It is suggested that if taccavi is given through a society the society will pay Government at the Government rate and will charge its own members not more than is sufficient to cover expenses?—What will be the use to the society of taking the responsibility of paying that loan?—The society must charge some interest and keep a margin for itself.

If a society can borrow at six per cent it can presumably lend at a low rate?—If Government will be prepared to extend the period just as the societies do in cases of their own money when there is no crop and instalments are postponed, I do not think there will be any harm in getting the Government taccavi and then lending it to the members. But if Government persists in the punctual payment on certain dates then I think it will be difficult for the society to do this.

Chaudhri Niamat Ullah.—You say that weavers have to suffer a loss in selling their goods?—By loss I mean that they do not get the profit or even the wages that they should get.

One witness said that cloth produced by hand was not of good quality. Is that also your opinion?—I have already said that the mill-made goods are very hard to compete with. Hand-made goods are not standardised and people in the market do not appreciate them. Could you not have a centre which will supply weavers with patterns to work on?—Such patterns are given even now, but it is impossible to reproduce them exactly because the hand-work of every man is different, and the goods cannot be of one standard as is the case with mill made goods.

It is said that in Behar and Orissa one firm sells cloth worth one lakh every year to England.—That must be artistic goods.

Do you then mean that there can be no method of co-operative sale for the weavers?—We have four methods, but we cannot claim to have succeeded in any of them.

Could not some method be devised by which the small zemindar could store his own grain?—My own idea is that it is not in the interest of the small zemindar to store grain, because he needs money to meet his immediate needs, and if he stocks his produce he will have to borrow against it and the interest he will have to pay will amount to more than what he will be able to gain by waiting for a rise in the market.

Then you think it will not be to their profit to store grain?—Yes. And that is why they do not do it.

Why is it better for mortgage banks to lend up to thirty times the land revenue than five times the profit on the produce?—Detailed enquiry has shown that thirty times the land revenue is more correct. It is difficult for the directors to calculate the profits and the thirty times rule is easier to work.

You have sometimes to go to court against defaulters?—Yes.

Would it be a good thing for the Registrar to be invested with power to order the auction of the land of such a defaulter and recover the money, or, in the alternative, that the bank should be allowed to take possession of the land and recover the money from the produce?—Up to this time our recoveries have been altogether on personal security and we have never had to take possession of the land. If we ever have to do that we will have a number of difficulties.

The Registrar's report says that in Lyallpur there are many defaulters who are very obstinate, and even though they have been sent to prison will not pay up?—In those cases we are bringing pressure to bear on the sureties. If we have to take possession of their land we will have a lot of difficulties as the land is scattered all over the place, and it will be very difficult to manage it.

Then what do you suggest in the case of the very obstinate defaulters?—It will be very difficult to resort to forced sale of land, but if our mortgage banks are put outside the pale of the Land Alienation Act it will be easier, because then we could get the money and restore the land to the owner afterwards.

The report also shows that many directors of mortgage banks do not do their work honestly when investigating a man's assets?—In my opinion the evaluation of the property should be entrusted to two separate directors.

Government money is involved?—Yes, all the money is Government money.

What objection would there be if a Government official is sent?—That will not help because it will not decrease the responsibility of the Bank.

But the directors may show favour to some people?—We have agreed upon some precautions to be taken in our last meeting, for instance, no loan can be given to a Director if $\frac{3}{4}$ ths or all, I do not remember correctly, of the members on the board do not agree.

In which part of the Punjab should mortgage banks be opened?—Only in places where land can be mortgaged at low rates wherever that may be.

Can you say how much of the debt taken by zemindars is for productive purposes and how much for unproductive purposes?—At present there is a movement afoot among the people and the co-operative societies to cut down extravagance. Once when I was inspecting a better living society near Samundri I met a band of Akalis who were out to do the same kind of propoganda. The Akalis are working on an organised system, but in many districts a number of pernicious customs are being done away with, for example, in the Jhelum district.

In the case of credit societies is there any difficulty in recovering debts after decrees have been given?—We have the same difficulties as the money-lenders.

Can you suggest any remedy for this?—In my opinion we do not need any other facilities except in the case of insolvents where our chief difficulty arises. In other cases the moral pressure of the other members is effective and is a facility not available to the sahuakar.

Is there no difficulty as regards the bailiff?—At first the arrangement for the bailiff was good, but according to a recent order of the High Court there is some difficulty now.

What would you suggest to do away with this difficulty?—If the High Court will revert to the previous order of things it will be good.

Are the societies for women also in your charge?—Yes.

Are their activities limited to thrift or are there also any credit societies among them?—There are no credit societies.

You say that one of the reason for increase of indebtedness is that people have bought land?—I said that only with regard to Lyallpur, Bahawalpur and Bikaner.

Are there any other reasons?—No.

Have the expenses of the people gone down after the war?—After the war for some time prices were high and the standard of living of zemindars had risen, but now since the prices of land and produce have come down, I think the zemindars will reduce their expenses as they are more intelligent now. Prices fell only during the last year or so, and it is too early to judge of this at present.

At the rate the number of co-operative societies is increasing it will take about twenty years before every village will have one?—Our average is to open 1,000 societies per year.

The difference between the number of societies that exist and the rate at which they are growing and the amount of debt in the Punjab and the rate at which it is increasing is very great?—You are only calculating the number of societies. If you take the number of people that are members of co-operative societies the difference will be found to be greater.

Will all the people be absorbed in the co-operative movement in twenty years?—I could not say.

Could you suggest any method by which the indebtedness of the people could be kept down till the co-operative societies are spread over the whole of the Punjab?—It is difficult to think of anything. It will take a very long time because if the debt of the agriculturist is kept stationary till the co-operative societies come to their help it may be possible to fix a time; but the expenses of the zemindars increase with their business. At present they work with a pair of bullocks, but in future they will need a tractor.

You have said that twenty per cent of your members are such that they do not have to be taught the correct use of money, while the others have to be so instructed. Then do you not think that debt is increasing for unproductive purposes?—That is why I say that it will take a very long time to relieve the zemindar of his indebtedness. We are progressing gradually and teaching people.

Are there any agriculturist money-lenders still members of societies in your circle?—Yes. I cannot say whether they are decreasing.

Rao Pohap Singh.—You have said that in the case of the mortgage banks the period should not be extended from ten to fifteen years at present. Your rules are that if two instalments are not paid the whole money is recovered in a lump sum. Then what is the objection to extending the period to fifteen years?—I said that at present we are only giving loans to people who will be able to repay in ten years, and if these people are given a term of fifteen years it will do them harm. After we have given help to all such persons we can extend our help to those who can repay in fifteen years.

Are all the applications that you have received so far from people who can repay their loans in ten years?—Some people who do not understand the difficulties in their way do send in their applications for loan, but as we are very strict in making recoveries they are beginning to understand the procedure. I know of people who after taking the loan have realised that it will be difficult for them to repay it in ten years and have returned the money.

Then there is no danger to the money of the mortgage banks if the period is extended to fifteen years?—No.

You say that 20 or 25 per cent of the members of your society understood the principles of co-operation from the beginning and about five per cent have been taught by you. Have the balance of 75 per cent been touched in any way?—Yes. I said that they also had been affected to some extent.

Do you judge that from the way money is repaid to societies?—No. As a matter of fact when I go on my inspections I pay very little heed to the figures, but talk with the members and come to conclusions by tallying what they have told me with the figures.

What do you teach these 75 per cent of the members?—Just the lesson of thrift. When we succeed in teaching thrift properly, we have succeeded.

Then you will have to keep a watch and see how they spend their money?—We do that even now. When the society advances money to a member it is the duty of the other members to see that the money is spent for the purpose for which it has been taken.

But if the society sees that the money is not being spent on the proper purpose, can it take it back?—Yes.

How many cases of this kind have occurred?—I cannot give figures. But I came across a case in Fazilka where there is a society of *mazdurs*, and they recovered the money from a man who borrowed and then went to Ferozepore and gambled.

That means that societies do act on the rule?—Some do while others do not.

Do you think about half of them do?—I cannot say.

Is your staff which watches the zemindars and teaches the people sufficient for the purpose or does it need augmenting?—I think the staff is sufficient and has enough time at their disposal too. But what I feel is that we give our staff more theoretical training. It is now necessary that in our training classes some improvement should be made by which our staff would learn the methods of propaganda and give impressive talks to the people.

Do you not think that it will also be better if the staff takes a little more personal interest in the conditions of the members of the societies?—The staff that audits the accounts is separate and there is one supervisor who does merely teaching and gives talks to the people.

How do you watch that this man is doing his work or not? Do you not think that he should keep a diary of the conditions of the people and the ways he thinks should be adopted to improve them?—I think we have enough of work on paper. My experience is that the department is really a missionary department, and the fewer reports

we have and more propaganda the better. The sub-inspectors should have it impressed on their minds that their job is the improvement of the people.

What I meant was that when you went on tour you could obtain particulars of each man from the inspector?—When I go on tour and talk with the people I come to know whether the staff have been doing their work or not.

Rai Sahib Kishan Lal.—Have you some surplus money in your banks?—I say that we have no difficulty about funds, and may have a surplus.

Do you employ some of the money on industrial efforts?—Yes, we have industrial societies which have industrial shops. About 5½ lakhs is employed in that work.

Is the work progressing or declining?—The weavers are not getting much profit out of them, but the other people are getting.

There is a general complaint that people do not benefit fully by your societies, but have still to resort to sahuks?—If we take to meeting all the needs of the people it would be very dangerous. We must proceed very cautiously. If we start a society and find that the members are indebted to the extent of Rs. 50,000 and give them an advance of Rs. 50,000 at once they might use it for other purposes, and instead of being in debt of Rs. 50,000 get involved to the extent of Rs. 1,00,000.

What do you suggest should be done for the people who cannot get money from societies and have to go to sahuks?—When a man uses his money intelligently he gets a loan; those who do not do so cannot get loans.

Chaudhri Sultan Ahmad.—What Rai Sahib wants to know is what about those people who are not members of societies?—There is no difficulty in starting societies now, but expansion can be only in accordance with the augmentation of the staff.

Rai Sahib Kishan Lal.—Do you think that the agriculturist money-lender is increasing or the old sahuks? And which of these two is making more profit?—I have already said that in the case of the agriculturist money-lender the rate of interest is lower and that he lends on the security of land.

But he can get the land while a sahuks cannot?—Under the new ruling of the High Court the sahuks has more facilities.

What rules?—The decree-holder can now ask for the realisation of the money and can declare the debtor insolvent and ask for his imprisonment.

Are there any concessions which the agriculturist money-lender enjoys, excepting that of getting possession of land, which are not enjoyed by the ordinary sahuks?—No.

Chairman.—You said that the return on your land was five per cent. Was that from rent?—No, on the batai system.

You said that co-operation has had no marked effect upon 75 per cent of the members in so far as the wise spending of money and punctual repayment were concerned. Am I right in thinking that co-operation has had a beneficial effect upon the remaining 75 per cent in so far as their finances were concerned in providing them with controlled credit and cheaper money?—Yes.

(Witness withdrew).

**Sardar Beant Singh, B.A., P.C.S., Deputy Registrar,
Co-operative Societies, Jullundur.**

**SUPPLEMENTARY QUESTIONNAIRE FOR ASSISTANT REGISTRARS,
CO-OPERATIVE SOCIETIES.**

2. It is *not often* that money-lenders refuse credit to cultivators in time of scarcity. Only there is some delay in getting the money and also higher rate of interest to pay. The extreme cases of leasing out land for want of finance are rare if at all. Where a man is faced with a situation like this he will do a number of things, and leasing out is the last of all. He will exchange the personal services of himself or one of his dependents for the services of the bullocks or his neighbour. Three-days' labour on his neighbour's field will earn him the right to use his neighbour's bullocks for one day. Very often a milch animal is put to the plough which is not the case in normal times. It is very seldom that a field is left unsown for want of seed, this will be a reproach for the neighbours, the relatives and the creditors of the man.

4. This is largely due to the growing strength of the Agriculturist money-lender. He lends with the object of taking land and presses for landed security.

The borrower on his part, particularly in Doaba, has begun to realise that it is cheaper to get money against mortgages than get it on personal credit. The rate of interest always being high in the latter case.

Pressure for the recovery of old debts, which are difficult to repay from owner's income, often end in a mortgage of land. And to this extent a rise in mortgage debts represents a fall in the amount of unsecured debts.

5. (i) Land Improvements involving large expenditure of money are not easy to accomplish for want of funds. Sometimes the cultivators have to forego the programme of improvements for lack of money.

(ii) The money-lender makes no distinction between loans for land improvement or other loans. He will lend upto a certain limit and no further. The object of the loan is immaterial.

(iii) Where there are old debts to repay supply of long terms loans will mostly be utilised in repaying such loans rather than in improving the productive capacity of the land. But in the more advanced Districts the demand for long term loans to bring about land improvements is fairly great and keen. The pace of improvement has been slow not so much for lack of desire for such improvements as for lack of capital on suitable terms and other difficulties pertaining to the nature and situation of land, *e.g.*, fragmentation, water level, etc. In villages where consolidation of Holdings has improved matters, more wells came to be sunk in two years than it was possible to sink during the course of 20 years before consolidation. Rate of interest and fragmentation of holdings are really the main obstacles in the way of land

improvements. The latter prevents successful fencing, draining and sinking of wells, etc., the former makes such improvements losing concerns in most cases.

(iv) No remarks.

7. The description of the money-lender applies to present conditions. I have no modifications to offer.

10 and 11. Hoarding in cash is said to be disappearing but that in the form of jewellery appears to be going up except in the case of a few educated, urbanised villagers. It is most common among artisans and men of menial classes. In all classes where it is felt necessary to purchase girls in marriage much money has to be spent on jewellery besides so much paid to the bride's father. So much worth jewellery is always the condition in such marriages which are quite common and are on the increase. Among Jat Sikhs the amount usually comes to about a thousand, and often makes the beginning of the ruin of the bridegroom. The number of ornaments has gone up, also gold is replacing silver. It may be added that the evil continues inspite of the feelings against it. The husband realises the burden and the losses involved in the manufacture of jewellery, but the wife's stake is proving too strong.

In Jat Sikh villages two have cut down the expenditure on jewellery—the Akali and the Jat money-lender who have tasted interest as the source of income. Among educated classes the money saved in jewellery goes to the improvement of dress and diet rather than to any profitable investment.

Better Living Societies have curtailed jewellery to some extent, but much of what is avoided on the occasion of marriage returns in later years. It is the idea in some quarters that jewellery is decreasing. My inquiries, however, show that there is a decrease, no doubt, over what it was in the times of high prices (1914—20), but as compared with pre-war days there is no decrease but an increase.

12. (i) Lending on the security of jewellery is confined mostly to non-agriculturist money-lender. Women money-lender (of all classes) also prefer jewellery as security. The agriculturist money-lender does not insist on it; his immediate or remote object is land, and he will wait for it rather than get jewellery and recover the money from its sale proceeds.

(ii) Valuable articles of agriculture such as crushers or boiling pans are sometimes accepted as security, also standing crops and stocks of fodder. But such forms are not very common. The girl of marriageable age, if we can class it as a moveable property, is greedily accepted as security. She lives with her parents but the Shahukar holds the first charge and often helps in finding out a husband.

(iii) Something between 50 and 70 per cent of the value of goods pawned is advanced by way of loans.

(iv) Experienced money-lender needs no help in valuation, etc. Where it is needed the village goldsmith is at his disposal and often the advice is honorary.

(v) Goods are usually redeemed from the first surplus with the borrower. Such loans seldom run beyond two years.

(vi) No special godowns are maintained or hired to stock goods. One iron safe is enough to hold jewellery worth thousands, and this is the only special arrangement made.

(vii) The rate of interest on money advanced against the security of jewellery, etc., is thirty to forty per cent below the rate charged for advances on personal security.

(viii) Amount or duration does not make much difference in rate of interest in pawn-broking system.

(ix) Losses are rare if any. Where they arise they are due to faulty valuation of jewellery, etc.

(x) In three out of four cases pawn broking loans are the result of sahukar's prudence. In one case only they are the result of borrower's anxiety to obtain better terms. In Hoshiarpur and Julundur it would be quite safe to put this ratio as 1 : 2.

14. I would retain all the existing concessions as they are helpful in the development of the movement. I consider exemption from Stamp Duty as the one most valuable and retain this if only one is to be retained.

In matters of Income Tax I would extend exemption to income from securities.

15. (i) The Central Banks and Unions are not doing anything especially to attract small deposits beyond the opening of Current and Saving Bank accounts. To try to attract and entertain too many small deposits will very much increase the volume of work in these institutions necessitating special staff without corresponding income against increase in expenditure. There is a limit to the accounts we can keep in Central Banks. I would help small deposits through Thrift and other kinds of societies by offering such societies preferential rates of interest from Central Banks. These societies may adopt schemes to attract small deposits on the methods current in some of the western countries.

(ii) Commission shops in this side of the country have not done much to attract small deposits.

17. (i) I think it is possible to extend such Banks.

(ii) Conditions for success.

(a) Arrangements of loans for much longer periods. Ten years is too small and does not help the borrowing members very much.

- (b) Suitable changes in the Land laws of the country so as to give the Land Mortgage Bank the status of an "Agriculturist" under the Land Alienation Act.
- (c) Facilities in making inquiries into the title and other particulars of land owned by the borrowing members—free access to Revenue Records, etc.
- (d) Some penal provisions in the Co-operative Law to punish persons giving false information about their assets and liabilities and other matters pertaining to the land.
- (e) Financial assistance on much larger scale by Government to these institutions :—
 1. In the form of supply of long term loans.
 2. In the form of inquiry and Supervising staff ;
 3. Indirect assistance by guaranteeing principal and interest (at fixed rates, to debenture holders).

I have nothing to add to what is said in the Annual Report about the working of these Banks—their weakness or the measure of success achieved.

Oral evidence of S. Beant Singh, Deputy Registrar, Co-operative Societies, Jullundur.

Chairman.—You are Deputy Registrar, Co-operative Societies, Jullundur.—Yes, Sir.

How long have you been that ?—For three years.

What service have you in the Co-operative Department ?—I entered service in 1916, was Inspector for three years, Assistant Registrar for eight years and have been Deputy Registrar for three years.

What does your division include ?—Now it includes the whole of the Ambala and Jullundur Divisions, excepting the Ferozepore district.

Does your note apply generally to the whole of that area ?—Mostly to the whole of that area. I can speak with some authority about Gurdaspur and Amritsar as well and also Jullundur, Hoshiarpur and Ludhiana, but I can only claim some acquaintance with the Ambala Division.

Were you stationed a long time in Gurdaspur ?—In Gurdaspur and Amritsar, for ten years.

That is then the area you know best ?—Yes. Amritsar, Gurdaspur and Jullundur.

You speak of the growing strength of agriculturist money-lenders. Where is that most marked ?—In Amritsar, Gurdaspur, Jullundur, Hoshiarpur, Ludhiana and also I think in the rest of Ambala. But it is very strong here.

What is it mainly due to ?—I think it is mostly due to the Land Alienation Act.

What was the class that is now lending money, doing with their money before the Land Alienation Act ?—They were lending then also, but now the money has increased, for instance the military officers and retired pensioners have got more money.

Do the agricultural classes as a whole in the area you speak of have more money to lend than they had twenty or thirty years ago ?—The upper ten of the big landlords have more money.

Do you think then that this increase in the number of agriculturist money-lenders is an indication of agricultural prosperity ?—Not as a whole but of a particular class of the agriculturists.

Could you name any percentage ?—Say 3 or 4 per cent.

Does this increase in prosperity apply to only 3 or 4 per cent of the zemindars ?—A larger number is perhaps prosperous, but it is only strongly marked in the case of 3 or 4 per cent.

Are you able to name any percentage for the larger number ?—Ten or 15 per cent.

Making a total of 20 per cent for the two classes combined ?—Yes.

Could you give a corresponding figure for the number that have deteriorated in prosperity, or do you think there is no such deterioration ?—There is some deterioration in the case of about 15 or 20 per cent.

Then the remaining 60 per cent are just where they were ?—Yes.

Would the ordinary agriculturist rather deal with the agriculturist money-lender than with the professional sahuakar ?—There is very little option, I think, but if a man has got credit, he would prefer to deal with the non-agriculturist.

Why ?—My impression is that he considers the agriculturist money-lender more hard.

Are his rates of interest actually higher ?—No they are not high in respect of rate of interest, but his methods of recovery are harsher.

Would the actual rates of interest in the case of the agriculturist money-lender be as high ?—No, he will recover the full amount. There is not much difference in the rates of interest charged.

Is there much difference in the rates paid ?—I think the Jat money-lender recovers the full amount and the other probably has to forego a certain amount.

In that case the effective rate of interest charged by the agriculturist money-lender is somewhat higher ?—Yes, that is what I mean.

Taking a broad view do you regard the rise of the agriculturist money-lender as a serious disadvantage to the ordinary cultivator ?—Yes, this is a serious disadvantage.

In what way ?—It has an injurious effect on the spread of the co-operative movement, because he lives in the village and very often persuades the villagers not to join the societies. Again he lends particularly with the object of getting land ultimately and is not very particular in pressing for recovery till the amount goes up to a particular sum.

Do you find it more difficult to start a co-operative society in a village with an agriculturist money-lender in it than in one without one ?—Yes.

Do you think it is more difficult in a village with an agriculturist money-lender than in a village with an ordinary sahuakar ?—Yes, because the connection of the non-agricultural sahuakar is not so intimate as that of the agriculturist money-lender.

Then the agriculturist money-lender is more of an obstacle to the spread of co-operation than the sahuakar ?—Yes, that is my view.

Do you think that much land is changing hands as a result of the coming of the agriculturist money-lender ?—I think so.

Again taking a broad view do you think it is ultimately a disadvantage to the agricultural community that land should pass from the hands of a person without money to the hands of a man with money?—I think so.

Why?—This will deprive the small landholders of their land.

Do you think that is a disadvantage?—Yes.

Have you thought how this can be remedied?—I think some modification in the Land Alienation Act will have to be made, for instance, it may prescribe a certain limit beyond which a man cannot sell his land or a limit beyond which a landlord cannot purchase land.

What would your limit be in the first case?—That would vary.

What would your limit be in the second case?—That again would depend on the place.

Do you think it would be possible to fix limits in the first case with the varying conditions of agriculture in the Province?—Yes. Just as it is done in the assessment circles it can be done in this case also.

Would you prefer that method to the method of forbidding anyone to mortgage his land for more than twenty years?—I think both will have to go side by side.

You would be in favour of trying both?—Yes.

Do you think some restriction is necessary upon the activities of agriculturist money-lender as in the case of the professional money-lender?—Yes.

You say that there is a tendency, particularly in the Doaba (by which I assume you mean Jullundur and Hoshiarpur) to raise money on mortgage rather than on personal credit as the rates are less. Since when have you noticed that tendency?—I think ever since I came here. I have been making enquiries and they say they now prefer to raise money on mortgage. They are more businesslike now.

The question of 'izzat' then does not play the same part as it did?—It does to some extent, but is weakening.

Among the more intelligent of the people?—Yes, and also the ordinary people. In Garhshankar particularly as I have mentioned in my memorandum, about 50 per cent now prefer to raise money on mortgage.

Is that simply because they can get money at a lower rate?—Yes, simply.

Have you found that tendency outside the Doaba?—Yes, but it is not very strong.

At what rate can money be raised on mortgage?—That varies.

Take 'first' mortgage without possession; or is that type of mortgage very uncommon?—That is not common here.

If a person lends on mortgage with possession and cultivates the land, what rate do you suppose he earns?—About 5 or 6 per cent.

And if he employs a tenant to cultivate the land?—About 3 per cent.

And what are the common rates for unsecured debt?—Between 18 and 25 per cent.

Would you say then that an increase in mortgage debt in the Jullundur and Hoshiarpur Districts does not necessarily mean a corresponding increase in unsecured debt?—No, not necessarily.

Is it common, do you know, for zemindars to buy land in the different colonies on borrowed money?—You mean in Bahawalpur, Bikaner?—Yes, it is common.

At what rates do they borrow?—Mostly they give their land in mortgage here and are able to buy more land there.

Have you come across many cases of people borrowing at 18 or 25 per cent for purchase of land elsewhere?—Not in Hoshiarpur and Jullundur.

What about Gurdaspur?—They do borrow at higher rates to invest in outside land.

You say that sometimes cultivators have to forego improvements for lack of money. Have you come across many cases of that kind?—Yes, several.

In which district particularly?—Everywhere they have to forego, mostly here.

What kinds of improvement were contemplated?—Sinking of wells—where long-term-loans are needed.

Do you think that if money were more fully available at reasonable rates for land improvement, much land improvement would be done?—I think so.

What would you call a reasonable rate?—For sinking of wells something like 6 and 7 per cent.

Is not money at present available from Government at that rate?—Not to the extent required.

Have you come across many cases of people applying to Government for loans for that purpose and being refused?—Yes.

Do you happen to know on what grounds they were refused?—Sometimes the funds at the disposal of the district authorities are not sufficient.

Have you ever applied yourself?—You have, I think, land of your own?—No, I have never required it. But I know friends and neighbours who did apply and did not receive it simply because money was not available.

If Government were to make more money available under the present rule and at the present rates do you think that would meet the case?—Yes, I think so.

You say that the difficulty in land improvement is not only lack of capital but also fragmentation. Which of those two difficulties is the greater in the Central Punjab?—Fragmentation is, I think, the greater difficulty.

Would you say that it would be of much use to make a much larger sum available for the sinking of wells in districts which were very badly fragmented and where consolidation had not taken place?—It is not possible to sink wells in these places on a very large scale, but sometimes owners combine to have a joint well and need help. Such adventures are not rare.

Do you then regard consolidation as an indispensable preliminary to land improvement on any large scale?—So far as wells are concerned.

Is there any form of improvement which can be done irrespective of whether land is fragmented or not?—I think there is scope for improvement in the matter of live-stock and better machines like cane-crushers, boiling pans, &c.

Are they at present handicapped in obtaining better cattle and better implements by lack of capital?—Not so much by lack of capital as by want of knowledge of these things, and the latter is daily on the increase.

Would it be possible for co-operative societies to do more than they are doing at present without agricultural mortgage banks?—Yes, not in the matter of sinking of wells, but they can provide more capital for better cattle and machinery.

Do you think that for the sinking of wells the assistance of Government is required, but is not necessary for these other forms of improvement?—No, not so much.

That you think should be provided by existing co-operative societies? Yes.

Has not a certain amount of money been advanced in this district by co-operative societies for the sinking of wells?—Yes, it has been advanced.

Was that as an experiment?—Yes, as an experiment.

Would you say that the experiment has succeeded?—We do not think it has succeeded very well.

What have been the difficulties in the way?—Full use has not been made of those wells because of the sinking of the water-level.

But in districts where that factor does not obtain would you say that it would be possible for co-operative societies to give more help for the sinking of wells?—Here loans were made at a reduced rate of interest because there was surplus money with the central bank and the Unions, but that is not the case in other places. If they can advance

loans at reduced rates, it would be some help. Then there is the question of the repayment of these loans which has been fixed at ten years and the period is not enough.

How many years would be necessary?—I would spread it over twenty years.

You think then that wells cannot be sunk with borrowed money for less than twenty years?—That depends on the place, but I would put it at twenty years.

That is also too long a period for any co-operative society or a union which is not a mortgage bank?—Yes, too long.

Coming now to jewellery, has the Akali movement had much effect in reducing the amount spent upon jewellery?—Yes, among that class it has had great effect.

When you say “upon that class” do you mean Akalis or all Jat Sikhs?—Akalis only.

Are they an important proportion of the Jat Sikh community?—Say 2 or 3 per cent.

So beyond this part of the community the effect has not been large?—No, Sir.

You say that better living societies have had some effect in the same direction. But you suggest that what is saved at a marriage is subsequently spent. On what is it spent?—After the marriage there are some other ceremonies, *e.g.*, there is the *muklava* and always some ornaments are offered.

And the net result is not a very great reduction?—No, not very great.

You suggest further that where money is saved there is a tendency among Jat Sikhs to employ the amount saved for money-lending. Do you regard that as a change for the better?—Taking the village community as a whole, the change is not for the better.

Do you think it is better to invest in jewellery than in money-lending?—I think it is important to save first and then we can persuade a man not to lend but to put money in better use. It is more difficult to persuade a man to save who does not save than to persuade a man to invest differently.

You think then that it is not sufficient to induce a man to save, but it is necessary too to direct his savings to good ends?—Yes, exactly.

And perhaps better living societies have not paid enough attention to that aspect of the problem?—They understand the problem and are trying to act up to it.

You speak of enquiries in connection with gold. Have you any figures to show that there is a decrease in jewellery?—I have figures, but not with me, I can send them to you.

Do you regard them as reliable ?—Yes, tolerably reliable.

Then we shall be glad to have them. I shall send them to you.

Have you any figures for pre-war days ?—I have, but I do not think they are reliable.

You say that girls of marriageable age are a popular form of security. What form does the transaction take ?—There is really no express agreement, but only a tacit understanding between the borrower and the lender.

What is the understanding ?—That when the marriage of the girl takes place, the father will take the money for her and pay the money-lender. In some cases the marriage is arranged by the money-lender.

Does the money-lender act as the go-between in most cases ?—In some cases he acts thus.

How far is this common ?—The father of the bride leaves the arrangement to the money-lender who tries to find a suitable husband for the girl.

And *vice versa* ?—That is not done because the object is to recover the money from the father of the bride.

Chaudhri Niamat Ullah.—In what *ilaga* ?—It is very common in Amritsar, Gurdaspur, Sialkot and here also.

Is the loan obtained on the basis of this arrangement or is the arrangement made for previous loans ?—Both, for new and old loans.

Could fresh loans be sometimes obtained on the understanding that these arrangements will be left to the money-lender ?—Yes, if the father himself arranges for the marriage of his daughter, the loan will be repaid from the proceeds of the marriage settlement.

Rai Sahib Krishan Lal.—Is the object to get money from the zemindar or is it for the middleman to get commission ?—The object is to treat it as a security, when there is a no other security with the man.

Chairman.—Are these arrangements between the money-lender and client ever the subject of a written agreement ?—No, they are verbal arrangements, only matters of mutual understanding.

Lala Krishan Lal.—Do you mean that the father of the girl says that when I betroth my daughter I will pay you the money ?—The money-lender will not lend the money if he has not got the security of the daughter.

Chairman.—Can this arrangement be made only in the case of marriageable daughters and not prospectively?—Yes, in the case of marriageable daughters only.

Rai Sahib Krishan Lal.—Can you give any example where a man betrothed his daughter and not paid the money to the sahuakar out of what he received and so a dispute arose?—It is always a question of good faith.

Has any such matter come to light in the *baradari* out of court?—I cannot recollect at this time. In most cases the promise is kept.

Chairman.—Is this a new form of arrangement or has this been going on for some time?—I know of this for the last twelve years.

Is it increasing?—Yes, badly.

Is it due to the fact that between the sahuakar and the zemindar forms of security are becoming fewer and fewer and he is looking to see what new forms he can get?—I think so.

Can this be found throughout the Central Punjab?—Yes, with varying degrees.

Do you find the same arrangement as between zemindar and zemindar money-lender?—No, the zemindar money-lender does not make such arrangements as he prefers the security of land, and can get it.

If any of the concessions now enjoyed by co-operative societies were to be extended which one would you extend?—Exemption from income-tax is one.

Do you think that is more important than an extension of the money order facilities?—Yes, for Unions, Central Banks, and Land Mortgage Banks.

But would that be of much benefit to the primary societies?—Only sometimes they invest their funds in Government papers and have to pay income-tax if they do it.

Do you think the societies would appreciate this more than a more liberal concession in regard to money-order fees?—Primary societies would appreciate better the money-order concession. There are one or two more points that I would like to press here. The use of the R. T. R. should be more common. There is at present a maximum limit of Rs. 150 and this makes the concession not of much use to primary societies.

What limit would you suggest?—I would say Rs. 25 because the thrift societies have been sending their funds to central banks and have not been able to avail themselves of this privilege.

Can they not send their funds by money order and get a refund of $\frac{1}{4}$ ths of the fees?—R. T. R. should be cheaper.

What is the other limit?—Rs. 30,000. No central bank can send more than Rs. 30,000 in the course of one year through R. T. R. There

are one or two banks which have exhausted this limit in the first three or four months and cannot send more money.

Can you give any figure of the maximum amount that might be sent by the Central Bank ?—I would have no limit in that direction.

What other modifications would you make in the rules ?—That is all in regard to R. T. R. Then the postal savings bank facilities should also be extended. In accordance with the present rules no society can withdraw money without notice. I would say that in the district and tahsil headquarters where there are treasuries some amount should be allowed to be withdrawn without notice ; say Rs. 1,000 and Rs. 2,000 at two days' notice.

At present are co-operative societies hampered by having to give notice ?—Yes, to a large extent.

Central banks ?—They also.

Do you wish to bring out any other point in this connection ?—No, that is all.

How many commission shops are there in your Division ?—There are three.

Are they promising ?—They are not doing very well.

What are the obstacles ?—The holdings are small and there is very little on this side with the average man to sell, in normal years. Unless there is a very bumper harvest, there is so little margin left that they don't take the trouble of taking it to the market.

These shops are dealing in areas with small holdings ?—Yes.

Your point is that the small holder has very little to sell ?—Yes, very little in normal years and nothing at all in bad.

Your further point is that the margin between the village rate and the market rate is not sufficient to make it worthwhile for him to bring the produce to the mandi ?—Yes.

On the whole the marketing arrangements are satisfactory ?—I should say that there is not much scope for improvement in this line. However, there is one service that the commission shops are doing ; they have had some effect in bringing to level the commissions charged by other shops. There is an indirect advantage of these shops. They have reduced the rates of the *arhtis*.

On the whole would you say that the producer has not very much to complain of in his marketing facilities at present ?—Not the small holder.

In regard to mortgage banks, do you think that fragmentation would be a very serious obstacle to the successful working of a mortgage bank if possession had ever to be taken ?—It is only a matter of opinion. It is very difficult to say, because no cases have really occurred in that way ; it depends on the amount ; if the amount is small

it can be recovered, and if the amount is big, I don't think it would be recovered easily.

Do you think that a mortgage bank could not be successfully run in a district like Jullundur?—Not for redeeming the lands, but for other purposes, for instance, the provision of loans for the sinking of wells, &c.

You don't think fragmentation would be a serious difficulty in the event of foreclosure?—We can cut down the amount that we are to advance.

You are in favour of extending the period of loans in the case of mortgage banks?—Yes.

By how much would you extend it?—I would raise it to thirty or forty years.

At present the cultivator has with difficulty learnt to repay punctually loans made by his society for only two or three years. Would it not perhaps be too much to expect him to repay punctually loans advanced for the period you mention?—I have spoken about the maximum limit, and that I would do in the case of loans advanced for redeeming mortgages. I don't think it is possible for the man to repay it within so short a period as ten or fifteen years. In that case I would extend the term for a longer period.

Is it not possible to redeem land piecemeal?—Sometimes it is possible; sometimes not; it all depends upon the condition of mortgages and upon income of the mortgagor and his available sources, and that depends on each man individually.

You don't think it would be dangerous then?—I have spoken of thirty years in case of big loans for redeeming mortgages; for ordinary purposes I would not go so far.

Would there not be tendency on the part of societies to work up to the maximum limit?—It means more work for the staff to see and there should be more elaborate bye-laws on this point.

It would require closer control?—Yes.

How would that be provided?—I would put a wholetime man in charge of each mortgage bank; rather in charge of each tahsil.

To work under the control of the directors of the mortgage bank?—Not under the control of the directors, but under the control of the Department. I don't think the directors at this stage are able to handle things very carefully in a mortgage bank.

The extension of the period would involve an extension of the departmental control?—Yes. Even now I don't think they have sufficient supervision. I would even now extend the control of the staff without extending the period.

Why?—Because the directors have never done such business and there is too much "lehas" of the "baradari" between them and so, I think some external hand is necessary.

Then you don't think that the mortgage banks, as at present constituted, are working satisfactorily?—I am not satisfied at all.

Would it not be prudent to make a success of them working as they are now with a maximum period of ten years before extending it?—What I mean is that there are certain objections, particularly to loans for redeeming mortgages. I don't think they pay really as we are advancing them for ten years. The borrowers are sometimes compelled to sell their lands to repay the loans. The instalments are too heavy to pay from savings.

You mean then that it is impossible to make a success of the mortgage banks with a period of ten years?—Not impossible, but very difficult in majority of places, particularly where loans are for redemptions.

Would it be possible to increase the departmental control, as you suggest, without fundamentally altering their co-operative character?—I think we shall have to change that co-operative character for some time.

You say that the mortgage banks should have free access to the revenue records. In what respect is access not free at present?—It is not free at present, because they have to take copies of the documents and have to pay and wait long to get the copies.

Do you mean to say that they should be given copies of all records free?—Yes. Moreover, they cannot see all the records.

Can they not see them on payment of a fee?—They can, but sometimes so many things come to one's notice afterwards that he has to go again and again and pay for that.

What you propose then is that fees should not be charged from mortgage banks?—Yes.

That is a further concession that you would grant to co-operative movement?—Yes.

You speak of the necessity of penal provisions in the case of persons giving false information in connection with the mortgage banks. Have there been many cases of this?—Not many, but I understand there are some complaints in this respect. People have tried to deceive the mortgage banks and have sometimes succeeded.

How many cases have come to your notice?—Two or three; one of these related to Sonepat.

Do you think these cases are sufficient to justify your proposal? If there is one big case, it will involve the bank in trouble; so it is necessary to guard against every possibility.

How many mortgage banks have you got in your Division?—Three.

On the whole do you think these mortgage banks have been of advantage to those who borrow from them?—It is very difficult to say

one way or the other at this stage, because they have worked only for two or three years.

Would you say that the difficulties that have come to light are largely due to inexperience?—Mostly.

And are not likely to occur with more experience?—They must decrease with experience.

Is there a strong demand for more co-operative societies in your Division?—Yes, very strong.

Throughout the Division?—Yes.

Is that demand being satisfied?—No, for want of sufficient staff.

Is that the main difficulty?—That is the only difficulty.

Do you think that apart from the co-operative societies it would be wise to extend the credit facilities open to the ordinary cultivator?—In what way, for instance.

It might be by taccavi loans, or by strengthening the money-lender.

Do you think that the ordinary cultivator could employ wisely more money than he gets now?—Provided there is education side by side. If there are better living societies, of course there is more scope for adequate employment.

Apart from education, as things stand at present, would you say that in the majority of cases a zemindar would be the better off for having more money available?—In the case of certain classes only; for instance, I would give more money to the Arains, Sainis, Ahirs, and I would give very little or even cut down the present demands of Saiyids, Pathans, Rajputs and Gujjars.

Then it is very much a matter of character?—Yes, and of industry.

Do you think that an important factor in financing the cultivator?—Yes, very important.

In the light of your fourteen years' experience in Government service, would you say that there is any marked improvement in this respect in the capacity of the ordinary borrower to spend money wisely?—I think those persons who have become members of the co-operative societies have, become more wise in this respect.

Are they able to employ money more prudently?—Yes.

What is that due to?—That is due to the discipline they are put to through co-operative society; other people have learnt it also by the examples of successful co-operators.

So the influence of co-operation has extended beyond its own limited sphere?—Yes, it has.

Have you experience of the working of the Agriculturists' Loans Act?—I know something of it.

Are you in favour of restricting the loans to emergencies or would you make it a normal feature of agricultural finance?—I would confine it to emergencies only.

Are you in favour of advancing taccavi loans through the co-operative societies?—I think it will be better and more convenient for the members.

Do you think it is likely to affect the idea of self-help if societies learn to depend upon Government in emergencies?—It may, but they already depend so much on non-members' help.

Do you think there is a possibility perhaps of undermining the principle of self-help?—To some extent only, because help is only to be sought in case of emergency.

What precaution would you take against that?—Very difficult to answer that question off-hand.

Do money-lenders often have an influential friend amongst the zemindars, such as a lambardar or a zaildar who helps them to recover their money?—Yes, sometimes.

Is it common?—No, not very common.

In which districts would you find it in your division?—More or less everywhere I think, but not very common.

When does compound interest generally begin to run in the case of a money-lender's account?—After the expiry of the first term of the loan when the renewal takes place.

After two or three years?—After three years.

Not with each harvest?—I don't think so.

Are recoveries in grain decreasing in your division?—Yes.

Are they an important factor in any district?—I don't think they are now.

Not even in Gurgaon?—I cannot say that.

In the last fifteen or twenty years, have you noticed any change in the rural interest rates?—I think they are going up. Particularly in Ludhiana where people told me the other day that they used to get money at 6 per cent., but now the rates have gone up to 18 per cent.

What is that due to?—I think that is due to the need of more money and the rise in the standard of living.

Which means that money is scarce?—Yes, as compared with the demand for it.

Do you think it is also due to the fall in the value of security offered by a zemindar?—Yes, also.

It has been suggested that certain approved money-lenders should be licensed and given certain facilities for recovery, in return for which they would be required not to charge more than a certain rate of interest. Do you agree in that view?—I think we shall have to retain

him for some time at least, because there are very many persons who cannot be taken in by the co-operative societies under the bye-laws, and all those persons will require some credit.

What type of person?—For instance, a person who has been convicted for three months, loses all credit with the society, because he cannot remain a member of the society under the bye-laws.

Is there a large number of such persons?—Very large number in rural areas, particularly in the Amritsar and the neighbouring districts.

Is there any other class that you are thinking of besides these unfortunates?—Those who have been declared insolvent shall have no credit facilities after they have washed off their debts.

Then there are villages where it may not be possible to form societies on account of factions and mutual ill-will of the inhabitants. Where there are societies, many persons stay out because of their differences with the committee-men and others. Admissions in co-operative societies are a matter of pure election and everywhere there is a minority (not wholly of undesirable men) who fail to find admission in the societies. The societies are not to account for this refusal, and it is not difficult to find a pretext for it if necessary. Again, the fact that over a thousand co-operative societies have had to be liquidated from the beginning, suggests that it is not every village that can form a successful society, and for such persons financial accommodation will be needed.

Are you in favour then of the proposal to license money-lenders?—With certain safeguards I think there is no harm if they are retained.

What would be the safeguards?—Fixed rate of interest and regular audit of accounts.

Do you think there would be much risk of evasion in regard to the fixed rate of interest?—There will be risk no doubt, but I think the chances are now decreasing, because people are becoming more intelligent now.

You don't think it would be a serious risk?—No, not serious.

Then you would be in favour of licensing a certain number of approved money-lenders?—I would license all I retain.

Would you make licensing the exception or the rule?—I would license all who do money-lending.

Then you would give all the facilities of recovery?—Yes.

What facilities would you give them?—That is a difficult question to answer; I have not considered it.

Do you think there is a tendency on the part of money-lenders to migrate from villages to towns?—Yes, there is.

It has been suggested by one witness that they represent a valuable element in village life, and that village life is likely to be the poorer by their migration. Do you agree in that view?—I think they will be

useful if they stay there not so much as money-lenders, but doing some other business such as shop-keeping.

Do you think then that if that tendency were strongly accentuated, it might be a loss to the rural community?—I think so.

(Witness further added):—There is one point that is not contained in the questionnaire, but it occurred to me from the evidence of Mian Mahan Singh yesterday. It relates to thrift societies. There are some services, for instance, Patwaris, the members of which do not live in one place and find it difficult to form a society because of the difficulties involved in the collection of contributions. The remedy in such cases would be to make deductions from the pay bills of such persons and pay the same to the society in members' accounts. I suggest that Government should allow such deductions on the representation of the society and the members concerned. Post office employees are similarly placed, there are hardly two or three of them in one place. Arrangement such as this would facilitate the working of all thrift societies whose members are in receipt of monthly pays.

Chairman.—Has that proposal ever been put forward?—No, not formally.

Khan Bahadur Chaudhri Sultan Ahmad.—On the subject of the bania being an unavoidable necessity, taking your district (Jullundur) where co-operative movement can be said to have succeeded very well indeed, have you been able to eliminate the money-lender from the villages?—That is a question of particular enquiry; I have not gone into that question.

You have said that agriculturist money-lender is an evil which you would like to be eliminated even with certain amount of trouble. Do you include within that sphere even the landlord who lends money to his own tenants for agricultural purposes?—I don't include him.

Your figures don't include him?—I have given no figures.

Have you by chance considered some time what is an economic holding in this district or in an area; of course it would vary from district to district and from area to area according to agricultural conditions, but have you ever considered what an economic holding would be in a district with a rainfall of 37 inches?—I have thought a good deal about it, but it is very difficult to give universal figures even for a particular district or locality. I think it will have to be fixed for every village separately.

You would not even in an uneconomic holding expropriate a zemindar from his land and leave him tied down to it even if he could not make a living out of it?—I would make him sell the land and go away.

You have said that in the case of a mortgage with possession the interest is reduced. Do you mean that in case of delivery of possession the value of the produce is less than the rate of interest which would have to be paid had the transaction been without possession?—Yes, I mean the income from the produce.

You say that people in this district are now more inclined to mortgage their lands with possession to their creditors to secure money.

Are not you in that case reducing the area available to a cultivator to that extent and thus curtailing his income?—That is not really reducing the area, because he really gains more, since he has to take money from some one and redeem his debt without any extra burden of interest; he would be taking on the one side and paying to the other.

Kham Bahadur Chaudhri Niamat Ullah.—Do you agree that the Registrar of Co-operative Societies should be empowered to sell by auction the lands of one or two defaulters in order to set an example to other defaulters?—Ordinarily if there is a defaulter, the society can recover from the sureties or take possession of the land.

Instead of going to the civil courts, should not the above procedure be followed in order to teach a lesson to the defaulters?—I am in favour of that.

Can you say from your experience if there is any other means of providing credit facilities apart from credit societies?—No.

There are 84,600 villages in the whole of the Punjab, and the present number of co-operative societies is 15,468. Taking the average for the last five years, it appears that it would require at least twenty years more to have a society in each village of the Province. In the year 1921 the Hon'ble Chairman of this Committee made an enquiry into the indebtedness of this Province and found that it was considerably more than 100 crores. Ever since then the indebtedness has further increased by 49 crores during the last nine years. Can you suggest any measures to reduce this indebtedness or at least to put a stop to its increase in the future?—During this period population has considerably increased and possibly much of the debt may be for productive purposes. My personal opinion is that debt has increased everywhere, not in the Punjab alone.

Rai Sahib Kishan Lal.—What is the proportion of recoveries of an agriculturist money-lender and a non-agriculturist money-lender?—I have not worked out the figures, but I guess that the agriculturist money-lender recovers more.

Do you mean to say that the agriculturist money-lenders lend money on the consideration that if they cannot recover their debts, they would get the land?—Yes, exactly.

You have said just now that more people are going from this place to Bahawalpur and Bikaner to purchase lands. What about the lands here; have they got their relatives to look after their lands here when they leave this place?—The population has increased very much and the holdings are very small and they have not got sufficient to live upon here. Consequently in many cases they mortgage their lands here and migrate to other places.

Have they got sufficient amount to redeem their lands which they mortgaged here?—They have gone there to settle down. They may be able to redeem their lands here sometime later, but not always.

(Witness withdrew).

Sheikh Manzoor Ali, Industrial Assistant Registrar, Co-operative Societies, Lahore.

PART IV 2 (1).

No capital was needed to finance the rude and primitive industry in the old economic structure of a village life in the Punjab. All the artisans were paid in kind and had a fixed share in the production of the land. The advent of Railways, Canal and other means of better communication brought about a great change, which was most marked in the following directions :—

- (a) Migration of the artisans from the village to towns and large cities specially those whose services in the village were not required for all times.

I agree with (a).
FATRH KHAN,
Deputy Registrar.

- (b) The appearance of the capitalist to finance the industry.

This was the beginning of the development of the urban cottage industries, which even to-day are most important and numerous in the Punjab. The use of machinery in the industry has not made headway into the province. In the order of importance and number, the following are the chief industries of the province :—

- (1) Weaving (cotton and silk).
- (2) Shoe-making.
- (3) Carpentry.
- (4) Oil-making.
- (5) Blacksmithy.
- (6) Dyeing.

The majority of workers live in towns. The tendency of the artisans to flock to towns is on the increase. Construction of railways, canals, public work, etc., have given new openings to them. Marketing facilities in the towns and the presence of the capitalist class ready to finance them, is another temptation in the same direction.

The last Census Report of the Punjab says "vital statistics show a slower rate of natural increase in towns than in rural areas and that the actual increase in towns has been so greater than in the country must be due to a movement of the rural population towards them."

Various system of financing the industries.

Independent system.—In an independent system the artisan has his own capital. He would produce wares of his choice and is free to sell where he pleases at whatever price he can. As long as he could find ready sale for his goods the system served him well. But when the demand ceased, or he had to wait in the hope of getting better price for his goods, he must need *credit* in one form or the other.

His own modest capital can not hold him long. He must therefore resort to the money-lender who is no other than the dealer in the craft. Once entangled to him, it is not easy to free himself from his hold on account of the vicious circle of credit supply. Therefore his independence is lost for ever. Artisans as a rule do not resort to the pure money-lender who lends in cash only, nor they borrow much in cash. Their financier is the dealer in raw material. In the initial stage this dealer had nothing to do with the disposal of the finished goods. He advanced raw material under certain conditions known as the discount system or time system, etc., which will be examined later on.

There being practically no security for the advances made in the form of raw material, the dealer had to oblige the worker to bring to him his finished goods for sale, at the price stipulated by him before. Thus the dealer in raw material, also became the dealer in finished goods. Now it is rare that the dealer in raw material and finished goods are separate persons.

2. *Artisan system.*—The dealer when contemplated high profits in the business, would give raw material of his own to a worker to manufacture the goods for him on piece work wages.

3. *Factory system.*—Some times the dealer starts small factories of his own and compels the most involved of the workers to work for him under his own roof. He would pay either daily wages or by jobs, deducting a major portion for the debts due to him.

To illustrate the point in view I will have to take up one typical industry which is most numerous, most widely distributed and most important after agriculture in this province. This is hand-loom weaving. A weaver of coarse cloth every time he works it up, he must be able to sell it up before he manages to buy yarn or provisions for his family. This is not possible always as in many cases the market becomes dull, and demand is only seasonal. He has to take the cloth to the dealer, to sell it at the lowest price which may not bring even the bare subsistence. In case he waits for the rise in the market, he must borrow yarn to work upon. Thus he is driven into debt. Indebtedness takes away his independence. Consequently he must purchase yarn from his financier—the dealer, at his fancy rates and sell to him his woven goods at a modest rate. Very little margin of labour is left for him. The stage of working for piece work wage is the next step. Gradually but surely he finds himself reduced to the position of a 'coolie' weaver.

During or before the war the number of independent workers was estimated at not more than 25 per cent. I estimate, it is not more than 7 per cent at present in the towns of the Punjab. Weavers handling costly material like silk and fine cotton yarn have for the most part worked to the order of the dealer from the very beginning. The dealer takes the risk and charges very high rates from the consumers. The same is the case with other form of industries. Oilmen

and dyers are in the same boat with the weavers. The carpenters and the smiths have a bit better status. It has been seen that the principal may be the only financier of the different kind of cottage industries is the dealer of each craft. Under his influence the condition of the industry and the industrialists has gone from bad to worse.

PART IV (2) (ii).

The part played by the middle-man.—As long as demand for the handi-craft was purely local or near at hand and the material was less costly the artisan could work to some extent independent of the middleman. With better means of communication the market for all industries was widened. Consequently the relations between the producers and the consumers could not be maintained directly without the aid of the middleman. The effect of the activities of the middleman varies with each kind of industry with which he is connected. But everywhere his efforts have been in the direction of exploiting the artisans. He enriches himself at their cost. The depressed condition of the artisan, though not entirely, is mainly due to the middleman's hold.

It will be interesting to study some of the novel devices invented by him to deprive the artisans from enjoying the fruits of their labour which are prevalent in almost all the important towns of the Punjab.

The case of the *Weavers* may be taken first.

The different methods employed by the middlemen.

Miti or (Time Concession).—Under this system a weaver buys raw material on credit from the middleman who allows him fifteen grace days to make the payment without interest. If no payment is made within the grace days as it usually happens, he will charge Rs. 2 in addition to the actual demand. For instance if a weaver has to pay Rs 40, now he will have to pay Rs. 42 on which further interest at the rate of one pice per rupee will run.

Katauti or (Discount System).—The dealer advances partly in cash and partly in kind on the condition that the weaver should deliver him the cloth when ready. For every yard of cloth when brought to him he deducts one pice as the profit of his shop at the time of payment.

Barter System.—This is exchange of goods for goods. Yarn of equal weight with the piece of cloth brought by the producer is given back along with labour charges which are determined at the lowest. But this system is for the independent weavers who are not indebted to the middleman.

Pirt Bazaar or (Market System for silk weavers).—For every piece of Daryai (pure silk) of 25 yards on an average in length brought

for sale, the producer must allow the middleman to take one yard in excess without payment, *viz.*, he would pay the price of 24 yards instead of 25. Settlement of the price per yard can not be done in the case of silk fabrics without the intervention of the broker. Brokerage at the rate of one pice per yard should also be borne by the weaver.

Tombo System or (Cash Payment memo).—When a piece of silk fabric (Daryai) is measured and price settled after making the necessary deduction as stated above, the price is not to be readily paid in cash on the spot but *Tombo*s or *chits* are issued by the dealers which are payable at the expiry of 15 days time from the date of transaction. Any one requiring immediate cash should allow a further deduction of 15 days interest at 6 per cent per annum. Even then it is very rare for the worker to get the entire amount in hard cash. He may obtain a portion of it in kind. In other forms of industries the middleman's behaviour is no better.

Shoe-makers.—The shoe-makers of the town are everywhere under the thumb of the *Khajah* shopkeepers whose profits are said to be very huge, varying from 25 to 50 per cent in the case of hides. Village shoe-makers and tanners, as distinguished from village menials, are working more independently and are better off than their brothers in the towns. The extensive use of European style boots and the loss in trans-frontier trade have hit them hard.

In small towns also the shoe-makers have begun to prepare shoe boots and *gurgabis* while they used to prepare ordinary Indian shoes before.

FATEH KHAN,
Deputy Registrar.

Smiths.—The trade in brass and copper industries is entirely in the hands of *kaseras* (dealers in brass vessels) on whose capital the *Thathiars* (manufacturers of brass vessels) depend. These artisans mostly work on remuneration calculated on the maundage of the finished goods on the raw material provided to them by the middleman. The average daily wage of the worker in the industry ranges from Re. 0-12-0 to Re. 1-8-0, while middleman's profits are estimated at not less than 25 per cent. The *kaseras* are denounced by *Thathiars* as their blood suckers.

Artistic Industry.—In the case of art industry the elimination of the middleman is all the more necessary. The middleman will not buy what is not in demand in large quantity. The artistic goods appealing only to a few are of no benefit to him. The old patronage of the princes and nobles is lost. The artist now depends on the casual demand of the European tourists. Unless the producer comes direct in contact with the consumer, he is not stimulated to attain any perfection or excellence in the art. The carpet-weaving of Multan, shawls of Nurpur in Kangra, Daryai of Amritsar and Multan, Printing work of Kamalia and ivory of Muzaffargarh is in decaying condition on account of the appearance of the middleman. The Arts and Crafts Department of the Mayo School of Art, Lahore, is doing useful work in this

direction. A Co-operative Sale Depôt under the auspices of the Registrar, Co-operative Societies, is also a recent venture, with the same end in view. This is to be run on commercial lines. Government should adopt progressive policy and take the risks for some years in the beginning. The Co-operative Industrial Bank, Limited, Amritsar, cannot finance it adequately. Government should make grant-in-aid or make advances on nominal rate of interest for long periods.

PART IV 3 (i).

Co-operative Artisan Societies.—The business of Co-operative Artisan Societies in the Punjab is more concerned with the supply of raw material and the sale of their finished goods than with the lending of money in cash. Separate Societies exist for persons belonging to different crafts. The typical among these are, the weavers, the leather workers, the dyers, the carpenters, the smiths, the oil-makers, the sports workers, the soap makers, the goldsmiths, and furniture makers, etc. In short all the principal occupations of the province are represented. The societies are scattered over several districts of the Punjab, both in the urban and rural areas. Weavers as would have been expected predominate and number at about 200. Leather workers come next with more than fifty societies. In all there are about 314 societies with about 5,500 members. A member is required to subscribe by monthly instalments a share varying from Rs. ten to Rs. sixty or more in case of richer classes. Profits on shares are indivisible, while shares are returnable after ten years. To inculcate the habit of thrift in most of the societies the system of compulsory deposits is introduced. A fair proportion

But it is never done perhaps.

FATEH KHAN,
Deputy Registrar.

out of the profit of the year may be distributed to members as a rebate on the price of the raw material bought by them from the society or a bonus on finished goods sold by them to the society. Advances to members are made mostly in kind up to the limit fixed by the general meeting. Repayments may be in cash or kind. As a rule members are free to dispose off their finished goods anywhere they can. The liability of members for the outside loan is unlimited. The earlier societies of the towns were hesitant to accept the unlimited liability, but gradually all of them adopted it.

Raw material is purchased in bulk from the place of its origin

In good many cases it is not being done. Very few societies are working honestly on these lines.

FATEH KHAN,
Deputy Registrar.

as far as possible after eliminating the unnecessary middlemen and supplied to the members at almost cost price through the agency of the Co-operative Industrial Bank, Limited, Amritsar. This is a financing institution to which the primary societies of artisans in every part of the province are affiliated. Its banking and business functions

are recently separated and placed in charge of different managers. The various objects and activities of these societies are mentioned here below :—

(1) To free the artisans from the clutches of the financing traders and his vicious system of credit supply.

(2) To organise sale and purchase business at rates favourable to the artisans. Orders and

Very little success is achieved through societies to carry out these objects.

FATEH KHAN,
Deputy Registrar.

contracts are secured from the Government, Railway, Local bodies and the public for the goods produced by the members. The value of such orders as received during the last year

is estimated at several thousand rupees. A sale Depôt in Lahore and shops in other important commercial centres are in existence for the same purpose.

(3) The members are helped to build up their own capital by the exercise of thrift and collection of monthly subscriptions in order to make them independent of outside financial help in reasonable time.

(4) Hundreds of workers have adopted new and improved methods. New designs and patterns are replaced in place of old ones in many societies.

I hold, the co-operative system has done much useful work and can not be excelled by any other individualistic system in case of small cottage industry. The middleman's systems have been described above at some length. Any other system that can do away with these defects is welcome. What is required is freedom for the workers in matter of sales and purchases so that they may get a living wage and also if possible to lay by something for the rainy day. It is true that the movement has touched only a fringe of the population. The richer and more enterprising among them who require big capital to start factories are not likely to be much benefited by it.

Summary.

1. That the cottage industry of the province is mainly financed by the dealer in each industry. In the initial stage he was a trader of raw material but finally developed into a dealer in finished goods.

2. That the various systems of his finance have resulted in the loss of independence to the worker and helped to keep him in perpetual bondage to the capitalist.

3. That the methods adopted by the middleman are vicious. They deprive the worker of the full benefit of his labour.

4. That the artistic industry of the province has deteriorated more by the appearance of the middleman than the foreign competition.

5. That the co-operative system is best fitted to ameliorate the condition of the small industrialist.

6. Competition with the mill-made goods from within and outside the country is the main cause of the decline of the cottage industry rather than the financial factor.

7. That the financial condition of the worker is very weak. A large number of them are being thrown out of employment.

8. That the hand loom weaving industry in the Punjab appears to be affected more than any other, and gives cause for anxiety. As many as 50 per cent of the workers in the towns have given up the weaving profession.

Not only the weavers but their financing agents, i.e., traders are also adversely affected. Accordingly a large number of dealers in handloom goods at Multan, Amritsar, Ludhiana, and Shahpur have closed their business during the last two years.

9. That mere improvement in the matter of their finance can not do much good.

10. That the marketing facilities are more essential. Arrangements to find an outlet for their finished goods should be made.

Oral Evidence.

Sheikh Manzoor Ali, Industrial Assistant Registrar, Co-operative Societies, Lahore.

Chairman.—You are Industrial Assistant Registrar ?

A.—Yes, Sir.

Q.—How long have you been in this appointment ?

A.—Since 1927.

Q.—Before that ?

A.—I was appointed Inspector in 1919 and have been connected with this line for the last thirteen year with the brief exception of one year when I was posted Inspector of Co-operative Credit Societies at Gujranwala.

Q.—In your statement you say that the tendency of artizans to flock to the towns is on the increase. What evidence have you of that ?

A.—I have no statistical evidence but here in Multan I was told that the artizan Chiragh Din came to Multan about 30 years ago and at that time the population of Punjabi weavers was 76. It increased to 6,000 in course of time. I mean to say that the people of the villages are migrating to the towns or big cities in search of livelihood either through their profession or through other sources like labourers or factory workers.

Q.—You find that going on all over the Punjab ?

A.—Yes.

Q.—You describe* the independent system. How far is that still in operation in Multan for instance.

A.—I have seen the report of the Inspector, Multan, and there is one instance. There are thirty families out of which one is working independently, so that three per cent. have independence. I mean those who have got their own capital.

Q.—How many weavers are there in Multan ?

A.—About two or three thousand.

Q.—And three per cent. of these are independent ?

A.—Yes.

Q.—Are all the others working for wages then ?

A.—Yes, mostly they are working for wages in these days but not for the whole period. They are only working for a part of their time and for the other they are supplementing their income through other sources.

* *Vide* p. 323, Evidence Vol. I.

Q.—Such as ?

A.—Such as agriculture or unskilled labour ; and sometimes also selling mangoes or melons during the season.

Q.—They do that in Multan itself ?

A.—Yes, mostly the weavers.

Q.—You say that weavers suffer from not being able to wait for the rise in the market. But does not the market sometimes fall ?

A.—Yes it does fall. And I am describing the case of an artizan who lost his independence because when he had prepared a certain fabric he could not get the price and thought he would wait in the expectation that he would get a better price. His capital was very small and so he went to the money-lender and asked him to advance him more raw material to work upon, and in this way lost his independence.

Q.—For the last five years would you have had weavers hold up their stocks for a rise ?

A.—No. I never advised an artizan to hold his goods because the market always showed a downward tendency.

Q.—Can you give us any idea of what a weaver saves by joining a co-operative society ?

A.—He saves about twenty per cent. in the purchase of raw material which is ordinarily the middleman's profit. In the purchase of a *gola* which he could obtain at Rs. 10-8-0 in the market, through the assistance of the co-operative society, he saves eight annas by obtaining it for Rs. 10. I have got instances in many societies where the margin of profit was more than that.

Q.—What would you say was the average saving ?

A.—20 per cent.

Q.—That is to say 4 times as much as the weaver who spoke just now estimated ?

A.—Yes. He had taken up the particular instance of the purchase of *gola*.

Q.—Have you worked it out statistically ?

A.—I have particular instances of societies before me. I have instances where a weaver has gained seventy per cent. The average is twenty per cent.

Q.—Is that based on impression or upon ascertained figures ?

A.—On impression so far. But I can supply instances if they are required afterwards.

Q.—(By Lala Harkishan Lal.) Does a merchant who deals in goods make as much as twenty per cent.

A.—Yes. Presumably the merchant would make more than twenty per cent. The average is twenty per cent. The difference between wholesale and retail price is twenty per cent.

Q.—But part of it must go to the society ?

A.—The society also keeps a margin which is about five per cent.

Q.—Then the artizan gets only fifteen per cent. ?

A.—Yes.

Q.—Then the artizan really gets fifteen per cent. ?

A.—But he has a share in the profit of the society.

Q.—Would you put the actual expenses of the society at five per cent. ?

A.—Only fifteen per cent. saving remains with the members.

Q.—What other advantage does a weaver get by joining a society ?

A.—First the advantage is that of thrift. We inculcate the habit of thrift in co-operative societies. He subscribes certain shares to the society and also we persuade him to save something by means of compulsory deposits.

Q.—Is there any other financial advantage ?

A.—Yes the societies have also given him help in the disposal of finished goods at a more favourable rate.

Q.—What help do you give ?

A.—We secure orders from the Government Stores Department, individual firms, North-Western Railway and others.

Q.—The societies do not sell the finished goods ?

A.—The societies do not sell the finished goods on a large scale but in big centres they have got their own shops.

Q.—How many of the 200 weavers' societies sell goods on behalf of their members ?

A.—In the regular way we have got about ten shops in the bazar ; but the staff renders help by taking sample books on tours and also secures orders.

Q.—Why do all the societies not sell the finished goods of their members ?

A.—Because sometimes they do not produce what is required in the market or the prices do not compare favourably with the market.

Q.—What prices ? I did not follow you.

A.—The question is of general demand. We do not try to sell each and every thing which is produced by the societies and sell what we can sell.

Q.—Is selling beyond the capacity of ordinary societies ?

A.—It is a difficult thing but it is one of the important functions of a society. But very few fulfil it.

Q.—Who runs the shops? Are they run by separate societies?

Q.—Yes, we have got some shops run by separate societies. There are other shops run by the Union.

Q.—How many by the Union.

A.—Five.

Q.—They are separate from the society that supplies the raw material?

A.—Not necessarily.

Q.—Why are there not more of these shops?

A.—It is a question of demand.

Q.—Whose demand?

A.—Demand for the finished goods is on the decrease so the opening of more shops is not taken up.

Q.—Because the work of sale is too difficult?

A.—Yes and moreover we are having a Central Sale Depôt in Lahore and the Business Manager of that is also touring about to secure orders from the public.

Q.—Will that be a departmental sales depôt?

A.—Yes.

Q.—Have you added to the number of these shops during the last three years?

A.—Yes. There was no increase last year but year before last one new shop was added.

Q.—Do they run at a profit?

A.—They do not run on loss.

Q.—None?

A.—So far none.

Q.—Could they not be extended?

A.—I am considering about that and I think that they can be extended.

Q.—If they can be extended will not that be a great advantage?

A.—The difficulty is to get a suitable man to run the shop.

Q.—Why is that?

A.—Because it is difficult to get honest people.

Q.—Is it a matter of salary?

A.—No. People want to get fixed salary but I wish the shop to work on commission basis.

Q.—Is it insufficiency of commission or is it because he has not the art of selling?

A.—We put certain restrictions upon the man in the way of sale on credit. We do not allow him to enter into speculation or hold large stocks. And these stand in the way of his getting much profit and so he wishes to become a salaried man. This we discourage. I remember the instance where a shopkeeper sold on credit with a view to earn more profit.

Q.—You estimate the number of independent workers at seven per cent. Is that based upon figures or upon impression?

A.—This is impression but if I have exaggerated it is on the safe side. I have given the maximum that I could.

Q.—You say* the condition of the industry is going from bad to worse. Is that more due to bad finance or bad market?

A.—More to bad market than bad finance.

Q.—(Lala Kishen Lal). Do men who lose their ancestral occupation or industry find occupation in some other walk of life?

A.—In unskilled labour only.

Q.—They settle down to unskilled labour?

A.—Yes.

Q.—Having regard to the conditions of the industry do you regard the middle-man's charges as excessive?

A.—Certainly.

Q.—Such as?

A.—I mentioned in my note. They take one yard in measuring, charges for commission and brokerage and many other things of the kind and then they do not give hard cash on the spot.

Q.—Putting all that together does it amount to excessive profit?

A.—Yes.

Q.—Then how could he make two ends meet by fair dealing?

A.—That should be no excuse. If the middleman cannot make two ends meet he should give up the business.

Q.—Is it the case that a certain number of middlemen are giving up business?

A.—Yes. 27 have given up in Multan of whom six have gone insolvent and only four remain.

Q.—Is that characteristic of other towns or peculiar to Multan?

A.—Peculiar to Multan. The same proportion does not hold good in other places. But there is a tendency of the same nature in Amritsar for example.

Q.—Why is the proportion greater in Multan ?

A.—Because there is weaving of *daryai* only and the demand for it has gone down. The case of Amritsar is similar.

Q.—How do you account for the fact that there is a tendency for dealers to leave the trade in which they can make excessive profits ?

A.—They are more intelligent and have taken to more lucrative trades.

Q.—Excessive means exacting unduly high charges from the artisans, that is taking more profits than they are entitled to ?

A.—My enquiry revealed that the earnings of weavers were 5 annas and that of the middlemen 8 annas and that they were not entitled to this if they had not exploited the weavers.

Q.—This impression is based on the enquiries just made ?

A.—Yes.

Q.—How many cases did you enquire into ?

A.—27 about the time when work was in full swing.

Q.—The methods you speak* of are still common throughout the Punjab ?

A.—Yes.

Q.—How is the co-operative sales depôt doing ?

A.—Business men know that it takes a long time to build up a business.

Q.—Is it operating ?

A.—Yes since February 1929.

Q.—What has been its turn-over during twelve months ?

A.—I have not got exact figures but my report may show.

Q.—You say* raw material is purchased in bulk. Do all societies do this ?

A.—Yes some of them do not do so.

Q.—You say fifty per cent of the workers in towns have given up the weaving profession. Is that based upon figures or upon impression ?

A.—It is on impression and further enquiry tells me that this figure is a bit exaggerated because it is a bit difficult to differentiate between a man who has given up the profession for the time being and one who has given it up entirely. Still it will not be less than 25 per cent. of those weavers who have left the profession entirely.

Q.—You would say then that about 25 per cent. have given up weaving permanently and another 25 per cent. temporarily ?

A.—Yes.

Q.—You say that a large number of dealers in hand-loom goods at Multan, Amritsar, Ludhiana and Shahpur have closed their business during the last two years. Have you got figures for any of these places besides Multan?

A.—The annual report gives figures about Amritsar but I do not remember them at this time exactly. I made enquiries about Multan and Amritsar.

Q.—Have you figures for Ludhiana?

A.—No, only for Amritsar.

Q.—Would you let us have these figures?

A.—Yes Sir.

Q.—Are dyes supplied through societies?

A.—No.

Q.—Why is that?

A.—The weavers manage themselves for that. The consumption of dyes is so small that it makes a very little difference in making a co-operative purchase of them.

Q.—What do cotton weavers earn per day?

A.—Cotton weavers weave khaddar, shirting, etc. They earn from five to seven annas a day.

Lala Harkishan Lal.—Including family members?

A.—Yes, his wife, son, etc. five to seven annas in the case of plain cotton fabrics, seven to ten annas in the case of *khes*.

Q.—And those who weave plain silk?

A.—Seven to ten annas also.

Q.—Then you would agree generally that the rates given to-day by the weavers were approximately correct?

A.—Yes.

Q.—Do they apply generally to the whole of the Punjab?

A.—Yes.

Khaddar weaving is decreasing in the villages as well as in the towns?

A.—I do not think so. The agricultural profession requires that this kind of fabric be used. It is steady not even increasing.

Q.—I find that they are using *latha* more than *khaddar* specially in the colony districts, *tahband* is *latha* and *kurta* is finer and *puggree* is also different and on that basis I would conclude that *khaddar* was getting out of use in villages also.

A.—I do not think so. It is not getting out of use. It may not be on the increase. It is steady.

Q.—Swadeshi movement gave it an impetus.

A.—At this time the Swadeshi movement has disappeared.

Q.—In those Swadeshi days did weavers make better money?

A.—Yes my report shows that the movement gave a great impetus to our societies.

Q.—Now there is no impetus from any quarter?

A.—No.

Q.—At Shahdara there is a calendering machine and that was got so that if people wanted finer cloth the co-operative as well as industrial weavers could send their goods (*khaddar*) to Shahdara and get it calendered with a view to getting a better sale. Has it done any good?

A.—So far as the artisans are concerned, no. Only the middleman or co-operative organizations can profit by that. The weavers cannot afford to wait so long before selling their cloth.

Q.—Would not calendered cloth fetch more price in the bazar?

A.—All depends on the finish. I have had a talk with my business manager. He said he could get one anna per yard more for it.

Q.—He must send. The cost would not be more than one pice.

A.—Provided it is found to be really useful the co-operative societies would be able to introduce the calendering. But under the present circumstances it is not possible.

Q.—What is the reason?

A.—The present market conditions. Even if we could get one anna more on our goods it does not compare favourably with foreign goods in the market.

Q.—You think that even one anna increase in the price would not induce more sales because in the end it proves to be of better quality?

A.—I have just learnt that the price of the imported goods is decreasing every day and if the dealers get any idea that we have put another kind of cloth in the market the importers would further decrease their prices.

Q.—Practically you have never tried the experiment?

A.—No.

Q.—The idea is to make the cloth made by weavers more popular than the *khaddar* cloth by what is called the washing and finishing process. Has this been tried?

A.—No, not by co-operative societies.

In reply to Khan Bhadur Chaudhri Niamat Ullah witness said that their shops were competing with other Swadeshi shops in specialised goods more successfully. Their sales were, however, not so much as those of other shops in the bazaars because weavers want cash for their goods but these shops can sell their goods on credit. Sale on

credit is the chief cause of more sales in the other case. If the weavers send goods worth Rs. 100 they can get Rs. 50 in advance from the society's shop provided funds are available at first. He had already stated in his report that more money was needed for pushing on their sales. Middlemen make a profit of twenty per cent. while the society makes only five per cent. because its object is to render service and not to make profits. The middlemen of course take a certain amount of risk while the societies cannot enter into speculation.

Rao Sahib Pohap Singh.—These weavers were saying that they get Re.0-2-6 per yard on the cloth which they weave while others who are not members of co-operative societies get Re. 0-3-0 per yard. Do you mean to say that shop-keepers or merchants who are doing this trade pay more favourable prices to those who are not members of societies in order to discourage the members of societies? because they get profit on the raw materials and also fifteen per cent.

A.—Yes. The middleman makes profit with both hands, he makes fifteen per cent. on the raw material and then asks the weaver to bring the finished goods to him and make profit on that also.

Q.—That is in case of material which is given to weavers and not what he makes afterwards in sale?

A.—Yes. But this point should be clearly understood that it is the percentage of profits on raw material and not on finished goods. At the same time he expects the finished goods to be brought to him and then he will make another profit.

Q.—So he gives less to members of societies because he is jealous of his fifteen per cent.?

A.—Yes.

Q.—What is your opinion, do you give better prices to the members of societies who sell through your shops?

A.—We do not purchase but we arrange their sales.

Q.—I wish to know whether the prices which the members of societies get through your shop are more or less of what they get in the market.

A.—Where we can sell we give more favourable rates.

Chairman.—What proportion of your members' finished goods do you sell?

A.—It is not much. It may be not more than ten per cent. The middlemen's means are more than ours. He takes risks and selling is an art and he is better organiser.

Rao Sahib Pohap Singh.—Is there any tendency where your shops exist that merchants or dealers combine against your shop?

A.—Yes, there have been cases. And some cases in which we are obliged to give up a shop.

Chairman.—How many cases have there been?

A.—In the last two or three years four or five shops have had to be closed.

Q.—How many permanently ?

A.—Two or three of them permanently.

Rao Sahib Pohap Singh.—One of the members here was saying that he went to sell his cloth and he demanded Rs. eighteen, the shop-keeper told him he would get Rs. seventeen and then he went to another shop and the agent of the first shop followed and told the shopkeeper that he was to get not more than Rs. seventeen. Is it correct ?

A.—Yes. But it is a specific instance. It is not generally resorted to in the bazaar. It was unusual, but actually did happen.

Chairman.—Combination between dealers for the purpose of their own advantage is unusual ?

A.—Yes. In cases where a middleman is making much more profits and he fears competition from societies he will combine with others.

Rao Sahib Pohap Singh.—Do weavers work for the whole day or do they work only for one or two hours daily ?

A.—Some five or six years back in the Hoshiarpur district I think that they even worked at night. But in these days because they have not got much work they find themselves out of work.

Q.—What is the period ?

A.—That differs from place to place with the amount of work.

Chairman.—Are most weavers doing less than a day's work.

A.—Yes.

Chairman.—What would you call a full day's work.

A.—Some 8 hours.

Rao Sahib Pohap Singh.—What is the period for which they work generally in villages ?

A.—I would not generalise.

Q.—What was the effect of swadeshi on these weavers ? Did they improve the quality of work and produce more ?

A.—They got more work, but the quality was not improved.

Q.—With more production the price also ought to have gone down. Did dealers and shopkeepers reduce the price or did he charge enhanced prices ?

A.—I think it was not a source of greater profit to the artizans.

Q.—They got more work, but did the price of it go down ? Or do you think that because of the swadeshi sentiment the production was not equal to the demand ? Did the shopkeepers earn more profits or less ?

A.—The artizans were benefited to the extent of remaining constantly at work. They did not get more wages or profits than before, which in fact went more to the middlemen shop-keepers. I do not remember if production was not equal to the demand in the swadeshi days. It was quite a temporary phase.

Chairman.—Do you think that when the demand was brisk the workers got more than their fair share of the extra profit ?

A.—No. The profits go to the middlemen and the artizans get a full day's work.

Chairman.—Did his wages fall in proportion to his work ?

A.—I do not think so. There was no increase if there was no fall in his wages at the time.

Chairman.—And he was getting as much for a day's work as before ?

A.—Yes.

Rao Sahib Pohap Singh.—One man was saying that the artizans got Rs. twenty for thirty yards and the shop-keeper or middleman Rs. forty. Do you think this is correct ?

A.—It is a bit exaggerated. I said there was a proportion of 5 annas to 8 annas at the time when work was in full swing.

Q.—Do you think the introduction of machinery would be of benefit to these weavers ?

A.—This is a difficult question to answer. Ten years ago I used to preach the use of fly-shuttle, but now I find that fly-shuttles are as slow as hand-loom and the present methods will probably continue till power looms are introduced.

Chairman.—Do you mean that the ordinary weaver does not produce more by fly-shuttle.

A.—He does, but even those who have fly-shuttles do not make much profit and are out of work.

Q.—Is this because they cannot sell what they produce ?

A.—Yes.

Lala Harkishan Lal.—Have you not found that a man doing his old style of work does not get exhausted for a long number of years, while a man who starts on fly-shuttle does ?

A.—Fly-shuttles do not require so much industry.

Q.—There are three methods of work open to weavers (1) to work machine by hand, (2) work them by electric power, and (3) work in factories. Do you think the second method, if adopted, would be of benefit to these weavers.

A.—Yes.

Q.—In the committee over which I presided we had this idea and recommended that Government should try it in three or four selected centres with hereditary weavers and see if it improves their lot.

A.—Some weavers who had the hereditary skill and had been in the profession for the last three or four generations bought electric looms, but their looms went out of order occasionally and they could get no technical advice. But they said that a man from outside would be as successful as a hereditary weaver.

Q.—Do you not think that if weavers instead of weaving only plain goods, where they have to face competition with factory goods, confine themselves to fancy goods which cannot be copied, they would do well ?

A.—Yes, that is so.

Chairman.—When a member of a co-operative society takes his goods to a dealer for sale he gets a lower price for his goods than a man who is not a member ?

A.—Yes.

Q.—What is the difference in price ?

A.—It will go on changing according to demand.

Q.—Is it substantial ?

A.—If the particular fabric is more in demand by the middleman, he may not give him less.

Q.—Would the net profit be more than fifteen per cent. ?

A.—Four or five per cent. and even greater. But we cannot estimate this exactly.

Q.—Is there a net gain to the artizan on the double transaction ?

A.—Yes, there is a substantial gain to him in dealing with the society.

Q.—You said that a lot of weavers were giving up weaving. You also said that when some years ago the swadeshi movement was very brisk a large number of people took to weaving who were not professional weavers.

A.—Not a large number.

Q.—Were there many who took to it temporarily ?

A.—Thirty or forty years ago when weaving was flourishing people of all castes entered the profession, but as soon as the market became dull and demand went down they were the first to leave it. But now I am speaking of professional weavers.

Lala Harkishan Lal.—Is it not usual for a shop-keeper to pay a regular customer better prices than a casual supplier ?

A.—I think they look upon him with certain regard and give him concessions which I cannot estimate.

(Witness withdrew.)

Chaudhri Ghulam Haider, Assistant Registrar, Co-operative Societies, Hissar.

PART VI.

7. (i) The Mahajans of Hissar district habitually save. Some Agriculturists, generally of all classes—Jats, Ahirs, Brahmans, Rajputs and Malis—also save.

(ii) No class of persons regularly keeps accounts of income and expenditure with a view to saving. Those few who keep do not show any for fear of Income-tax.

8. (i) Savings are either invested or hoarded.

(ii) Such money is kept by them as :—

(a) Mahajans keep it in iron safes or underground; and invest it when considered profitable.

(b) Shop keepers and traders as in (a).

(c) Agriculturists keep it underground and with Mahajans.

(iii) That portion of money bears interest which is advanced for short or long-termed loans by Mahajans and shop-keepers, and that kept by Agriculturists with Mahajans.

(iv) It varies with the nature of one's occupation or business. The following have been enquired into as the main purposes :—

(a) Mahajans keep it to invest in loans, building of a Pacca house or marriage of a child.

(b) Traders and shop-keepers generally keep it for investment in trade. Some shop-keepers have been found advancing it as a loan for short periods of time to local people.

(c) Agriculturists keep it for :—

purchase of land or to acquire it by a mortgage deed,

building of a Pacca house,

marriage of his children,

money-lending on small scale in case of non-Muslim Agriculturists and,

hoarding sake.

Some old persons told me that they were hoarding so that it may be a satisfaction to them, and that their successors may look after them on the hope of getting it. They would not tell it, but on their death bed.

Supplementary questionnaire.

2. It is but seldom that in times of scarcity, cultivators are refused credit by their money-lenders and so are unable to cultivate part or the whole of their lands.

3. (i) On the whole the ordinary cultivator secures as much capital as he requires for all his legitimate needs, except in special circumstances such as famine, etc.

(ii) As the conditions exist, I would not advise more capital except in special improvement of land by sinking of wells or other irrigation schemes.

4. The figures given in statement XXIV of the Land Revenue Administration Reports are correct for the following reasons :—

- (a) Expenditure on marriages is being incurred above the income from land or other legitimate sources. Land is considered after jewellery, best security for advances. Non-agriculturist money-lenders also take land in mortgage by means of *bainami*.
- (b) The custom of *kaj* still prevails among Hindu Jats and Rajputs and Bishnoi tribe. Majority celebrate this custom by mortgaging their lands. Only few have means to spend from their savings.
- (c) Some people like to avoid usurious rate of interest on their borrowing and try to settle their accounts by mortgaging their land and thus stop further interest on loans—a wise step. It is not uncommon.
- (d) Some people do not like the sale of their collaterals' land to outsiders and at the same time cannot manage things, but to mortgage their own lands and purchase the area in dispute. The same rule applies to the mortgages of their relations.
- (e) *Litigation*.—When people do not get or raise money by other means to carry on litigation, they mortgage land.

5. (i) No such person is known to me or came in my way.

(ii) Generally the village money-lender does not lend to a borrower, who improves his land and repays the loan out of the income from that land. He likes a fair long investment to earn interest. If people increase their income from the borrowing, the money-lender will have to seek for a new investment. From my enquiry I have not met a single case where a money-lender advanced for improvement of land.

(iii) The agriculturist is generally very conservative by nature. So long as his land yields him income sufficient to meet his average requirements, he seldom considers any improvement, but when the given area becomes unable to maintain his family in bad years and famine or through poor soil, he begins to consider. This is briefly the cause to sink new wells.

(iv) Nothing to add to what is said by Royal Commission in regard to the working of the Land Improvement Act in paragraph 359.

6. (i) I have nothing to add to it.
 (ii) It is better to confine its use to times of emergency.
 (iii) I would not apply it to members of co-operative societies.

7. In case of Hissar district the attached memorandum on the position of the village money-lender more or less correctly represents present condition. I may add that he is not leaving villages for fear of any body, but making magnificent pacca buildings in villages. He is, moreover, trying to strengthen his position by his efforts to become an Honorary Magistrate, a title holder, a Civil Sub-Judge or a member of the District Board. The number of Mahajan Pleaders is also on increase.

10. I made an intensive enquiry in 6 villages with 1,100 families in Hansi Tahsil on the basis of that enquiry I can safely say that—

- (i) It is common with those who save.
 (ii) It is not diminishing.
 (iii) It is most common among Mahajans, shop-keepers and agriculturist money-lenders.
 (iv) It usually takes the form of cash.

Three of the above, six villages are canal-irrigated, two partly irrigated and one Barani. The percentage of those who save or hoard is roughly given as :—

| | Per cent. |
|----------------------------------|-----------|
| Agriculturist | 50 |
| Mahajans | 25 |
| Traders and shop-keepers | 25 |

It may be noted that the population of these villages may be divided as :—

| | Per cent. |
|------------------------------|-----------|
| Mahajans | 5 |
| Shop-keepers, Banias | 2 |
| Zemindars | 85 |
| Kamins | 8 |

Savings have been estimated at Rs. 60,000 in these villages, most of which has been hoarded.

11. (a) The purchase of jewellery is not decreasing even in these famine days. I have based it on village enquiry on intensive scale in the above six villages.

The history of 5 families of agriculturist Brahmans, Ahirs and Jats was traced for the past 5 years as regards their expenditure upon jewellery both in case of the marriages of sons and daughters. The enquiry shows that expenditure has risen during the last 5 years from Rs. 200 to Rs. 300 in the purchase of jewellery. This is true in case of other communities. Excluding a few big people, the average expenditure is the same as shown above.

Note.—As there is no colony in this district, I have not attempted (b).

12. (i) Generally all classes of rural money-lenders lend on the security of jewellery. It has become more common for the last 5 years. Dictates of the money-lenders are to be obeyed.

(ii) Other moveable property, besides jewellery, is mammals (milching cow or buffalo), but seldom.

(iii) 50 per cent., the value of the goods pawned is advanced.

(iv) The valuation is done by the money-lender himself or is got done by the *sharaff*. Nothing is charged for valuation.

(v) Say within 3 years.

(vi) They keep pawned goods in their safes or in safe places in their houses.

(vii) The general rate of interest is 19 per cent., or $18\frac{3}{4}$ per cent. Personal surety is accepted in rare cases, in which cases it may go up to 25 per cent., or 37 per cent.

(viii) It does not generally vary with the amount or duration of loan.

(ix) No complaint of losses has ever come to my notice.

(x) Little regard, if at all, is paid to secure favourable terms for the borrower. It all depends upon the money-lender and he, naturally tries to obtain better security.

(xi) It is roughly estimated at 20 per cent.

16. (i) All societies in this circle use cheque bonds.

(ii) Does not arise.

22. (i) No such loan was applied for by any society, except one, i.e., Amritsar-jaded in Sirsa circle was advanced a loan of Rs. 5,000 for land improvement by means of a Tractor to plough the land and uplift water from a *digi* (reservoir) on the banks of Ghaggar. The loan has been advanced for a period of 3 years.

No. 15 (i) (a). Central Banks allow special rates of interest to small savings of the Thrift and Saving Societies.

They generally require no notice of withdrawals for any sum, except in Hissar Central Bank.

(b) There is one Banking Union, which is not doing much in this respect.

(i) It would not be possible for them to do more at present.

(ii) No Commission shop in this circle.

(iv) No Central Bank Branch in this Circle.

(v) (a) Rupees 10 is the smallest sum ordinarily accepted in deposit by Central Banks.

(b) The Union does not do Savings Bank business.

(vi) (a) The total number of Savings Bank accounts in Central Banks is equal to 232.

(b) The Banking Union has no Savings Banks account.

(vii) (a) The common rate of interest allowed on Savings Bank Accounts = $4\frac{1}{2}$ per cent in one Central Bank and 4 per cent in two Central Banks.

(b) Does not arise.

(viii) (a) Two Central Banks require no notice of withdrawal for any sum. One Central Bank requires 15 days' notice for over Rs. 200 and one monthly notice for sums over Rs. 2,000. Rules are rigidly enforced.

(b) Does not arise.

**Oral Evidence of Chaudhri Ghulam Haider, Assistant Registrar,
Hissar.**

Q.—How long have you been in the Co-operative Department ?

A.—For four years as Circle Registrar and as Inspector before that for more than 5 years.

Q.—How long has Hissar been in your Circle ?

A.—For four years.

Q.—Where else have you served for sufficiently long periods of more than six months ?

A.—In Hissar and Ferozepore for four years. Before that I was in Shahpur and Mianwali.

Q.—You mentioned hoarding in your note. Have you heard many cases of it ?

A.—Yes, I enquired specially into six villages in Hansi. Of these three were canal irrigated, two partly canal irrigated and one barani.

Q.—What was the result of your inquiry ?

A.—The result of my enquiry was that hoarding was common in the shape of cash. It was as common in the Barani villages as elsewhere.

Q.—Were these villages typical of the Hansi Tehsil ?

A.—Yes, these villages were typical.

Q.—Is hoarding diminishing ?

A.—No. Because everybody who saves must put it some where, and generally the place is not the banks, not the safe, but underground.

Q.—Are there co-operative societies in these villages ?

A.—Yes.

Q.—Do people deposit with these co-operative societies ?

A.—No. Because those who are the members are repaying their debts and those who are non-members do not keep anywhere, neither with the bankers nor with the banks.

Q.—Even members do not deposit with these societies ?

A.—No, not so much.

Q.—Are they not well off ?

A.—No, they have not sufficient to deposit.

Q.—What class of societies are these ?

A.—They are A and B, all of these six villages.

Q.—You say that an ordinary cultivator receives as much capital as he needs. Do you think that is the case now during this scarcity ?

A.—No, not during the scarcity period.

Q.—Would it be wise to finance him more ?

A.—No, not in these days.

Q.—Then you think he does receive as much as it is wise for him to get ?

A.—Certainly.

Q.—Do money-lenders finance zemindars freely now ?

A.—No, they do not.

Q.—Is it difficult to get a loan from a money-lender ?

A.—Yes. They would not advance on anything but jewellery and that too up to fifty per cent of its value.

Q.—You say that non-agriculturist money-lenders take land by means of *benami* transactions. Have you come across many cases ?

A.—Yes, certainly. I would say about half a dozen in every village.

Q.—Throughout the district ?

A.—Yes, where non-agriculturist money-lenders exist.

Q.—You say taccavi should not be advanced to members of co-operative societies. Why is that ?

A.—Because in the first instance taccavi is not sufficient to meet his legitimate needs, even his needs for agriculture.

Q.—Then taccavi loans would be unnecessary ?

A.—I would not say so.

Q.—Why should not banks advance taccavi loans to their members ?

A.—Banks are not in a position to do that.

Q.—The rate of taccavi is lower than that of banks. Would you deprive the co-operators of this advantage ?

A.—But incidental charges including interest on taccavi would amount to more than the interest charged by co-operative societies.

Q.—Have you made any specific enquiry into that ?

A.—No, not any specific enquiry but my general enquiry shows that.

Q.—You say that an ordinary village money-lender is in a thriving condition. Is that your definite opinion ?

A.—Yes.

Q.—Even inspite of the fact that the agriculturists are unable to repay their loans ?

A.—It is only in the case of periods of scarcity and not always that the zemindars cannot pay. In these famine days he may not be thriving but generally speaking he is doing very well.

Q.—What is his position at present ?

A.—At present he is not getting back his loan.

Q.—So things are hard for him these days ?

A.—Yes.

Q.—Have you any knowledge of the amount a money-lender can recover out of court and not through the court when he obtains a decree ?

A.—If he has any influence with the administration it is easy for him to get money. But if he is only a mere money-lender with no status as regards the administration, then it would be different. If he is a money-lender with some other influence then he would recover about forty per cent outside courts and through courts he would get about sixty per cent.

Q.—Figures for the Punjab show that 25 to 26 per cent is recovered through the courts. Apart from this, how much do you think is recovered out of court ?

A.—About double the amount recovered through courts. But conditions differ in different places. In certain places there are money-lenders who would not lend anything except on the security of some one else. He would lend on the strength of a lambardar or zaildar or any other influential person in the village and he would recover it through him. In this way he would recover more.

Q.—How much would he recover ?

A.—About twice the amount he would recover otherwise.

Rai Sahib Lala Kishan Lal.—Q.—If he has no influence behind him, then how much do you think he would recover ?

A.—Then he would recover very little. I would divide money-lenders in three classes. First, the man having some influence behind him, secondly, the man who takes in some zaildar or lambardars in the transaction and the third group consists of money-lenders with no influence at their back. In the first case there would be no loss, in the case of the second group there would be a loss of about five to ten per cent. In the third class it might go up to fifteen to twenty per cent.

Q.—You say the purchase of jewellery is increasing. Where is the money coming from ?

A.—They raise money by mortgage or sale of land.

Q.—How many people do you know of who sell their land for the purchase of jewellery.

A.—I have known half a dozen cases where people have sold or mortgaged their lands for the purchase of jewellery for wedding purposes.

Q.—How much land have they sold ?

A.—About twenty bighas.

Q.—Are weddings as numerous a usual ?

A.—Not so numerous.

Rao Pohap Singh.—Q.—Has the Sarda Act had no effect on the marriages ?

A.—No.

Q.—Is more jewellery given at the time of wedding now-a-days ?

A.—More than usual is given.

Q.—Why should more than usual be given in the time of scarcity ?

A.—Because more is demanded. Figures for the last five years show that the value of jewellery given in a wedding has risen from Rs. 200 to Rs. 300 in these districts. I am speaking for an average cultivator.

Q.—What are these figures based on ?

A.—They are based on the enquiry made from these people in whose house a number of marriages have taken place during the last five years. I made this enquiry myself.

Q.—You confined your enquiry to five families ?

A.—Yes, I selected these five families in a village.

Q.—Were they large land-owners or small ?

A.—They were average land-owners.

Q.—You say that all classes of rural money-lenders lend on the security of jewellery ? Is it correct ?

A.—In these days nobody lends money unsecured except to a near relation.

Q.—Was that also the case before scarcity ?

A.—This was not so before scarcity.

Q.—You speak of the Land Improvement Loans in Amritsar Jadid, what was the rate charged ?

A.—Nine per cent.

Q.—Do many agriculturists do money-lending ?

A.—One or two in a zail. There are many in Ferozepore. Their number is on the increase.

Q.—Is there any difficulty in dealing with agriculturist money-lender more than an ordinary sahuakar ?

A.—In one way it would be rather more rigorous to deal with an agriculturist money-lender because he would not leave a single pie unrecovered. While in the other case it would be more comfortable to deal with him because he would not charge compound interest, and in a

few cases where they are closely related he will bring the panchayat to his doors and he would be compelled to come to terms.

Q.—Is the object of the ordinary agriculturist money-lender to take possession of the land of the borrower?

A.—Generally it is so.

Q.—Would an ordinary borrower rather deal with an agriculturist money-lender or a sahuakar money-lender?

A.—The general inclination is to deal with agriculturist money-lenders.

Q.—Even though there is a risk of losing their lands?

A.—Yes, because generally those who borrow money do not think that they would lose their lands ultimately. It is only in rare cases that they lose their lands.

Q.—A great deal of money in Ferozepore is advanced by agriculturists?

A.—Yes.

Q.—Could you tell approximately how much more an agriculturist money-lender would lend?

A.—I would say fifty per cent.

Q.—Are certain number of agriculturists money-lenders in Ferozepore Muhammdans?

A.—Very few.

Q.—Do you think they take interest?

A.—Yes, but one per thousand. In the whole of the district I noticed only one or two persons who took interest openly otherwise they would take in some other way. They would deposit with other money-lenders and would take interest from them but secretly.

Lala Harkishan Lal.—Q.—Would you kindly explain to me what is meant by hoarding? Does it mean keeping under ground for twenty or thirty years or only for a few months?

A.—In some cases only up to the end of one's life. But these are not very common things.

Q.—You stated that almost every agriculturist can save a little money and hoards, but I should like to know whether that applies to a very large number of people that only their sons benefit by their hoarding?

A.—No, not a large number.

Q.—Can those who hoard take out the money themselves?

A.—Yes. Those who hoard the money for the sake of applying it for some specific purpose after twenty or thirty years, they do take it out themselves.

Q.—So it is only as an accumulation that some people collect money with a certain object, say of buying land or marriage, and so on, and they hoard for they have no other place to put the money except underground?

A.—No, they would not like to place in any other place. There are very different reasons for hoarding.

Q.—I am not asking for reasons; reasons may be that they accumulate for a rainy day or for marriages, and so on. What I ask is if there is any other place to keep it except hoarding underground?

A.—They may have other places but they do not like to do so.

Q.—Are there any deposits of that kind coming out just now in the time of famine in these tahsils?

A.—Yes. These people would not borrow from anybody else.

Q.—But are they taking out now. Are these really meant for purposes other than meeting their own requirements?

A.—Yes, they are purchasing lands.

Q.—They are not meeting the requirements of famine. Are there no people of the class you mention in this tahsil who take out hoarded money to meet the deficiency of their income?

A.—As they are not borrowing from anybody else, they would not go to bank, to Government or to money-lenders, they might be taking out from hoards. But they do not say so.

Q.—You have not taken any census of the people who are borrowing or are not borrowing. You have no means of ascertaining exactly who borrows or who does not borrow?

A.—I have the means, because nothing remains concealed when one goes to a village and knows each and every house.

Q.—How many people have you got in your jurisdiction altogether whom you know intimately?

A.—Say fifteen thousand.

Q.—You know whether they borrow or do not borrow? Your general impression is that they are hoarding.

A.—My general impression as well as my impression based on specific instances that I have enquired into is this.

Q.—In what form they hoard money?

A.—In the form of rupees and not in the form of gold.

Q.—If zemindars do really hoard, do they also know that silver is going down and that therefore any silver hoarded will be worthless after a few years?

A.—They have not got that impression.

Q.—You have not explained that to them?

A.—They think it is better to hoard silver.

Q.—You say that you know 15,000 families and that every one of them is hoarding which is quite inconsistent with the evidence that we have had so far ?

A.—That is not the case, only those who can save and who have saved have hoarded.

Q.—Would you kindly tell us what is the percentage of people who can afford to save in your jurisdiction ?

A.—Not more than five per cent.

Q.—In the matter of loans, have these borrowers taken loans for land improvement such as digging of wells ?

A.—I may bring to your notice that in this district there is no problem of sinking wells.

Q.—Are they not making gardens or building granaries or godowns for storing produce and stables for cattle ?

A.—No.

Q.—Why is it that the agriculturists when they can get money for land improvement as easily as for any other requirement do not borrow money for this purpose ?

A.—The zemindars except in the central districts have not got small holdings and they get sufficient income from their holdings for their requirements. In this area where the agriculturist or zemindar is able to get his living out of a given area owned by him he would not trouble himself to sink well or consider any other land improvement. Only if he is not able to get a bare living out of that area that he would think of some sort of land improvement.

Q.—Would you kindly tell us what is the amount of incidental charges on taccavi ?

A.—I may say that there are different customs in different places. First of all the taccavi is not distributed in the village to which the agriculturist belongs. He has to incur some expenditure in going to the town ten or fifteen miles away. Besides he has to pay to the subordinate staff.

Q.—Do you mean to say that an agriculturist does not get the full value of the loan ?

A.—Yes, unless it is distributed by the higher authorities themselves.

Q.—You say in your note, "I would not advise more capital except in special improvement of land by sinking of wells or other irrigation schemes." Do you mean to say that it would not bring in adequate income ?

A.—Yes, because capital for any other purpose will not bring in adequate return.

Q.—In your note you say “generally the village money-lender does not lend to a borrower who improves his land and repays the loan out of the income from that land.” Why is that so?

A.—The money-lender dislikes land improvement. That is my observation.

Q.—Is it that the money-lender prefers long term to short term investments?

A.—Yes.

Q.—Is it not that the money-lender generally advances in kind and does not like to give in cash?

A.—Yes, to some extent it is correct.

Q.—What percentage of advances and repayments are made in kind in this district and what percentage in cash?

A.—I would say about fifty per cent.

Q.—In your note you say that in A class societies dealings with money-lenders have practically been stopped. What do you mean by that?

A.—First, I shall explain what A class society is. A society as soon as it is started is not classified A or B. After it has worked for one or two years and after the members of the society have understood the true principles of co-operation, then it is classified as A or B. A class society is the best society. Members of this class of society do not require to go to any other money-lending agency than the bank for a loan. That is why they have stopped going to a money-lender.

Q.—Then do you mean to say that it is not the societies that have stopped dealing with the money-lenders, but it is the members of such societies that have stopped dealings with the money-lenders?

A.—Yes.

Q.—Then you go on to say in the note “when scrutinised carefully and minutely there may be found three per cent. In B class societies excluding old dealings ten per cent and including old dealings twenty per cent.” Will you please explain what you mean by that?

A.—In all advanced class societies there are members who have dealings with money-lenders. The societies lend money only for legitimate needs. For needs which cannot be considered legitimate, the members have to go to money-lenders for loans. Such cases where the A class societies exist will be only three per cent. Such cases where B class societies have come into existence will be only ten per cent., but if we include the dealings before the coming into existence of B class societies, the cases will be twenty per cent.

Q.—“Purchase of jewellery is not decreasing even in these famine days. I have based it on village enquiry on intensive scale in the above six villages.” This is what you say in your note. Is this a peculiar

feature of the six villages you refer to, because people have been telling us that they have not got money to buy jewellery ?

A.—Certainly they have not got much of savings, but from their limited resources they do purchase jewellery for marriages. For this purpose they even mortgage their lands.

Q.—In your note, you say that all societies in this circle use cheque bonds. What is a cheque bond ?

A.—There was the practice before for a society whenever it needed money for itself, *i.e.*, for its members to pass a resolution and pass on the resolution to the central bank for payment. Now for the last three or four years in addition to sending the resolution they have got what they call cheque bonds which also they send along with the resolution for payment. It is a kind of bond sent along with the resolution.

Q.—You say that the central bank allows special rate of interest for savings societies. I suppose it is really as between customers.

A.—Yes.

Q.—As a class.

A.—Yes, as a class.

Q.—What are the rates of interest ?

A.—In the case of thrift societies the central bank allows $4\frac{1}{2}$ or 5 per cent to thrift societies.

Q.—You say “ Two central banks require no notice of withdrawal for any sum, one central bank requires fifteen days notice for over Rs. 200 and one month’s notice for sums over Rs. 2,000. Rules are rigidly enforced.” Do you mean to say that these banks have special regulations ?

A.—Yes.

Q.—Have they discretion to vary the rules ?

A.—Yes, according to their needs.

Q.—Does every bank fix its own terms ?

A.—Yes.

In reply to questions of Khan Bahadur Niamat Ullah (in Urdu), the witness said that if the present conditions of repayment are changed, it would be better if taccavi is distributed through the central banks. People consider that the conditions of repayment are very rigid and that in the banks the repayments can be postponed for some time. Hoarding can be avoided only by changing the mentality of people. A man should have a desire to invest in better way and should not be afraid of the income tax people. Co-operation can do this if the people can be made to understand the principle underlying co-operation. There are societies to take deposits. The smallest sum that can be deposited is even eight annas at a time. Cheques of other banks will

be accepted if these banks have dealings with the other banks, but it is not generally frequent. When people have spare money during harvest they spend it away in many things such as marriage, house-buildings, purchase of horses or camels. They are not in the habit of depositing with the bank or a bania unless they have faith in either of these and are persuaded to deposit their money with either of them. The percentage of such deposits is very small. The more a man's credit, the more his power of raising loan. If it is decided that a member of A and B class societies should not be allowed to borrow from money-lenders then according to the witness's experience there will be less indebtedness. Bare necessities of every man are the same. It is other things that lead to indebtedness. People would be less indebted if they were to live on a lower standard of life as they used to do before.

Rai Sahib Kishen Lal.—*Q.*—You say that money lending business of money-lenders is decreasing. Why is that so?

A.—In some cases the zemindars do not dare to go to the money-lenders on account of the terms demanded by them from the rural population or from the borrowers; in some cases the money-lenders do not like to lend to certain persons.

Q.—Have they got facilities to get money from the central banks.

A.—No. Central banks do not lend money to individuals, they lend money only to societies. But they can get money from societies and it is seldom that they do not get money from these societies for reasonable purposes.

Q.—In the case of realisation of loans, who realises more, the money-lenders or the societies?

A.—I should say that the borrowers would pay more to the society than to the money-lender.

Q.—Do you mean to say that the money-lender realises less than the bank? What is your experience?

A.—I think the question requires a little more study before an answer can be given.

Chairman.—*Q.*—At the end of your note you mention the rough percentage of members of agricultural credit societies who repay their loans without being pressed. Do you mean that they come in voluntarily to repay?

A.—I mean, without being squeezed.

Q.—Do you mean then that in A and B class societies eighty to ninety per cent. repay their loans of their own accord without being asked?

A.—Yes.

Q.—In the case of the other societies you say fifty per cent.?

A.—I would say forty per cent.

(Witness withdrew.)

S. Balwant Singh, Assistant Registrar, Co-operative Societies, Rohtak.

6. *Agriculturists Loans Act.*—(i) I have nothing to add to paragraph 36 of the Report of the Royal Commission on Agriculture in India.

(ii) Its use should only be confined to times of scarcity, drought and floods, etc.

(iii) The members of co-operative societies may also be allowed this facility to tide over periods of drought and famine, etc., but the money should come through the central bank and repayable through the same bank. For the purpose of recovery it will be treated as Government money by differentiation in the books of the society.

9. *Composition of old debt.*—(i) No society has done this for all its members. Individual cases have been taken by some societies here and there. The committee or some leading office-bearers higgled with the money-lender, till an adjustment of the sum is made and then the money is paid to him in cash.

(ii) The results have been satisfactory, although the sums advanced in this way often exceed their credit limit.

Inspector, Rohtak, describes a concrete case, where a total debt of Rs. 500 was cleared off by paying Rs. 175 in cash. Generally they are cleared off at the rate of 50 per cent to 70 per cent.

10. *Hoarding.*—(i) Hoarding is reported to continue in Thanesar and Gohana circles, otherwise it is not common.

(ii) It is diminishing.

(iii) It is common among nomadic tribes.

(iv) Largely cash and rarely jewellery.

16. *Cheques.*—(i) Cheque Bonds are used by every society in both the districts of Karnal and Rohtak. Order slips are used by these banks for current and savings accounts.

(ii) Have got no suggestions.

**Oral evidence of Sardar Balwant Singh, Assistant Registrar,
Co-operative Societies, Rohtak.**

Chairman.—*Q.*—Are you the Circle Registrar for Rohtak and Karnal?

A.—Yes.

Q.—How long have you been here?

A.—For the past about three years. I joined here on the 17th April 1927.

Q.—Have you served as Assistant Registrar anywhere else?

A.—Yes, for a short period in Lahore.

Q.—How long have you been in the co-operative department?

A.—About nine years.

Q.—Is it a fact that the number of agriculturist money-lenders is increasing?

A.—Yes.

Q.—Do they speak of it as a profitable business?

A.—Yes.

Q.—Do you think that the agriculturist money-lender is influenced at all by motives of philanthropy?

A.—The agriculturist if he lends to his relatives, he does so at a low rate of interest. But if he lends to a man with whom he has got no connection then he will charge higher interest, but still it will be lower than the rate of interest of a non-agriculturist money-lender.

Q.—Does the ordinary zemindar prefer to go to an agriculturist money-lender rather than to a sahuakar?

A.—He will go to the man with whom he has got dealings generally, but he would prefer to go to the man from whom he can get money at a lower rate of interest.

Q.—In the case of the agriculturist money-lender there is a fear that he may eventually get possession of the land. Does that influence him at all?

A.—No. I do not think it influences him at all.

Q.—What is the ordinary rate of interest charged by an agriculturist money-lender?

A.—I think it is not beyond one pice per rupee per month. That is the maximum that will be taken. I have also seen loans at six per cent. The general rate will range between nine and twelve per cent.

Q.—What are the rates of the sahuakar?

A.—His rates are exactly one and-a-half times. His maximum rate will be 36 per cent., his normal rate will be nineteen per cent. Beyond that he charges in other ways also.

Q.—In the case of mortgage loans will an agriculturist money-lender advance more per acre than the sahukar, other things being equal?

A.—I think so.

Q.—Why?

A.—Because he has the chance of taking possession of the land.

Q.—What would be the effective rate of interest in the case of mortgage with possession?

A.—I think it will come to six per cent if the mortgagee cultivates himself.

Q.—How much would he get if he did not cultivate himself?

A.—About three per cent.

Q.—Do you think that the ordinary sahukar loses much by way of bad debts?

A.—I do not think he loses more than ten or twelve per cent of the total loan advanced.

Q.—When a sahukar goes to court and gets a decree, by execution he may not get more than 25 or 26 per cent of the amount decreed. How much is he likely to recover outside the court?

A.—If the amount of the decree is Rs. 500, he recovers Rs. 100 and for the rest he executes a new bond. In that case the balance cannot be said to be a bad debt. My opinion is that he does not lose more than ten or twelve per cent by way of bad debts.

Q.—In how many years would you expect him to lose ten or twelve per cent?

A.—I think in fifteen or sixteen years he will lose a couple of thousands, and this is not a bad loss, because it will be covered by the higher rate of interest he will charge.

Q.—That means to say his capital will not shrink?

A.—No.

Q.—Have you any experience of taccavi in this area?

A.—Yes.

Q.—Were there any complaints about its distribution?

A.—The whole amount of taccavi does not go to the people who seek it. A large portion of it goes to the pockets of other persons.

Q.—You mean to say it does not reach the borrower?

A.—Supposing a man wants Rs. 100, the patwari will have his share of it and again the sadr kanungo will have his share and the man who stands security will have his share. He will therefore get only about Rs. 75.

Q.—Are you in favour of giving taccavi through co-operative societies?

A.—Yes.

Q.—How many societies are in liquidation in your circle ?

A.—About 38.

Q.—Have you had complaints about the dishonesty of liquidators ?

A.—Not very many. They are ordinary complaints.

Q.—Have you any experience of composition of debts on the part of members of co-operative societies ?

A.—Yes, but the debts of all the members are not composed but only in a few cases. It had been done in Karnal.

Q.—On what lines ?

A.—Supposing a debtor owed Rs. 600, a bargain was struck at Rs. 400 and this amount was advanced to him at the ordinary rate of interest.

Q.—On what conditions will the amount be repaid ?

A.—It was to be repaid in three years, but this period could be extended.

Q.—Has the amount been regularly paid ?

A.—This was done only last year, and it is too early to judge the experiment.

Q.—Was this done in the case of A and B class societies only ?

A.—Yes, we cannot do it in the case of bad societies.

Q.—Can you say what amount the sahuکار was paid in that way ?

A.—I will submit that in my report.

Q.—To what extent are advances and recoveries in this district made in grain and to what extent in cash ?

A.—I think now-a-days the dealings in cash are increasing. People are becoming more enlightened. After the war, I can say the dealing in cash among the zemindars are increasing. About fifty per cent of the dealings are in cash. It will go on increasing.

Q.—Is it common for money-lenders to go to the threshing floor and take away all the produce leaving only a small amount for the subsistence of the borrower ?

A.—In certain places where the financial conditions are weak the money-lenders do so as in Karnal. But in Rohtak it is not usual.

Q.—That depends upon the strength or weakness of the debtor ?

A.—Yes.

Q.—Do you regard the relations of the sahuکار and the zemindars as satisfactory ?

A.—I cannot regard them satisfactory. Their relations are strained.

Q.—Is that tension increasing ?

A.—It is neither increasing nor decreasing.

Q.—What is that due to ?

A.—It is due to the fraudulent practices of the sahkars in the past. The fraudulent practices are now decreasing. But the bad effect of that remains.

Q.—Is hoarding common here ?

A.—No, neither in the Rohtak district nor in the Karnal district.

Q.—If the agriculturist is advancing money where is he getting it from ?

A.—In war days the prices were very favourable, and there were some people who joined the war services and brought back a lot of money and by thrifty habits they saved something and started money-lending.

Q.—Do you find pensioned military officers lending money ?

A.—Not all of them. Among the bigger ones there are very few who do this. But there are certain persons like those who have only a thousand or two, they like to give it away to somebody on loan and help some of his brethren.

Q.—Have you made any actual calculation about interest on mortgages ?

A.—I have not made any actual calculation, but that is my estimate.

Answering to the questions of Chaudhri Niamat Ullah the witness said in Urdu as follows :—

In primary societies there are no savings accounts. The smallest amount that can be deposited in a co-operative society is eight annas or less. Deposits made in these co-operative societies are for fixed periods. Money is returned generally when demanded. Money-lending among agriculturists is not confined to a particular class. Non-members can be made to deposit in banks if they are convinced that their money is safe. Cheque bonds are in correct form. Secretary's signatures are required to certify the accuracy of the signatures on the cheque bond, and we have now specimen signatures of the secretaries and we are also thinking of having specimen signatures of the members of the committee. This is done in Karnal also. This has been done during the last twelve months. Relations between zemindars and money-lenders are not so bitter in Karnal as they are here. I cannot tell you any special reason for that.

(Witness withdrew.)

Mian Mahan Singh, Assistant Registrar, Co-operative Societies, Jullundur.

4. In my opinion increase in mortgage debt is due to the following reasons :—

- (i) Purchase of land in Bikaner, Bahawalpur, and in Nili Bar.
- (ii) Sinking of new wells.
- (iii) Increase in ceremonial expenses.
- (iv) Repayment of old debt.
- (v) Rise in the standard of living.
- (vi) Land is considered best security by the cultivator and he prefers to invest his savings, if any, on the purchase or mortgage of land.
- (vii) Increase of agriculturist money-lenders.
- (viii) Renewal of mortgages.
- (ix) Steady increase in population.
- (x) Failure of crop.

5. (i) Yes. There is desire among cultivators to sink wells in their lands but capital at a low rate of interest is not available and at a higher rate when taken is difficult to repay. There is a well-known saying that the land without water is worthless. Desire for improvement especially by sinking new wells is there but insufficiency of ready money at a low rate of interest drags the agriculturist to mortgage a part of his land in order to secure capital and at the same time protect himself from paying any interest.

(ii) The village money-lender does not distinguish between the productive and unproductive purposes. He cares only for the security of his investment. Improvement of land generally requires long term loans at low rate of interest which the money-lender can hardly afford to do.

(iii) In Jullundur district the demand for long term loans for productive purposes on better terms is great. The pace of improvement was slow on account of fragmentation. Moreover Taccavi loans are not advanced for sinking new wells where 20 wells existed in a square mile. The inquiries show that upto 31st July 1929 over 400 new wells were sunk in the consolidated area and 39 wells were repaired. Though neither Taccavi is given now for sinking new wells nor special loans by Central Institutions in the district yet wherever the cultivator can get money his attempt is to sink a new well.

(iv) Practically it is not in operation in Jullundur District since 1927-28 as far as my information goes. The number of loans

advanced under the Land Improvement Act during the last 5 years is said to be as under :—

| YEAR. | | No. of loans. | Amount. | Rate of interest. |
|---------|-------|---------------|---------|---------------------------|
| | | | Rs. | |
| 1924-25 | | 65 | 27,800 | 6 per cent. per annum. |
| 1925-26 | | 58 | 29,250 | Ditto. |
| 1926-27 | | 35 | 32,150 | Ditto. |
| 1927-28 | | .. | .. | .. |
| 1928-29 | | .. | .. | .. |

Repayable in ten years by twenty instalments.

6. (i) I have nothing to add to what is said in paragraph 362 of the report by the Royal Commission on Agriculture about Agriculturists-Loans Act.

(ii) I have no experience of the working of this Act. In my opinion old practice to continue and its use to be confined to times of emergency, e.g., drought and flood, etc.

(iii) Yes. I would apply it to members of Co-operative Societies only in those societies in which rate of interest is higher than that on which loans under this Act are advanced. Of course, I assume that the loans would be advanced to members through societies.

(iv) Yes, including incidental charges it comes roughly to between 7 per cent and 8 per cent.

7. I am of opinion the memo. referred to applies more closely to Jullundur District than any other in the province. There are 1,316 villages in Jullundur District out of which 160 are in one way or the other unsuitable for Co-operative Societies. Thus 1,160 villages are left out. Out of which 842 have got credit societies and the remaining 318 are still outside the fold. In short, 72 per cent of the villages have so far more or less come under the influence of co-operation. Total population of the district is 822,544. There were 1,023 credit societies in the district with a membership of 51,321 and with a working capital of about 70 lacs round. Average membership per society is fifty, decidedly highest in the province (Provincial average is 31). The movement has touched more than 256,000 of the population of the district if one individual member be considered to represent a family of 5 persons. Thus one-third of the population is directly or indirectly under the

influence of Co-operative Credit movement in the district. After making reasonable allowance for those who do not stand in need of credit or who are in one way or the other unfit to be benefited by it, one is irresistibly led to conclude that the achievements of co-operation in the district are the best and the highest in the province or perhaps in the whole of India for which credit is due to the Government as well as to the people for their continuous labours for a period of about 1/4th of a century. These facts clearly demonstrate that the professional money-lender is fast disappearing in this district.

14. In the question there is mention of three concessions only, *i.e.*, partial relief from income-tax, money order fees and special postal savings bank facilities. In addition to these the societies enjoy many other concessions such as exemption from stamp duty and facility to send remittances by Remittance Transfer Receipts. In my opinion the societies should be allowed to enjoy all the concessions so far granted. If only one concession is to be recommended I would suggest exemption from stamp duty.

15. (i) No encouragement except that of preferential rate of interest is allowed both by Central Bank and Unions on deposits of societies.

Jullundur Central Bank carries on the Savings Bank account business. In this account deposits are taken at a rate $\frac{1}{2}$ per cent higher than that of Post Office savings bank. Interest is allowed on monthly minimum balance upto Rs. 10,000. When the balance at the credit of a depositor exceeds Rs. 10,000 no interest is allowed on the excess amount.

(ii) Nothing more is possible taking into consideration their resources.

(iii) There are no commission shops in this district and therefore the question of taking deposits by commission shops does not arise.

(iv) There is no branch of the Central Bank and I have no experience. Under the present circumstances I feel no need to advocate the establishment by Central Banks of branches for the purposes of attracting deposits as we have more than enough for our requirements.

(v) (a) Central Bank accepts Rs. 25 at first as deposit and Rs. 5 afterwards.

(b) Banking Unions.

Nakodar Union accepts Rs. 20 at first as deposit. The remaining 5 Unions have not fixed any minimum.

(vi) (a) The number of Savings Bank accounts in Central Bank Jullundur was 463 on 1st February 1930.

(b) Banking Unions. *Nil*.

(vii) (a) Central Bank, $3\frac{1}{2}$ per cent.

(b) Banking Unions. *Nil*.

(viii) (a) No notice is required for withdrawals which are allowed twice a week subject to the maximum of Rs. 1,000 and minimum of Rs. 10, respectively. The rules are rigidly enforced.

(b) Nil.

17. (i) There is no mortgage bank in the district.

(ii) Yes, provided the holdings are consolidated and rate of interest is so low as to leave a margin of profit. I am not, however, very sanguine about the success of a mortgage bank in this district.

(iii) Long term loans and low rate of interest with punctual repayments are essential for their success provided the income from the land is substantially more than the interest to be paid on loans. A substantial security for the loan is also indispensable.

(iv) I have no experience as there is no mortgage bank in this district.

(v) In view of (iv) it does not arise.

21. No, Central Bank has not secured any overdraft from the Imperial Bank of India on the security of the pronotes of its affiliated societies. All overdraft account is on the security of Government Paper.

(i) Nil.

(ii) Nil.

22. (i) No loan was advanced by any central institution during the last three years for repayment of old debts, etc.

(ii) Central Bank, Jullundur, advanced Rs. 11,090 to nine societies for sinking of wells in the consolidated area to members at 7 per cent during the last three years.

Madar Union advanced Rs. 17,800 to three societies for sinking new wells at 7 per cent.

Nakodar Union advanced Rs. 2,000 for the sinking of new wells to one society.

Thus in all Rs. 30,890 were advanced by the Central Institutions for land improvement, e.g., sinking of wells during the last three years.

No period for repayment is fixed. The loans are payable on demand. The details are:—

Central Banks:—

| | | | | | Rs. |
|----|----------------|----|----|----|-------|
| 1. | Udhapur | -- | -- | -- | 1,600 |
| 2. | Jabral | -- | -- | -- | 400 |
| 3. | Jhadu Chak | -- | -- | -- | 1,600 |
| 4. | Barsal | -- | -- | -- | 3,300 |
| 5. | Lidhran | -- | -- | -- | 1,200 |
| 6. | Dhandowal | -- | -- | -- | 300 |
| 7. | Shahkot | -- | -- | -- | 990 |
| 8. | Bajawa Khurs | -- | -- | -- | 700 |
| 9. | Balok Hakowala | -- | -- | -- | 1,000 |

| | | | | | Rs. |
|------------------|----|----|----|----|--------|
| Madar Union :— | | | | | |
| 1. Bajra | -- | -- | -- | -- | 1,000 |
| 2. Beas Pind | -- | -- | -- | -- | 10,200 |
| 3. Kingra | -- | -- | -- | -- | 6,600 |
| Nakodar Union :— | | | | | |
| 1. Dhaliwal | -- | -- | -- | -- | 2,000 |

PART V.—INDIGENOUS BANKING.

Question 4.—Rate of interest.—No better organization than co-operation is possible to reduce the rate of interest. It safeguards the interest of both, the lender and the borrower. Separate organisations of borrowers and lenders will care little for the interests of each other.

Question 5.—Popular attitude.—There is prejudice against the indigenous banker—main reason being the higher rate of interest which he charges. His accounts are considered somewhat doubtful.

(i) Certainly the removal of the prejudice would be in the interest of both the borrower and the lender.

PART VI.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

Question 10.—(i) In prosperous year the surplus funds are devoted by Sikh Jats, Sainis and Arains on the purchase or mortgage of land. They utilise in the repayment of debt or in satisfying some other legitimate desires which they had to put off in lean years. Muslim Rajputs are generally spend-thrift especially on social ceremonies.

(ii) Yes, lending is very common among Sikh Jats, Mehtons and even in Sainis in some cases. Muhammadan Rajputs in one village are said to be doing so.

(iii) They are increasing in number. Inspector, Nawashahr, estimates the number not less than 800. Inspector, Phillaur, says, that about 20 per cent Sikh Jats do money-lending. No figures are available for Nakodar and Jullundur Tahsils and those given for Nawashahr and Phillaur are only a guess work not based on any systematic inquiry.

**Oral Evidence of Mian Mahan Singh, Assistant Registrar,
Co-operative Societies, Jullundur.**

How long have you been Assistant Registrar, Jullundur?—For one year.

Chairman.

Where were you before?—In the Kangra district.

For how many years?—As Assistant Registrar for about 5 years.

What service have you in the Department?—More than 12 years.

Are the figures given in your memorandum the result of special enquiry?—Yes.

Would they be higher or lower in Kangra?—I think somewhat lower.

You mention a number of reasons to account for the increase in mortgage. Which of these reasons do you consider the most important?—It is very difficult to say that a particular reason is more important. More or less all are important.

You say that there is a desire among the cultivators to sink wells, but capital at a low rate of interest is not available. How would you provide that capital? You are apparently not in favour of a mortgage bank.—No, because capital will not be available at a low rate of interest and then the income from mortgages is very small.

Have you considered how capital at a sufficiently low rate of interest could be provided?—I think the people generally like taccavi loans for this purpose.

You suggest that they should apply to Government under the Land Improvement Act?—Yes. I do not mean any improvement in the Act, but they may apply for land improvement loans under the Land Act.

Have you any experience of the working of that Act?—No, not at all.

You say that the return on a mortgage is very small. You have heard what the zemindars said just now. Do you agree with the rates they quoted?—Yes. I think that mortgages do not yield more than 5 or 6 per cent.

Even when a man cultivates himself?—Yes.

And if he does not cultivate himself?—Three per cent.

Would you say that those rates apply also to Kangra?—Yes, they do. In fact I made an enquiry in order to start a mortgage bank in Kangra, but when I discussed the question I had to give up the idea. This was in one tehsil.

Do you think it would be possible in this district to employ capital profitably on the improvement of land where consolidation had not taken place?—I do not think so.

Would you say that consolidation, either by private exchange or by Government societies, is an almost indispensable preliminary to the employment of capital on land improvement on a large scale?—Yes.

Does the same apply to Kangra? Is fragmentation bad there?—Yes, in irrigated as well as in Barani tracts the same would apply and in Hoshiarpur also.

You think then that this consideration applies equally to Jullundur, Kangra and Hoshiarpur?—Yes.

You say that special loans have been given for the sinking of wells by central institutions. Do you mean the central banks?—Yes, the Madar Union and the Nakodar Union, and the Central Bank, Jullundur.

When were these loans given?—During the last 3 years.

Is recovery presenting any difficulty?—Yes. Recoveries are not satisfactory in many cases.

In most cases?—Yes.

What is that due to? Has too much been advanced?—It may be due to the failure of crops during the last few years.

Why was no period fixed?—All loans which the central institutions advance are generally considered to be loans on demand.

I am speaking of loans given by societies to members. Were not periods fixed in those cases?—I think periods were fixed. In one society the condition is that no instalment is to be paid out of the principal within 3 years.

Only the interest is to be paid?—Yes.

And when is the principal to be repaid in full?—After three years by instalments.

What is the period allowed?—I do not know what the conditions were.

But you know that difficulties are arising in recovery?—Yes, two are repaying very well. Their names are given in my report.

Are you in favour of extending these experiments?—Yes, where water is available at a reasonable depth.

At what rate were advances made by the societies to their members?—I think at $7\frac{1}{2}$ per cent.

Speaking of taccavi under the Loans Act you say that including incidental charges the effective rate of interest comes to between 7 and 8 per cent. Is that the result of special enquiry or general experience?—General experience.

Have you made any enquiries?—Yes.

You say that out of 1,316 villages in this district, 160 are for one reason or another unsuitable for co-operative societies. What

are the reasons that you have in mind?—Some villages exist on paper but have no population, others are too small.

Is there still a demand for credit societies in this district?—Yes.

Is the demand strong?—Yes.

Can you give us any figures?—No. We ourselves do not encourage this, as we have enough work on our hands.

Is there want of staff?—Yes.

Is that the only reason?—That is one reason and at the same time we have to be very cautious in forming new societies.

If the staff were to be increased would you be able to open a considerable number of new societies in the near future on sound lines?—A fair number.

You speak of Rs. 15,000 having been deposited in societies by the sale of ornaments. How many people have deposited that amount?—I think half-a-dozen or more women of different castes.

If one of the concessions given to Co-operative Societies were to be extended, which would you extend?—I would like to see the money order concession extended.

In what way would you extend it?—In the beginning we used to refund 75 per cent to the central banks and societies, now it is limited to the societies alone; it should be given in the same way as it was a few years ago.

You would maintain the concession so far as the societies are concerned and extend it to the central banks?—Yes.

Do you think that to be more important than to extend it further in the case of primary societies?—Yes.

On what grounds?—The cost of remission is to be borne by the societies as the central bank deducts it.

Has the central bank approached the Imperial Bank of India with a view to obtaining advances on the promotes of societies?—Never. We have overdrafts on Government securities. The central bank does not stand in need of money.

What are the deposit rates?—4½ for 12 months, 5 for 2 years and 5½ per cent for deposits from societies.¹

Lala Barkishan Lal.

When did they reduce it to that?—About one year ago.

¹RATES OF INTEREST ON DEPOSITS IN C. B., JULLUNDUR.

FIXED DEPOSITS PER CENT. PER ANNUM SINCE 16TH NOVEMBER 1928.

| Amount. | 6 months. | | | 12 months. | | | 24 months. | | |
|------------------------|-----------|----|----|------------|----|----|------------|----|----|
| | Rs. | A. | P. | Rs. | A. | P. | Rs. | A. | P. |
| Under 5,000 | 4 | 4 | 0 | 4 | 12 | 0 | 5 | 0 | 0 |
| 5,000 and over | 4 | 8 | 0 | 5 | 0 | 0 | 5 | 4 | 0 |

Individual members get Re. 0-4-0 per cent. extra.

and societies Re. 0-8-0 per cent.

SAVINGS BANK ACCOUNT 3½ PER CENT PER ANNUM SINCE 1ST OCTOBER 1928.
Current account.

2 per cent per annum is allowed to members only.

What effect has it had on the deposits?—No effect. The deposits have increased.

Have you in any area tried the experiment of special loans for the repayment of old debts?—No.
Chairman.

Why not?—There is none within my knowledge.

Do you think such an experiment would be impracticable?—No. I would extend this experiment to societies which are independent of outside finance.

Is the figure you give for bad debts based on any statistical enquiry?—No.

Is it a very rough estimate?—Yes. I think the figure is much lower.

Negligible in fact?—Yes.

Who made the enquiry into the finances of market gardens?—The local Inspector.

Do you regard these figures as generally typical of the way in which market gardening is done in Jullundur?—Yes.

Have you any experience of the agriculturist money-lender?—Is he an important element in this district?—Yes, and in Hoshiarpur and Kangra also.

Do you regard him as a better person for the zemindars to deal with than the ordinary professional money-lender?—I personally have no experience but I think he finds it more convenient to deal with the zemindar money-lender.

Does he get better terms?—No, I do not think so.

Is the agriculturist money-lender more straight-forward and less harsh?—At least he is simple.

Would you say that a man was more in danger of losing his land when dealing with an agriculturist money-lender?—I think that when the need for money arises the borrower does not make such considerations. His desire is to satisfy his demand.

Do you view the increase in the agriculturist money-lender with any apprehension?—No, because the money-lender whether he is a professional money-lender or an agriculturist money-lender, when he finds difficulty in the way of recovery, gives up his practice and deposits money in a bank.

Is the professional money-lender a serious opposition to the spread of co-operation?—I do not think so. The influence of the agriculturist money-lender is greater than that of the professional money-lender.

Did you find it more difficult to start societies in villages where there are money-lenders?—The influence of the agriculturist money-lender has greater resistance than the professional money-lender.

Have you found it more difficult to start new societies in villages which had agriculturist money-lenders than in villages which had none?—Yes.

The figures that you have given us for borrowings in A and B societies show that in 100 A and B societies the average amount of loan at the end of last July was Rs. 188 per borrower. Is borrowing higher at that time of year?—Yes, Sir. The average per member in the district is Rs. 120.

Would you say then that something in the neighbourhood of Rs. 200 was sufficient to finance the ordinary small agriculturist?—Yes, Sir.

You have said that about 16 per cent of the members of A and B societies deal with money-lenders. Do you mean to say that 84 per cent don't deal with the money-lenders?—Certainly.

They owe no debt to any other agency?—They may be owing to the money-lenders, but those may be old debts.

For the present Rs. 188 and Rs. 158 are sufficient for their present needs?—I think so, for the ordinary agricultural needs.

In other districts we have come to know that the members of A, B and C class societies borrow from the money-lenders when they are pressed for payment by the societies. In your note you say that 75 per cent of the members of A and B class societies pay their instalments regularly and the remaining 25 per cent pay only when pressed to do so. Do these members pay out of the income from their produce or borrow from the money-lenders?—They pay from the income of their produce.

You have given reasons for the increase of indebtedness, one of which being the increase of ceremonial expenses. Have you taken any steps to reduce such expenses in your district?—We have started better living societies.

Another reason that you have given is the repayment of old debts. Does this remark relate to old societies or to new societies?—It is a general remark regarding the whole district.

Do these reasons apply also to Kangra and Hoshiarpur districts?—

Yes, Sir. Somewhere we found from a perusal of the Land Administration Report that the area redeemed is proportionately larger than the area mortgaged, while the consideration money is much less in case of redemptions than for fresh mortgages.

This would mean there was an increase in the mortgage debt, but there is a decrease in the area mortgaged?—This shows that the people are redeeming the old mortgages which they had made.

You say that you don't start societies because there is not sufficient staff. Is there any system of compulsory deposits in your societies?—Yes.

Khan Bahadur Chaudhri
Niamatullah.

For what objects such deposits are made?—For different purposes.

From an enquiry made in the year 1926-27 it was found that in Jullundur Rs. 2,30,000 were due by the agriculturists to the agriculturist money-lenders. Has this debt increased or decreased?—I cannot say.

At that time there were 13 Muhammadan agriculturist money-lenders. Have they increased or decreased?—I don't know.

You say that 16 per cent of the members of A and B class societies deal with the money-lenders. Why do they go to the money-lenders?—Because they are not fair in their dealings with the societies or they have exceeded the M. C. L.

Is there any necessity of a commission shop here?—No; at least we have not made any enquiries.

Do you regard co-operative sales better?—I have no personal knowledge. I have a very bitter experience of co-operative purchase society; consequently I shall move very cautiously about co-operative sales shop. If better men could be found, it would work satisfactorily.

Have you ever read about the Lyallpur commission shop in the Annual Report?—Yes.

You have said that loans for the improvement of land are advanced by the Central Bank to the Societies and that the latter lend the money to the members, and again you say that there are difficulties in recovery. If a well is sunk in a land how long does it take to have productive capacity; after what time would you expect interest or instalment?—I have not considered this question.

Khan Bahadur Chaudhri
Sultan Ahmad.

How long does it take to sink a well in a land?—One season.

If a well is sunk, would you demand interest and instalment soon after it has acquired productive capacity or would you defer the demand?—Demand should be made at once, though for certain reasons it may be deferred.

You say that in Hoshiarpur and Jullundur districts agriculturist money-lenders are increasing. Which class do they belong to?—In Dasua tehsil Jat Sikhs, in Kangra and Una Rajputs and Brahmans.

Chairman. Retired military officers also do money lending?—Yes.

Are there many thrift societies in this district?—There are about 60.

L. Harkishan Lal.

Distributed evenly over the district or centred in a particular locality?—They are distributed more or less evenly.

Whose societies they are, so far as caste and religion are concerned?—They generally belong to employees, e.g., school teachers, Government servants, etc.

Without regard to caste or creed?—Yes.

Amongst railway officials?—There is no such society amongst railway officials.

Who deposits the money there, their children or wives?—Any body can deposit but contributions are made by members only.

In their own names or in the names of their children or wives?—The contributions are made by the members in their own names. I don't know whether any deposits are made in the names of their children or wives.

Do they state the objects for which they make deposits?—No, they do not but a member may at any time, on giving such notice as the committee may prescribe, withdraw the whole or any part of sum at his credit for any purpose which accord with the spirit of thrift or be in his permanent interest. Such as to buy house, land and insurance policy or to invest on some other profitable object.

More or less for business purposes for making profits and not for any ceremonial requirement?—For ceremonial purposes loans within certain limits prescribed in the by-laws may be issued.

To what extent can they deposit?—For deposits there is no limit but for contributions a minimum as well as maximum is generally fixed in by-laws. In practice minimum is always fixed.

A man may deposit Rs. 10,000 or more?—There is no restriction on deposits but societies are of those people who can hardly save a big amount like that even in life. Small savings they may put in their societies. As to restrictions on contributions I have stated above.

Is it confined to a standard of people?—Yes. The societies are generally of employees.

What rate of interest do you pay to these thrift societies?—There is no fixed rate of interest. It depends upon the Central Bank or Union in which funds are deposited.

They are not bound to deposit in the Provincial or Central Bank? Is it discretionary with them to deposit anywhere?—They can deposit their funds in a particular Central Bank or Union named in the by-laws or in any other A or B class Primary society, if permitted.

How is the discretion used?—It is subject to the restrictions laid down in the by-laws.

What are the by-laws now? Have they full freedom to invest their money wherever they like so far as the co-operative movement is concerned or are they restricted?—They can invest their funds in accordance with their registered by-laws.

Once they register the by-laws, they are restricted?—Yes.

Is there any time limit for deposits or they can do it as long as they like?—There is no time limit for deposits but contributions must be paid on or before a fixed date laid down in the by-laws.

Supposing a man is in service and he begins to deposit now and then. He takes leave for three months for certain reasons and does not deposit during those three months. Is he allowed to do that?—Yes, subject to the condition in the by-laws.

Thrift societies do not bind them that they must have a certain amount of money to be entitled to a certain rate of interest?—No, they are bound by the by-laws of their societies.

It is all discretionary?—Yes, so far as the by-laws permit?

What are the restrictions and requirements of your by-laws?—I will send you a copy of the by-laws.

How is that adjusted if a person contributes for one month out of 12 months?—I think he is not entitled to any dividend as he did not pay his contributions according to the conditions agreed upon.

In Joint Stock Companies in distributing dividend we take into consideration the amount as well as the months for which he has paid, if his share contribution is for three months, he would get dividend on the amount for three months; that is what you do?—Yes, we do according to the by-laws.

After all it is a moral binding?—Yes, it is a moral binding voluntarily accepted on admission and has to be adhered to.

Do you insist upon moral binding?—Yes.

Does any penalty attach to failure to contribute month by month?—Yes.

Chairman.

You have not experienced any difficulty in that direction?—Regular collection of contribution is difficult if there be no restrictions.

Do most of the members contribute regularly?—Yes, they do.

What is the minimum number of men who can start a thrift society?—10.

L. Harkishan Lal.

One society would be quite sufficient for the whole district or province?—Why don't you start one society instead of having so many?—It is impracticable to have one society for the whole province district or any part of a district.

373(b)

If they are allowed to pay some one on account of thrift society locally, would not they be able to remit their money to him?—They may remit to him but there is no concession on such remittances.

There is some concession in the form of cheaper rates on Money Orders?—Not for individuals.

Supposing the societies appoint collecting agents for these thrift societies, as we do in Insurance Companies, and the Central Banks were also to receive their premia in small amounts, would it suit them?—No, it would not suit them, as the management is honorary.

But there is nothing to manage in thrift societies; the money is collected and sent to the bank?—I don't think so. There is management and control, a main essential for co-operation.

What is the expense of managing a society?—There is no expense. A society buys a few registers. The price of which is generally met by the admission paid by its members.

If a society is not situated at the place where the Central Bank is the society must pay the expense of remitting the money to or withdrawing it from the Central Bank?—Yes.

How much does that come to?—It depends on the means of remittance and the amount remitted.

(Witness withdrew.)

**Oral evidence of M. Abdul Rashid Khan, Inspector,
Co-operative Societies, Jullundur.**

He stated that he conducted the enquiry regarding market gardening in Jullundur which is summarised in the note submitted by the Assistant Registrar. The 24 cases which were reported on embraced 24 families. The largest holding was of 50 acres and was owned by a man of the Malik caste. Maliks are not an agricultural tribe but they own land. Altogether there were 22 Arains and 2 Maliks who dealt in this form of cultivation. The Malik who owns the 50 acres tills part of it himself and part he has given on rent. Out of the total area of 363 acres 207 acres are cultivated on rent by 19 tenants. Of these tenants 17 are Arains and 2 are butchers. One man can cultivate 5 acres with the help of a brother or a servant and the female members also help. They have been counted as one person. Five acres are sufficient to support one family. Those tenants who have more land engage servants. The largest holding cultivated by a tenant is of 29 acres. Servants are engaged for the season. They are paid in cash. He said he would let the committee know the amount that is paid to a servant. A number of questions regarding the 156 acres that were cultivated by the owners could not be answered by witness who said that he will send the information to the committee after making enquiries. The chief crops grown in these gardens were pumpkin, brinjals, cauliflower, peas, etc.

As regards debt the minimum amount that one person had borrowed was Rs. 400, the maximum was not known to witness. Three persons said that they had not borrowed anything but witness thought that they were concealing the truth. The rates of interest at which money had been borrowed was 12½ per cent in the case of those who had borrowed from co-operative societies and 12 to 24 per cent in the case of those who had borrowed from sahu-kars. Witness said he will make enquiries regarding certain questions asked by the Chairman regarding the rates of borrowing, etc. Nine out of the 24 men who cultivated the land were members of co-operative societies. Of the tenants 6 out of 19 were members.

Those who borrow from sahu-kars are not always obliged to sell their produce through them but have freedom of sale. Witness said he will let the committee have particulars as to the number who have this freedom and also whether it had any effect on the rate of interest charged from the borrower.

The Assistant Registrar said that these people got good money for their crops by raising out of season vegetables. This required more labour and money to protect them from frost.

373(d)

Witness said that they told him that the lowest rate of interest on which they can raise money is 12 per cent. None of them had raised money by mortgaging his land.

(Witness withdrew.)

Sardar Gopal Singh, B.A., Assistant Registrar, Co-operative Societies, Ferozepore.

11. Agriculturists do lend to their fellow agriculturists. This is not confined to particular castes, Hindu and Sikh zemindars of all castes have now increasingly begun to advance loans bearing interest. But Muslim zemindars are not advancing loans bearing interest. However they advance loans on the security of land or to their relatives and friends without interest.

(c) Only one Inspector has reported that the number has increased from five to nine in certain sub-circles, others report that their number is practically stationary.

Increase in Debt. 4. The reasons for the increase of the mortgage debt are :—

(1) The credit of the people has decreased on account of insecurity and failure of crops. They cannot raise fresh loans and pay old debts. To pay old debts and raise fresh loans they mortgage their lands.

(2) The rate of interest of the unsecured debt is very high as compared with the return from the land to be mortgaged. Some debtors mortgaged their land simply for this reason that they shall have to pay very little as compared with the interest.

(3) The high prices during the war increased the income of the cultivators, which led to the increase of credit and higher standard of living. The people secure big loans but now the prices have fallen. The people have not reduced their standard of living at once and the deficit is being made up by mortgaging the land.

(4) Agriculture is in a premial state and is the only source of income of the cultivators. The crops have been failing. The increasing population could not be supported by the income of the land, so cultivators have been spending out of their capital, e.g., selling or mortgaging their land.

(5) Muktsar and Fazilka tehsils have characteristic of their own. There were waste lands before the advent of the canals. The people were leading pastoral lives, land had very little income and very little value. The opening of the canal increased the yield of the land and its value. The great war came and the prices went high, increasing the income of the cultivators and their credit also increased. Formerly these people had no credit and did not know how to use their credit wisely. With the rise in income the standard of living increased and with the increase of credit debt also increased. After the war the prices fell and the credit contracted and the only way for the cul-

tivators to pay their debt is to mortgage their land. These are the main causes ; to these may be added the following minor causes :—

(a) Costly wedding and other ceremonies, the expenses under this head have constantly decreased during the last four years, as the people have got little money to spend.

(b) Litigation. This fact is well known to all the people and in several cases leads to the mortgaging of land. The Council and District Board elections have created several parties, which continue to wage war against one another even when there are no elections.

(c) *Marriage*.—It is considered essential by a father to marry his son to propagate progeny and in some cases land is mortgaged or sold to buy a bride.

7. The village money-lender occupies the same position as described by Mr. Darling in his note and find the following position in this district :—

The money-lender is very strong in the Bet area of Zira, Ferozepore and Muktsar tehsils. He is very influential and holds the people tightly in his grip. In the canal irrigated area of Muktsar and Fazilka he is flourishing and finds vast field for his activities. In the barani tracts he is disheartened but he is not leaving the country for the town, as his capital is locked up. In the canal irrigated area he finds his business very profitable and in the Bet he has good influence over the people and gets fair return for his investment. Moreover the financial condition of a number of business men, even in the grain markets of Abohar, Malut, Giddar Baha and wool market of Fazilka, has become precarious. Business has become dull and people have been discouraged to enter business and to make advances to business men.

12. (i) There is no special class of rural money-lender in Ferozepore circle who lend on the security of jewellery. However in these days money-lenders take jewellery as security for their advances. Inspector, Ferozepore, reports that 80 per cent of the loan in these days are advances on the security of jewellery. Inspector, Fazilka, reports that almost all classes of rural money-lenders except agriculturist money-lenders and big non-agriculturist money-lenders take jewellery as security. The women never lend except on the security of jewellery. Inspector, Moga, reports that the village money-lenders hesitate to take jewellery as security as they think their homes unsafe for keeping the jewellery, while those who reside in cities readily accept it.

(ii) There is no other moveable property besides jewellery, worth mentioning, which is accepted as security.

(iii) About 50 per cent of the value of the goods pawned is generally advanced, but when gold is offered it varies from 60 per cent to 75 per cent.

(iv) Generally the valuation is done by the money-lender himself and some times he gets the help of the goldsmith who is paid nothing for his services in the villages. Weighing whenever is done is always done by the goldsmith.

(v) *Period.*—Period of redemption is different in different circles. No period is fixed in Moga tehsil. The money-lender waits till the principal and interest do not exceed the value. In Ferozepore it is generally two years and in Zira one year. In Fazilka it is generally six months and in particular cases the period varies from two months to one year after which the goods pawned become the property of the money-lender.

(vi) The money-lenders do not maintain or hire special godowns for the storage of the goods pawned.

(vii) Rate of interest on the loans given on personal security is always higher, while on the loans given on the security of the jewellery is lower; about 50 per cent more is charged on the loans where no jewellery is pawned, but there are some curious people in Ferozepore and Fazilka, who charge the same rate of interest whether jewellery is pawned or not. What matters is the person who borrows. The poor people pay higher rate of interest than their rich neighbours even when jewellery is pawned.

(viii) The period of the loan and the amount of the loan do not affect the rate of the interest.

(ix) No money-lender complains of losses in connection with his pawn-broking business except when there is theft of the goods pawned.

(x) Generally the rural borrowers pawn their jewellery to secure a loan when they cannot get without it and to get better terms. Generally they themselves do not offer the jewellery. They do it when the creditor demands it. Instances to secure better terms by offering jewellery are few and can be neglected.

(xi) I estimate that 5 per cent is pawn-broking debt out of the total debt, but my inspectors have given different proportions which I give below :—

| | | | | Per cent. |
|---------|----|----|----|----------------|
| Moga | .. | .. | .. | 5 |
| Zira .. | .. | .. | .. | 25 Rural area. |
| | | | | 50 Urban area. |
| Fazilka | .. | .. | .. | 8 |

It is generally agreed that secure loans are increasing in these days.

15. (a) The central banks are encouraging thrift as follows :—

Savings.

- (1) Savings bank accounts are allowed. Rs. five are required to open an account and afterward a small sum of Rs. two is accepted.
 - (2) Current accounts of members, thrift societies, are allowed and 5 per cent interest is allowed.
- (b) Banking Unions :—
- (1) In the past no facilities have been allowed, but now the Sikh Wala Union has resolved to open Savings bank accounts giving the same facilities as central banks.
 - (2) Special rate of 6 per cent is allowed on the current deposit of thrift societies.

(iv) Considering their resources I am of opinion that it would not be possible for them to do more but richer central banks may try the collections of saving deposits by distributing saving boxes and having collecting agents as is done by some German Banks and one Burma Bank.

(vii) There are three commission shops in this circle. They are not attracting deposits.

(vi) There is no C. B. branch and I have no experience of them.

(v) The smallest sum ordinarily accepted in deposits by :—

(a) central banks are :—

| | Rs. |
|---|-----|
| (1) Fixed deposits | 50 |
| (2) Savings bank account | 2 |
| (3) Current account of Thrift Societies | 5 |

(b) Banking Unions :—

| | |
|----------------------------------|----|
| (1) Fixed deposits | 50 |
| (2) Savings bank account | 2 |

The Savings bank rules are the same as in the case of central banks.

(vi) The total number of Savings bank accounts :—

| | |
|-----------------------------------|-----|
| (a) Central Bank, Fazilka | 91 |
| Central Bank, Moga | 25 |
| Central Bank, Ferozepore | 200 |
| Total | 316 |

(b) Unions.—There is no such account as yet.

(vii) Rate of interest allowed on Savings bank account by :—

| | Per cent. |
|--|-----------|
| (a) Central Bank, Fazilka | 4 |
| Central Bank, Moga | 4½ |
| Central Bank, Ferozepore | 4 |
| (b) Unions.—There is no such account as yet. | |

(viii) Notice of withdrawal in the case of—

(a) *Central Banks*.—No notice is required. The central banks have fixed a maximum credit limit, which a depositor can draw in a week. These are—

| | Rs. |
|-----------------------------------|-----|
| (1) Fazilka Central bank | 250 |
| (2) Moga Central Bank | 250 |
| (3) Ferozepore Central Bank | 500 |

These limits are not exceeded.

(b) *Banking Union*.—There is no such account.

19. (i) The different methods used in transmission of funds between central banking institutions and primary societies are as follows :—

- (a) Personal attendance.
- (b) Money orders.
- (c) Insured letters.

(ii) The most common method of transmission used by societies is money orders, but the central institutions remit by insured letters or personal attendance. Personal attendance is now more common.

(iii) The Imperial Bank Branch at Abohar charges commission at Re. 0-4-0 per cent on cheques drawn on the Ferozepore branch. This commission was not charged some time back and has recently been levied. If the Imperial Bank could be persuaded to give up this charge, it will facilitate matters for societies round about Abohar.

It is estimated that the expenses in securing a loan depended upon the personality of the borrower. The influential and intelligent persons have to pay much less than their ignorant neighbours. It is estimated that about 8 per cent of the amount to be borrowed is to be spent before getting the amount. The expenses also depend upon the distance of the village of the borrower from the tehsil headquarters as the borrower has to make visits to the tehsil.

6 Agriculturists Loans Act.

**Oral evidence of Sardar Gopal Singh, Assistant Registrar,
Co-operative Societies, Ferozepore.**

Chairman.—Are you the Assistant Registrar, Co-operative Societies, Ferozepore?—Yes, Sir.

How long have you been there?—For the last six months.

Where were you before that?—Before that I was in Sargodha District.

For how long?—For 2½ years.

How many years' service have you in the Co-operative Department?—Thirteen years.

Which areas do you know best?—I have been in Gurgaon and Delhi for four years; after that for 2½ years I was in Shahpur and Gujrat, and here I am for the last six months. Before that I was in Hoshiarpur, Amritsar and Gurdaspur.

Is your home in the Amritsar District?—Yes, Sir.

Is the agriculturist money-lender an important factor in Ferozepore?—Yes, Sir, especially in the Sikh villages. Nearly half the land of the Ferozepore District is owned by Hindus and Sikhs and in those villages agriculturist money-lenders are important. In the Muhammadan Ilaqa they are not found.

Is he important in any of the other areas you have just mentioned? I don't think so. Wherever there is Hindu or Sikh *abadi*, the agriculturist money-lender is found there.

Where have you found him most numerous?—I found him in several villages in the Amritsar District. In every village there, practically one or two agriculturist money-lenders are to be found.

Is there much variation between the rates which he charges and the rates charged by the professional money-lender?—There is no difference in rates.

Do you find that the cultivator prefers to deal with the one rather than with the other?—I don't find any difference. He goes wherever he finds money.

Do you find that their methods are, broadly speaking, the same?—Practically the same.

Do you regard the growing importance of the agriculturist money-lender as an advantage or a disadvantage?—It is neither an advantage nor a disadvantage.

Is there a tendency in this district, where Sikhs predominate, for the professional money-lender to be slowly displaced by the agriculturist money-lender?—If they are not displacing the professional money-lender; they are equally important as the other money-lenders.

Do you find that the agriculturist money-lenders are more numerous now than they were twenty years ago and that that increased the cultivator's power of borrowing?—During the prosperous years (I mean the war time) wealth accumulated in the hands of a few people and it was lent to the cultivators.

Would you say that was an advantage?—No.

Would you say it was a disadvantage?—Certainly. The less the agriculturist gets, the better it is for him, because sometimes he squanders it away.

From that point of view the agriculturist money-lender is not perhaps to the advantage of the cultivator?—No; but under the settled form of Government and under the Land Alienation Act they are bound to crop up.

Are there many pensioned officers in Ferozepore?—There are.

Do they go in for money-lending at all?—Some of them do.

Amongst the Muhammadans?—No.

Are there very few Muhammadans who go in for money-lending? They are so few that they can safely be neglected.

You say that unsecured loans are now very rarely given?—What I find is this that the debtors could not pay their loans on account of bad harvests, and the loans which are already advanced, are being secured either by writing the same amount against the name of another villager and getting his land mortgaged, or, if the money-lender is an agriculturist money-lender, he advances a little bit of more money and gets the land and secures the loan, and in the case of fresh loans very few are advanced and in such loans generally security is taken. The Inspector has reported that in the Ferozepore tehsil 80 per cent of the loans are advanced on the security of jewellery and other things. Similarly the other Inspectors report that where the money-lender is in a town and he finds himself quite safe from dacoits and robbers, he generally accepts jewellery and other things for the advances, but when he is in a village where he is afraid of these things, he does not accept this form of security.

What do the other Inspectors report on this point?—They have not given the percentages, but they report that these advances are commonly made.

Do you mean that they all agree that unsecured advances are now rare?—They don't give definite figures, but I generally enquire from people and they say that this is the general practice which they follow.

How long has that been going on?—For a year and-a-half.

Is that owing to the harvests having failed?—Yes, Sir. They say that the advances made are not being repaid and now the money-lenders want to make their repayments quite sure.

Is that the normal condition of affairs now in the Ferozepore District?—The harvests have been failing there for the last four or five years.

Did you make any special enquiry as to whether the unsecured loan has been the exception rather than the rule for more than eighteen months?—I have not made any enquiry, but this is my general impression which I have collected.

Can you say then whether this tendency is a new one or has been in force for some time?—I have seen some money-lenders who also agree that it is very unsafe to lend money without security, and at the same time they tell me that in the past people have been repaying their debts all right and there was no difficulty. What I find is this that in the Zira tahsil the money-lender does not care much for the secured loans, because there the agriculturists are Arains; there the land is Chahi; they grow chillies, vegetables and onions and their income is practically constant and they repay their loans and so the creditors don't care for the security.

Has the Ferozepore tahsil been more badly hit by the failure of harvests than the other parts of the district?—I think Moga is the tahsil which has suffered most.

What does your Inspector say?—He says that where the money-lender is in a town or in a big village where he thinks that his jewellery or other things taken into security are quite safe, he advances on the security of those things, but in the villages where he is afraid of dacoities, etc., he lends without security.

What are the common rates of interest in Ferozepore?—I find that for every Rs. 100 advanced Rs. 125 are written and on this amount 25 per cent is charged. That is common, but sometimes 37½ per cent is charged, and if we take the average, it would come to about 31 per cent.

Is that done with the ordinary zemindar?—It is the general practice.

Do you know whether rates have gone up as a result of failure of harvests?—I find that the rate of interest has gone up throughout the Punjab. It is not confined only to the Ferozepore District.

Do they have to pay interest on this addition of 25 per cent?—If he repays within a year, he pays Rs. 125, but if he fails to pay, interest is charged on that too.

Can you say whether that has been recently introduced?—That came to be introduced most probably when the discussion was going on in the Punjab Council regarding the fixation of interest and the regulation of accounts. Formerly it was a rare thing.

Do you connect it with the passing of that Bill?—With the discussion of that bill; the Council has been discussing it for the last three or four years.

Do you think that the money-lender has been taking precaution ever since against the possible legislation?—Yes, Sir.

Did you come across that in Shahpur or Gujrat?—I think this is practically everywhere. I found the same thing in Amritsar and Sheikhpura Districts.

Do you mean this prepayment of interest?—Yes, Sir. If the person pays within a year, then nothing is charged.

Why do you think the rate of interest has gone up in the Punjab?—There is scarcity of money.

In the ten years ending 1928 there appears to have been an increase of 3½ crores in the mortgage debt of Ferozepore. How do you account for that?—What I find is this that during the war time the prices went high and money was abundant practically in every district. After the war the prices went down and there was a succession of bad harvests and the old debt incurred was not repaid by the debtors. This has been converted into mortgages and other things, and not that fresh loans have been taken for this very purpose.

Don't you think that it is possibly due to the rise in the standard of living and to an increased demand for money?—What I find is this that during the War time money was abundant and people raised their standard of living. Then an ox used to cost Rs. 400 or Rs. 500, and the income was also very great, and under those circumstances the borrower could repay the money. The debt then incurred was invested either in the purchase of bullocks or in maintaining the high standard of living. Conditions changed and with that the income also decreased. That was due to the fall in prices and less production, and people could not accommodate themselves to that standard of living and at the same time they could not pay off which they had already incurred, and the debts continued to multiply, and the agriculturists raised more debts in order to maintain their standard of living.

Ferozepore has had bad reputation for extravagant living. Do you think that is an important factor in the increase of debt?—There are very few big landlords who lead an extravagant life; the average man does not do so.

It is said that they gamble and drink; is that not your experience?—What I find is this that they don't drink much more than Amritsar people do.

Is that a higher or lower standard than that of Amritsar?—It is very difficult to say that.

Lala Harkishan Lal.—Instead of drinking indigenous produce, don't they go in for foreign liquors and foreign drinks which are more expensive?—Generally the country people take country liquors.

Chairman.—Could you say whether the standard of living is higher in Ferozepore than in the other districts you have served in?—I don't find any difference.

Is it much the same as in Shahpur and Amritsar?—Amritsar people are leading a better life.

Would you say that the one district had more spare money than the other?—In Ferozepore district there is a certain tract where there are big landlords who lead an extravagant life. If we exclude that, I can say that the standard in the remaining district is not up to the mark of Amritsar, and similarly if we exclude the *barani* tract of the Shahpur District, there also the standard of living is high.

I take it that these three districts (Ferozepore, Shahpur and Amritsar) have had a considerable inflow of money due to the development of canals. Would you say that on the whole that had had a good effect upon the cultivator?—They are earning more, but they are also spending more.

In your thirteen years' service in the Co-operative Department do you find any tendency on the part of the cultivator to spend his money more wisely?—Certainly, I mark it.

Amongst the majority?—Generally now there is a tendency to wipe off the debt, and they are even mortgaging and selling their land to pay off the debts. Moreover they are trying to curtail their expenses on marriages and other ceremonies. They have decreased their expenses considerably on these things. There may be some extravagant big landlords, but generally speaking, the ordinary people are realising their difficulty.

What do you attribute that improvement to?—I would say that it is due to the contracted income.

Would you also attribute it to any educational factor?—Every day education is going on in the villages, whether political, religious or social and they are learning by it. I say that there is a difference in intelligence (and every thing) than what it was fourteen or fifteen years ago.

Do you think it is at all due to the spread of co-operation?—To some extent. Teaching is going on everywhere. Here you find an Inspector teaching; there you find an agriculturist teaching; religious men are also doing something or other.

The net result of all that is an improvement in the cultivator's intelligence and his power of using the money wisely?—I think so.

You say that in the *barani* tracts the village money-lender is disheartened. Why is that?—I can quote you one example. When I was in the Shahpur District, I visited one village called Dhir. That was in the *barani* tract. There I went to the houses of the people to see what they were eating and what sort of life they were leading. I went to the house of a money-lender in the village; I stayed in his house and took water with him and asked him what he was eating. He was taking the *bajra* bread which had no ghee on it. He said that all his money had been locked up; that there had been no crops for the last seven years and that he was as poor as the debtors. Practically he was not a

money-lender, but a beggar. This village is situated in the Khushab tahsil. In other villages in the Moga tahsil I have seen money-lenders who cannot realise their money, and now neither they have got anything to lend nor can they realise their debts.

Would you say then that the prosperity of the money-lender was bound up with the prosperity of the cultivator?—Certainly.

You have given us certain figures regarding the dealings of members of co-operative societies with money-lenders. The percentage varies much from tahsil to tahsil. In the case of Moga C class societies only 10 per cent deal with money-lenders as well as with their societies, while in the case of Ferozepore the percentage is 90. How do you account for that?—It all depends upon the people. Moga is wholly inhabited by the Sikhs and very keen economic competition is going on there and every body is very alert.

Are they more alive to the danger of dealing with the money lenders?—Yes, and this may be the factor which determines this difference.

What would be your remedy for this evil?—I think there can be no remedy in the near future because the societies do not lend for all purposes and there will be spendthrifts, and certain needs will continue to be fulfilled by the money-lenders.

Some witnesses have said that if more teaching is given it will go a long way to remedy it.—Teaching might do something but they will continue to go to money-lenders for several years to come.

You have given us figures showing that certain primary societies have been making special loans to enable their members to clear off old debts. Were those loans made on any special terms?—These loans were made under the usual conditions.

Are they being repaid regularly?—No.

Are the bulk not being repaid at all?—No. There are some cases in which persons who have got big loans have not repaid. One man has taken Rs. 30,000 and has not paid anything so far.

Is he president of the society?—Yes. The loan has been outstanding for 2½ years and even interest has not been paid. Now it is paid. Whatever has been repaid has been credited against the principal and interest has not even been shown in the books.

Was this experiment made under the guidance of the staff or did the societies do it on their own account?—Every loan was given with the sanction of the Assistant Registrar. As to the object of application, I did not find any loan mis-applied.

Would you say that the experiment was of doubtful success?—It is premature to say anything.

Are you in favour of making further experiments along this line?—No.

Would you be in favour of making an experiment along different lines? For instance, would you be in favour of confining operations of this kind to A and B class societies?—I am totally against these special and big loans.

How many of these societies are in A and B class?—I have not got any note with me here.

Speaking of taccavi you say "It is estimated that about 8 per cent of the amount to be borrowed is to be spent before getting the amount." Does that include the cost of going and coming from the head-quarters of the tahsil?—Yes.

Is there any demand for an increase of credit societies in Ferozepore?—Yes, there is.

Is it a strong demand?—I can say so.

Is it being fully met?—I find that the condition of the old societies is not very good and recoveries are also not good. As there have been bad harvests we can hardly control the existing societies and cannot start many new societies.

What does the extension of the movement in Ferozepore depend on primarily?—What points will have to be met before it can be extended?—I would say the sanction of more staff.

If staff were increased could you have a proportionate increase in credit societies?—Yes.

Khan Bahadur Chaudhri Niamat Ullah.—You said that a man had borrowed Rs. 30,000. Did he borrow from a primary society?—Yes. All loans are made by primary societies.

How many special loans have been made?—Fifty-one.

How many are paying regularly?—Not many.

Does the central bank send money to the primary societies by insured post?—Yes.

Have there been cases in which money has been lost in transit?—Not to my knowledge.

What other facilities can be given by the post office?—I have not thought about this matter.

Now-a-days notes are sometimes sent in halves and if the first half is lost the post office gives only half the amount of the money remitted.—I have not seen such a case.

For purposes of the Land Alienation Act are co-operative societies in the position of an agriculturist or a non-agriculturist?—In the position of a non-agriculturist.

Do societies have the same difficulty in making recovery of loans as the sahuikars?—The societies have more difficulty.

Why is that?—The sahuikars can tip the court servants while the societies cannot.

Can you suggest anything to facilitate recoveries by societies?—There is no need for any such facility.

You have stated that many different people are teaching the zemindars and they are beginning to understand the right use of money. Are you referring to people at large or only to the members of societies?—It is a general awakening.

How many members of co-operative societies know the right use of money?—I can give no percentages but would say the majority do.

Chairman.—Would you say that a person had learnt to spend his money wisely if he had to be pressed to repay a loan on the due date? Would you regard that as a test?—This would not be an important test.

Why?—It is a matter of opinion.

Chaudhri Niamat Ullah.—You have said that the sahukar is necessary for the people. Do you think he should be left to carry on his business as at present or should he be licensed?—I think that if too many restrictions are put in his way the debtor will have to pay for it. It would mean a higher rate of interest. If there are no restrictions the rate of interest will be less.

If money-lenders are licensed, will they try to block the spread of the co-operative movement?—I do not think it will have any effect on the co-operative movement.

Will they not try to oppose the movement in order to push on their own business?—I do not understand how they can stop the movement. There are certain enemies even at present but they cannot check the progress of the movement.

Are postal cash certificates bought in the villages?—No.

Can you suggest any method of introducing them in villages?—I do not think people have got money to purchase them.

But if they do have the money?—They can invest it at higher rates of interest.

Central banks have savings bank accounts, but there are also two unions in the district. Can you suggest anything to enable the unions also to open such accounts?—I am in favour of that.

Do you think the present staff in the unions will be able to cope with the increased work involved?—That is quite another point. It is for the unions to say whether they can start such accounts. I have no experience as to whether they can do it or not with their present staff but personally I think it would not involve much heavy work.

Rai Sahib Kishan Lal.—You have just said that the money-lenders charge 25 per cent. Can you say what the net rate, after deducting bad debts would come to?—That is very difficult to say. But I saw

some money-lenders of Zira and Dharamkot and they were complaining that the net return comes to 12 per cent. I have no experience of my own.

Chairman.—Were they rural money-lenders?—Yes. What I find is that there is a tract near the river in Zira tahsil which divides the Hindus and Muhammadans and on that line the money-lenders are found living in small towns. Dharamkot, Kot Isa Khan, Zira and Makhu are included in this tract.

Rai Sahib Kishan Lal.—I want to know what their net return would be?—It is very difficult for me to say that. But this much I can say that, leaving aside Ferozepore, if you take Lyallpur and other districts they practically realize what they advance. I know about my own village and the neighbouring villages that they do not lose anything. A little allowance is made at the time of the repayment of the loan.

What do the money-lenders say themselves?—They say that they get much less than the rate given in the bond.

Chairman.—Do the zemindars agree in that too?—The zemindars say that they are looted.

Rai Sahib Kishan Lal.—Are money-lenders leaving their business?—In the Ferozepore District there are certain villages which have been occupied by money-lenders from the very beginning and they are not leaving those places.

And in other districts?—In the Shahpur District too they are not leaving.

Our enquiry shows that many money-lenders are leaving their business.—That might be.

(Witness withdrew.)

Syed Zahur Husain, B. Sc., Assistant Registrar, Co-operative Societies, Lahore.

(i) I have nothing to add to what is said in the tracts not irrigated by canals in paragraph 362 of the report.

Taccavi.

(ii) I would like the Act to be brought into use only in times of emergency.

(iii) I would apply it to the members of co-operative societies also, provided the loans were given to the societies by Government just as they get loans from the central banks. The distribution of loans to various members were left to the discretion of the committee of the society, and extensions of the time of repayment were allowed in case the crops of members failed. It would be advisable if the loans by the societies are received through the central banks.

(iv) It is a fact 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.

(v) The effective rate of interest in the case of smaller loans for seed, etc., which are in the proximity of Rs. twenty, comes to about more than 15 per cent., while in the case of bigger loans, which are few in number, the effective rate is about 10 per cent.

The bigger loans are usually misapplied.

(vi) In addition to the overhead charges, the botheration and worry caused by the tehsil subordinate staff visiting the borrowers for recoveries, etc., is very annoying and disliked by the people.

7. I do not regard the attached memorandum on the position of the village money-lender as correctly representing the present condition. The village sahuakar is not gradually reducing his business in the villages. But on account of the tightness of the money market of late sufficient money is not available with the money-lenders, and it is quite likely that in most cases they might be extending their business, but I do not believe that they are reducing it.

Figures obtained by me for the sale of non-judicial stamps in the Mianwali District in the year 1926-27 indicate that the money-lending business was not on the decrease. It is possible that the number of money-lenders who are assessed to income-tax might have decreased, or returns regarding their income have showed considerable reduction, but that does not mean that their business has actually decreased. I would rather say that they have devised methods of evading the assessment. The sub-division of their business, and not keeping of regular accounts, are the usual tricks played by them.

A money-lender is far more supreme at present than he was about thirty years back. In eighties his relations with the zemindars were cordial, the village community was compact; he was not then exploiting

the zemindars, but was leading a life of a fellow of theirs. It was a common assertion by him everywhere stating that he lived in the village because of the zemindars permitting him to do so. He depended for the supply of fodder for his cattle on the zemindars, and his life and property was not as secure as it is to-day. He depended for protection considerably on his fellow-villagers. With the progress of time he became absolutely independent of his fellows, and began to exploit them and was no longer sympathetic with them. His life became self-contained, and the relations between him and the other communities of the village no longer remained as brotherly as before, but eventually became that of a master and a servant. The villagers are now under his thumb. He can make them do whatever he likes. In a district like Jhang, where there are big zemindars predominant in the district, the activities of at least ninety per cent amongst them are controlled by the money-lenders. He acts as their guide and master.

The co-operative societies have affected his business to a considerable degree, but they have not affected his supremacy, at least in many of the districts of the province. In C and D class societies, which form a majority of the societies in the province, the members deal both with the societies and money-lenders.

The rise of agriculturist money-lenders has not proved a menace to him. It is only the Sikh agriculturist money-lender who has affected his business to a considerable degree, but that has not prevented him from creating another clientele from amongst the agriculturists. The civil courts, not even in 1 per cent cases, examine the interest charges being excessive. The decrees are usually awarded at the rates claimed by the money-lenders, and the Usurious Loans Act is a dead letter.

In the year 1926-27 difficulty must, however, have been experienced by the money-lenders in the recoveries of the amounts from the agriculturists for a large number of cases had been filed for the recovery of their debts on account of an amendment in the Limitation Act, but in ninety per cent cases the money-lender is satisfied if a renewal of his loan is undertaken by the borrower. About fifty per cent cases are compromised by effecting part payments of the loans and writing down of a fresh deed for the remaining amount.

Migration of the money-lenders to the town is not exceptional. All, irrespective of their being money-lenders or agriculturists, are shifting to the towns when they get money enough to build a house there.

The Sikh and Arain villages are being deserted by the money-lender not because of the apathy of the people in the villages, but because he cannot find people there to exploit. The Sikhs and the Arains are usually thrifty and do not fall a prey to money-lenders.

There is a tendency to start a commission shop in the local market town, but that is not with the idea of giving up money-lending; on the other hand, the underlying motive is to extend money-lending on a larger scale.

In the Lahore District the banias have migrated to the town in comparatively larger numbers because of the various dacoities perpetrated in the district during past years.

I would not grudge any further facility allowed to the money-lenders for the recoveries of their loans, but I would suggest further protection also being afforded to the agriculturists in case they prefer joining co-operative societies. Some sort of legislation that would prevent their having dealings with other agencies besides the co-operative society they join seems to be a necessity. Without this the fate of cultivators may be considered to be doomed.

12. (i) All classes of rural money-lenders in my circle lend on the security of jewellery. This type of Pawn broking. business is not confined to any special class. Women of the money-lender class, however, seldom issue loans without the security of jewellery.

(ii) Besides jewellery, household utensils are also taken as security, especially from Chamars, Christians and Chuharas. Valuable clothes are also stated to have been pawned in some cases.

(iii) The proportion of the value of goods pawned, which is usually advanced, is as below :—

| | <i>Per cent.</i> |
|--------------------------|------------------|
| Gold jewellery | 50 to 60 |
| Silver jewellery | 30 to 50 |
| Utensils | 30 to 60 |
| Clothes | 15 to 30 |

(iv) The money-lender himself undertakes the valuation. He does not get it done by anybody else. Nothing is charged for valuation. In certain cases jewellery has been smelted in order to see the quality of the metal before the advancing of loans.

(v) The usual period within which goods must be redeemed is as below :—

- (a) Gold and silver jewellery 1 to 2 years.
 (b) Utensils and clothes 1 to 6 months.

Punctual payments of interest are stressed upon in very many cases.

(vi) No special godowns are hired for the storage of goods pawned by money-lenders. They usually keep their own safes in which they keep jewellery. It has been pointed out that in very many cases the money-lender in turn pawns the jewellery held by him as security with the money-lender in the town and secures money on its security.

(vii) There is not much difference on the rate of interest in the case of rural money-lenders when loans are advanced either on personal security or on the security of pawned goods. The rate is usually

from 18 to 24 per cent. In the case of loans advanced by women, the rate is about 37½ per cent. If loans are obtained from a city money-lender, more favourable rates can be obtained for loans on the security of jewellery. The rate is stated to be from 9 to 12 per cent. It is for this reason that some of the zemindars who want to get loans on the security of their jewellery prefer approaching the city money-lender than the rural one.

(viii) The rates of interest do not show any remarkable variance with the amount and duration of the loans.

(ix) The money-lender seldom complains of losses in connection with his pawn-broking business. In some cases when a theft has occurred in the house of a money-lender and the pawned goods have been stolen, the loss has been suffered by the people who pawned the goods, and not by the money-lender.

In one case the money-lender suffered a loss on account of jewellery having been found to be of base metal. As soon as the fact came to light, the matter was reported to the police and the accused was punished by the court for cheating.

(x) In case a borrower stands in great need of money he goes round with his jewellery to borrow. The money-lender insists on pawn-broking loans when he considers that further advancing of loans to the borrower is not quite safe.

The borrower does not usually offer his jewellery as security in order to obtain more favourable terms. He usually does so in order to get a loan which he would not otherwise be able to do.

(xi) Enquiries made in three villages show that the proportion of pawn-broker loans to the rural debt is about 10 per cent.

16. Cheque bonds are now being used by all societies in my circle whether affiliated with the central banks or with the unions.

Cheques. Current accounts are being kept by the Lahore Central Bank, Limited, alone. During the last twelve months it issued 420 cheque books containing sixteen cheques each.

There are only two societies in this circle which have been using cheques for issuing loans to their members. The societies are the North Western Railway Employees' Society and the second one is the Iohra Village Co-operative Credit Society.

The system of issuing loans by cheque can only be introduced, amongst the societies composed of educated people, with advantage.

The cheques are not readily accepted in the villages, hence their use cannot be extended to all concerned.

23. The practice exists of the landlords making advances to their tenants, especially in tracts not irrigated by canals. Dealings with the landlord and tenant money-lender.

(a) (i) The advances are not always made for all purposes, but are made usually for the purchase of bullocks and seed.

(ii) In case of advances for the purchase of bullocks the tenant keeps the advances with him so long as he cultivates the land. He has not usually to pay interest in cash, but in some cases he pays in kind, in the form of grain or fodder.

He has to repay the advances for seed on the maturity of the crop, and he usually does not pay any interest on such advances.

(iii) The Muhammadan landlord usually charges no interest.

(b) I know one village in the Lyallpur District in which the tenants make advances to their landlords. The advances are at the rate of Rs. 500 per square. So long as the tenant cultivates the land the advance given by him is kept by the landlord free of interest. The practice has now been changed by some of the Hindu landlords of the village who, instead of taking Rs. 500 as advance from their tenants, now charge Rs. sixty per square every year, the amount being equivalent to the interest on Rs. 500 at the rate of 12 per cent.

24. (i) No amount in principal or interest had been written off as irrecoverable by agricultural credit societies finally liquidated during the year 1928-29.

Bad debts.

(ii) The number of D class societies in my circle is more than 100. The loans with some of the Christian members of the societies may have to be classed as bad debts for they do not own any property, have left the villages and their whereabouts are not known. The percentage of such bad debts to the amount advanced by the agricultural credit society would be about 5 to 7 per cent.

(iii) The amount written off as irrecoverable during the last ten years by—

(a) (i) Central banks in principal was Rs. 14,000 ; and

(ii) Interest about Rs. 1,000 ; and

(b) By unions nil.

Bad debts in the case of central banks have been due to an embezzlement committed by the manager of a co-operative commission shop started at Pattoki.

25. There is a demand for more credit societies in my circle, but it is not strong. The demand is not being satisfied on account of the paucity of staff. The difficulty of not getting the necessary funds does not stand in the way. The condition of the societies in the circle is bad, and the present staff is hardly adequate to supervise their work.

**Oral evidence of Syed Zahur Hussain, Assistant Registrar,
Co-operative Societies, Lahore district.**

Chairman.—You are Assistant Registrar at Lahore?—Yes.

Does your circle consist of the district of Lahore only?—Yes.

How long have you been Assistant Registrar here?—Since November last.

Where were you before that?—At Campbellpur.

How much service did you have in Campbellpur?—About 2½ years.

Did your circle include Mianwali also?—Yes.

Where have you had most of your service?—In Jhang district.

How long were you there?—For four years.

What service have you in the Co-operative Department?—About eleven years.

You can, therefore, speak for Jhang, Mianwali, Campbellpur, Rawalpindi and Lahore?—Yes.

Had you served in the Lahore district before you came here as Assistant Registrar?—No.

Then the information given in your note is to some extent the result of consultation with your staff?—Yes.

You say that some cultivators in the proximity of Lahore have given up their lands temporarily. Is that for want of capital or want of rain?—For want of capital. They could not get money for seeds. There were six from one village, five from another and three from the third. They could not get seeds to continue their cultivation.

Were they owners or tenants?—Some were owners, three or four tenants.

Do you suppose that such cases are common in this district?—No.

Have you often come across such cases elsewhere?—Not often. It is not common.

The figures that you give us for borrowing in thirty A and B societies show a very high average per member. The amount is Rs. 419, and is very much higher than any figure we have had from any other district. The area is canal irrigated.

To what tahsil do these thirty societies belong?—To all the tahsils.

So they can be taken as typical of the whole district?—Yes.

Do you think it is due to the fact that the holdings in this district are larger than in other districts?—It might be so.

Or do you think it is due to extravagant expenditure?—Partly due to that also, because in A and B societies the members are not addicted to so much extravagance as in other societies.

You say that some persons have tried to secure loans under the Land Improvement Act, but have not been able to get them. Do you know particulars?—No, Sir, I do not know the reason. They went to the Tahsildar and were refused.

How many cases have you in mind?—There were six cases in one village.

Did they want loans for sinking wells?—Yes.

Do you happen to know whether money was available?—I cannot say.

You say that the effective rate of interest in the case of taccavi loans varies from ten to fifteen per cent. Is that the result of personal enquiry?—Yes.

Would you say that this district was financially backward compared with other districts in the Central Punjab, such as Sialkot, Jullundur, Hoshiarpur?—I do not think so.

Is it so from the co-operative point of view?—Yes, Sir.

What is that due to?—It is due to the societies not having been properly looked after on account of paucity of staff.

You say that the money-lender is more supreme at present than he was about thirty years back. Do you mean than he was when the Land Alienation Act was passed or still further back?—I meant that the money-lender is more supreme at present than he was forty or fifty years ago, or even thirty.

Would you say that applied to the northern and western Punjab?—Yes.

You think that the villagers both in the Lahore district and also in the northern and western Punjab are still under the money-lender's thumb?—Yes, Sir.

Then why are money-lenders shifting to the towns which is what you say?—They are shifting to the towns not because they want to stop business in the villages, but because there is a general tendency among the people to come to town where there are more amenities of life. In some cases there have been robberies and thefts committed on village *bantias* which has also led this class to move to the towns.

Did you find the same tendency in the northern and western Punjab?—Yes.

To what type of towns were they going?—They would go to, say, Rawalpindi.

In Mianwali where would they go?—Where there have been no towns they have been created by these people.

But are the amenities of those small western towns enough to tempt them to leave the village?—They have the advantage of having the civil courts near by, and they can get fruit and other articles not available in villages.

Do you not think it is due to difficulties in their business?—I do not think so.

You express yourself in favour of some sort of legislation that would prevent members of co-operative societies having dealings with other money lending agencies. Have you thought what kind of legislation would be necessary?—Yes, Sir. When a person joins a society, legislation should provide that his property should not be attachable by any other agency. In order to inform the other agencies before a member joins, the fact of his joining a society should be notified and all his creditors should be informed (just as in the case of a court of wards) to put in their claims against the person going to join a society, and then the society may admit him. The liability of all those claims made by creditors at the time of his joining may be admitted. If afterwards anybody lends him he will do so at this own risk. This will have two advantages, firstly, the society will know the economic position of the man, and, secondly, his previous creditors will be safe and their debts will not be in danger. Thus the credit of the person joining the society will be restricted.

Does that not assume that the societies will be able to finance their members entirely?—I assume that, and they should if a member joins under that condition.

Is that not far from being so?—Not in A and B societies. But in C class societies it is so, and that is why societies do not work well and members do not derive benefit from them, for they go on dealing with outside agencies.

But would the C class societies be able to finance their members entirely?—I think they would. But they would then have a very good quality of members.

Do you not think fewer people would join them?—That would be the case, for only solvent people would join the societies. Now after five or six years some people are found to be insolvent or borrow from money-lenders to pay the societies and have ultimately to leave the societies.

You speak of certain experiments for the settlement of old debts in this district, have any experiments been made in the districts you mention in the northern and western Punjab?—I do not know.

We were told recently that girls of marriageable age are sometimes pledged informally as security for loans. Have you ever come across a case of this kind? No. But I have heard of another instance in the Muzaffargarh District where wives are pledged for loans.

Have you served in that district?—No, But I have served near that district, in Mianwali.

Did you hear this on good authority?—Yes, a Government official of the Revenue Department said that.

You say that sometimes a money-lender who does pawn-broking will re-pawn the jewellery with an urban money-lender. Is that at

all common?—It is not common but it has been stated that this is being done by money-lenders near Lahore.

Is it a new thing?—I do not know.

You say that the rate of interest when jewellery is pawned is nine to twelve per cent. Do zemindars realize that the Imperial Bank will now advance money at seven and $7\frac{1}{2}$ per cent on ornaments?—They do not know it.

If they knew it do you think that they would avail themselves of the facility?—I think so.

You say that the borrower does not usually offer his jewellery as security in order to obtain more favourable terms. Is he deterred from doing so by considerations of *izzat*?—It is only under stress of circumstances that he is forced to do that.

But if he can raise cheaper money by pawning his jewellery?—Previously it was *izzat* that deterred him.

You say that the village society of Ichhra is issuing loans by cheques. Who are the members of this society?—Are they zemindars?—There are mostly salary earners in that society.

Government servants?—Yes.

That accounts for their being so up-to-date in their business?—Yes.

You are, I imagine, intimately acquainted with the financial arrangements commonly made between landlords and tenants. On the whole do you regard them as satisfactory?—They are satisfactory.

Is a tenant in a better position than a small land-owner in that he can get his finance from his landlord at more favourable rates, sometimes without even the payment of interest?—Yes, Sir.

You speak of one village where tenants made advances to their landlords?—Is it really an advance or of the nature of a deposit as a pledge that rent will be paid?—I enquired about this, and they said it was a custom there and they name it *taccavi*.

Lala Harkishan Lal.—That means an advance?—They give Rs. 500.

Is it an advance payment of rent?—They do not take it so.

Chairman.—Is it a real money-lending transaction?—Yes. Because the Hindu landlords in that village have given up this practice and are charging Rs. sixty per year from the tenants.

Is that repaid?—No. It is not repaid.

Lala Harkishan Lal.—Then it is not an advance?—But it is repaid when they leave.

Never before?—No.

And the Rs. sixty, are they repaid?—No.

Chairman.—Does the Rs. 500 carry interest?—No.

You say that the percentage of bad debts amounts to five to seven per cent. To what societies does that apply?—To village societies here in which there are many Christians and *kamins*.

Approximately how many societies are involved?—About 100 societies.

Do you mean that in the case of 100 societies five to seven per cent. of the amount advanced is likely to prove irrecoverable?—Yes.

In your experience is that very exceptional?—Yes.

When did this embezzlement of which you speak, occur in the Commission Shop at Pattoki?—Many years ago. I do not know the details of it.

You say that the demand for credit societies is not strong. Why is that?—The reason probably is that there are about 100 D class societies, and their instance discourages these people from asking for these societies. In other districts we undertake propaganda and after that we receive applications, but here we cannot do that.

Is that because the staff is not sufficiently strong for the purpose?—Yes.

Was the demand strong in Mianwali and Campbellpur?—Yes.

Was it being fully satisfied?—It was not being fully satisfied.

Why?—Paucity of staff.

Lala Harkishan Lal.—In regard to the scheme you put forward you suggested that when a person wishes to join a co-operative society his creditors should come forward and put in their claims to the society, and that only those creditors will be liable to recover their claims who put forward their claims. If anybody fails to answer the advertisement he shall not have any authority to attach the property of the man. Do you mean that those who do not respond to the advertisement should be debarred before a court of law from doing this?—I mean that he will not be able to recover his dues by attaching his property; he may recover otherwise through the court of law, if he can.

He will have a remedy in a court of law but not in the society?—No, he will have no remedy either in the court of law or in the society, in laying his hands on his property.

You mean that he may have a remedy in a court of law, but that his property would be immune from attachment?—Yes.

Supposing a man has good reason for not answering the advertisement, he may be away, or is in prison, etc., when this advertisement is put in?—I would allow six months. Wherever he may be he should be able to know about it, in that time.

Is your experience that six months is sufficient to inform everybody of the fact?—Yes.

What about the claims that come in?—Would they be able to recover from the property or not?—They will be recoverable from that man.

Supposing they are a very large amount, then how would the society cover them?—The society will not cover if it finds the man insolvent. He will not be admitted.

You mean then that after the legislation you will only admit solvent men?—Yes.

Supposing that a man says that he does not owe any debts and the creditor says he does, who will make the enquiry?—The law court will decide.

Your idea then is that the loans should be registered and the society should have the means of knowing beforehand how a man stands before he is admitted?—The whole idea is to restrict the credit of agriculturists.

After he applies for admission?—Yes.

Chairman.—You mean an agriculturist who joins a society?—Yes.

Lala Harkishan Lal.—You said that in the Lahore District the money-lender is stronger than he was many years ago. Does that mean that the lot of the co-operator has not improved in any way and he is still in the clutches of the money-lender in this district?—The co-operative societies have touched only a small percentage of the population of the Punjab and, again, the number of A and B class societies is small so that the societies have not affected the business of the money-lender to an appreciable degree and he has been able to find his clientele elsewhere.

So that the whole thing is that the co-operative societies have not affected the money-lender to any appreciable degree?—Not the money-lender's supremacy.

Khan Bahadur Chaudhri Sultan Ahmad.—You have stated that the co-operative movement is not popular in the Lahore district?—I have not said that it is not popular; it is thriving, but some of the societies are bad; so the people are not demanding more societies spontaneously.

You say of course that the expansion is restricted?—There is room for expansion, and whenever staff is available, I think, the number would be increased.

I wanted to know whether the majority of the zemindars in Manjha did not want the co-operative societies because they themselves were money-lenders or they did not seem to be in need of money that your movement had not extended?—That is not the main reason for it in Manjha.

How have you been able to manage societies in Campbellpur; did not the factions of Awans affect the villages?—There we have solved this difficulty by having a society for each of the factions separately.

Khan Bahadur Chaudhri Niamatullah.—I divide the debt into two classes: (1) that due to the co-operative societies and (2) due to the money-lenders. As regards the districts of which you have experience can you say whether the debts were incurred for productive purposes or for unproductive purposes?—From the co-operative societies the members generally borrowed for productive purposes, but from other agencies they have not borrowed mainly for productive purposes, for it is difficult to know for what purposes they borrowed from the other agencies, because there they are not bound to name the purpose. At any rate if they had not borrowed from other agencies, the indebtedness would not have increased to such a high figure.

Can you suggest any remedy for the increase of this indebtedness?—I have already made suggestions to that effect in my note.

Many agriculturists have agreed before us that if once the society liquidates all the debts of an agriculturist, the subsequent borrowings from an agency other than the co-operative society should be declared void, but the difficulty is that there is a limit fixed for each member, and if the member has reached that limit he cannot borrow more even for absolute necessity?—There is no provision in the bye-laws that he cannot be advanced more than his maximum credit limit. It has been laid down therein that if a man requires more than the maximum credit limit, he can borrow with the sanction of the Registrar. So I don't think there will be any difficulty in that respect.

Is there any difficulty in realisation of decrees?—It is so difficult that we consider it an insurmountable obstacle. The only remedy that I can suggest is that the High Court should be moved to place at our disposal the services of bailiffs, who should work under the control of the societies, and the latter should see that the man is honest in the discharge of his duties. I have had experience of a bailiff in Jhang. That man did very good work, and the percentage of recoveries was also high. Subsequently when the High Court proposed that the bailiffs should work under the control of courts, the man who was given to us proved so corrupt that the recoveries became simply impossible.

Is there any system of compulsory deposits in Lahore and Mian Mir?—In certain societies it exists. Besides we have twenty thrift societies. They all belong to teachers.

Are there any agriculturist money-lenders in this district?—In this district mostly Sikh agriculturists are money-lenders; in the Campbellpur district there were very few agriculturist money-lenders.

What is their rate of interest and what is the rate of interest of the co-operative societies?—Their rate of interest is greater than that of the co-operative societies.

Do you happen to know any agriculturist money-lender who is also a member of a co-operative society?—I cannot say definitely, but there may be such members.

Lala Harkishan Lal.—Does not the Nawab of Kala Bagh do money-lending now?—He is dead. S. Muhammad Nawaz advances money to his tenants free of interest.

Chairman.—Would you say that co-operation had been markedly less successful in Lahore than in many other districts in the Punjab?—No, Sir; the societies that have worked properly have worked wonderfully well, but the societies that have not worked well, it is on account of lack of supervision.

I am not asking for reasons, but only whether the societies here have succeeded as well as those in other districts?—It is not markedly less.

What is the number of A class societies here?—833.

And D class?—120.

That is about sixteen per cent.?—Yes.

Is it not the case that for the Punjab as a whole these societies number only 4·5 per cent.?—The figure is very high in this district.

How do you reconcile that with your statement that co-operation has been as successful here as elsewhere?—A and B class societies have done very well and C class societies here are better than C class societies in other districts.

How many C class societies are there?—96.

What is the percentage for the whole Punjab?—I cannot give the figure for the province, but in Campbellpur and Mianwali the percentage is lower. We have also to take into consideration 190 unclassified societies in the district also.

Would you say that co-operation is vigorously established in Lahore?—I don't say that.

Would you say that it is as vigorously established in Jullundur and Gurdaspur districts?—I think so.

Would you say then that if the supremacy of the money-lender in Lahore has not been seriously affected, it may be because co-operation is not fully or vigorously established in the district?—That may be so, but I can name several districts where his supremacy is as great as it was before, and where co-operation is established.

I am coming to the two other districts which you know well, Attock and Mianwali. How long has co-operation been really going ahead in those two districts?—For the last six or seven years.

How long is it since co-operation has been going vigorously ahead in Jullundur, Hoshiarpur and Sialkot districts?—More than twenty years.

Then if the position of the money-lender has not been seriously affected in Attock and Mianwali, it may be because the movement has not yet had full time to affect the districts as a whole?—That may be so.

What is the number of societies in Attock district?—It is about 450.

And in Mianwali?—It is about 400.

They are less than half the number in Jullundur and Hoshiarpur?—Yes.

What is the average number of members per society in Campbellpur?—About 25.

And the same in Mianwali?—Yes. Taking the case of Lyallpur district, there co-operation has taken firm roots, and yet the supremacy of the money-lender is there; it has not decreased.

That is hardly the impression that we got at Lyallpur.

(Witness withdrew.)

**Oral evidence of Chaudhri Jowala Parshad, Inspector,
Co-operative Societies, Lahore.**

He stated that he was inspector for the Lahore City only. He made the enquiry regarding market gardening in Lahore a report of which was submitted by the Assistant Registrar. The total area of 343 acres was cultivated by fifteen persons of whom seven were owners and eight tenants. The largest holding cultivated by one person was fifty acres. He does not cultivate the land himself but employs five or six labourers and supervises their work. The smallest area cultivated by one man is of $5\frac{1}{2}$ acres. All these people are Arains. Eight persons have not borrowed any money for their business but carry on with their own capital. They use it on one crop and utilize the proceeds for the next. Two landlords and three tenants are entirely free from debt. The two landlords own 150 acres and ten acres, respectively. The ten acres man manages to keep out of debt by industry and thrift. He is a lambardar and owns his own house in Shish Mahal; he also owns some land in a village in Lahore tehsil. The three tenants cultivate 25, ten and $5\frac{1}{2}$ acres. The ten acre man said that he had five members of the family, who all worked and managed to live on what they got from the land. The sons are grown up and about fifteen persons live on the produce of the land. Their land lies in Bela Basti Ram. They pay rent in cash. Witness thought it was about Rs. 36 per acre.

All said that they paid the sahu-kars 24 per cent interest on new loans, on old loans renewed, the rate was 12 per cent. Excepting that one owner had 150 acres and one tenant cultivated 100 acres, the conditions may be said to be typical of market gardening in Lahore. The man, who cultivates 100 acres, owns 62 acres and rents the rest. In fifty acres he plants potatoes. He employs labour as required and is indebted only to the co-operative society.

The return on capital in this kind of gardening would be 7 to 10 per cent including labour. They get better prices if they take their produce to the market. A man buying a standing crop pays about 25 per cent less than what would be got in the market. He has to pay nothing for harvesting it, but will have to pay for keeping a guard over it and for the cost of carriage to the market. Taking all these expenses into consideration the difference between the price of the standing crop and what it would fetch in the market would come to about 20 per cent. Those who are not in debt do not take the trouble to bring their produce to the market. The following is the state of the societies to which these people belong:—

| <i>Names of Society.</i> | | <i>Working capital</i> | | <i>No. of members.</i> |
|--------------------------|----|------------------------|--|------------------------|
| | | Rs. | | |
| Bela Basti Ram Aziz | .. | 64,000 | | 42 |
| Jia Musa | .. | 25,000 | | 57 |
| Sandha Kalan | .. | 99,000 | | 104 |

| <i>Name of Society.</i> | <i>Working capital.</i> | <i>No. of members.</i> |
|-------------------------|-------------------------|------------------------|
| Sandha Shamsuddin | 14,000 | 30 |
| Sandha Pir Bakhsh | 5,000 | 21 |
| Shamasuddin Nau | 9,900 | 38 |
| Shish Mahal | 69,000 | 58 |

Of these no member of the Bela Basti Ram Aziz Society goes to a sahuakar ; of the Sandha Kalan society four deal with sahuakars. These people have exhausted their maximum credit limit and their financial position does not admit of an extension of their limit and they are repaying their old loans satisfactorily. Such people do not borrow for agricultural purpose only but also for marriages and other purposes.

(Witness withdrew.)

Oral evidence of Sardar Jit Singh, Sub-Inspector, Co-operative Societies, Urban Areas, Amritsar.

He stated that he had made enquiries about gardens in ten cases, five of which related to the city of Amritsar and five to a village called Sultan Wind. He was asked by the Chairman to submit further particulars, which were specified, to the Committee after due enquiry.

He stated that these cases were typical of the type of farming that goes on round Amritsar. Loans are taken from sahu-kars without security. As the sahu-kars get the other benefit mentioned in the note submitted the rate of interest charged is only twelve per cent. The produce is sold through the sahu-kars according to agreement. If a crop is sold standing, through the sahu-kars, they charge five per cent commission, if it is brought to the market they charge Rs. 3-2-0. One sahu-kar has earned as much as Rs. 2,000 per year in commission alone. As the sahu-kars are sure of recovering their money the rate of interest is only twelve per cent. On the average, taking commission and interest, the sahu-kar earns about 7 per cent on the sale-proceeds. All the ten cases are residents of the Amritsar District.

(Witness withdrew.)

Mian Kartar Singh, Assistant Registrar, Co-operative Societies, Amritsar.

3. (i) Yes, the ordinary cultivator gets on the whole as much capital as he requires for his legitimate and ordinary needs.

(ii) Certainly he would be in a better position if he is able to secure more capital than he requires now, for land improvement.

4. *Increase in debt.*—(1) On account of high prices, there has been a great increase in the price of land.

(2) As the money-lender does not think it safe to advance money on personal security, so he naturally prefers land as better security for his investment.

5. *Land improvement.*—(i) No instance has come to my notice wherein a person who wishes to improve his land could not secure necessary capital, simply because this tendency towards land improvement is rarely found among the masses.

(ii) Village money-lender does not advance money so freely for land improvement as he does in case of matrimonial cases. Because by doing so his bargain is more profitable on account of high rate of interest and other privileges that he enjoys.

(iii) In connection with paragraph 360 of the report of Royal Commission on Agriculture, no enquiry has been made on the subject, yet there is tendency among the zemindars to take loan apparently for improving the productive capacity of land, but in reality they spend the money for repayment of old debts which bear exorbitant rates of interest.

(iv) As regards working of Land Improvement Act in paragraph 359 of the report I have got nothing further to comment upon.

6. *Agriculturists Loans Act.*—(i) As to the Agriculturists Loans Act it has proved of immense use to the zemindars but there is nothing to be added to the Report of the Royal Commission on Agriculture.

(ii) I have seen that this Act was being followed in some places of the Gurgaon District, as to its use I would say that it should not be confined to times of emergency that is of drought and floods, but it should have its full play in normal times even, so that public may be benefited to a greater degree.

(iii) The members of co-operative societies must avail of this Act by all means.

Under the act the Government should advance loans to financing institutions which can give loan to their constituents.

Central Banks and societies should have long and short term accounts separately. The societies should advance loans on the security of landed property without possession. But surely this method would involve many complications.

(iv) So far as knowledge of the staff goes, incidental charges are really heavy under Agriculturists Loans Act.

The rates in most cases have almost been doubled, In addition to this, a good deal of inconvenience and hardship one has to bear in transaction with the local authorities.

11. *Jewellery*.—(a) The purchase of jewellery is greatly decreasing in these days on the following grounds :—

(i) (a) The goldsmith is leaving the village for town on account of decreasing demand for the jewellery.

(b) The jewellery is not so visible as it used to be in the past on the person of fair sex.

(c) Number of agents who were formerly sources of income to the goldsmiths is decreasing day by day on account of less demand for jewellery.

(d) The *sarafs* in urban area generally complain of the dullness of the market in case of purchase of gold and silver by the rural goldsmiths.

(e) In certain cases, hard cash is given as dowery instead of jewellery on matrimonial occasions.

(ii) The following reasons are responsible for the decrease of jewellery :

(a) There is general education among the masses.

(b) There is constant failure of the profitable crops.

(c) The low prices have badly told on its decrease.

(d) The fashionable clothes have taken the place of jewellery to a great extent.

(e) There is land-hunger among the peasant class.

(f) General tightness of the money market has led people to pawn their jewellery for the finance of their current needs and reduction of *sahukari* debts.

(g) There is great decrease in the purchase of jewellery on the part of *Akali Sudhar Committees*.

(h) Propaganda work by Rural Community Council has effected its decrease to a good extent.

(i) There is imitation of gold and silver work in ornaments and the womenfolk prefer to wear such jewels because they are more gaudy and showy.

(j) There is tendency for high standard of living in rural areas.

(k) In some cases, the people don't purchase, on marriage occasions, fresh gold or silver but remould the old ornaments to meet their emergency.

(iii) Very little money is saved in hard cash.

There is only a small number of intelligent and thrifty zemindars who save from the decrease in jewellery and invest either in land or lend the money to borrowers.

In many cases money thus saved is spent on fashionable clothes.

Some of them also deposit their savings in co-operative credit societies. These latter in reality can be counted at finger's ends.

(b) It does not arise in this district, as there is no canal colony.

12. *Pawn-broking*.—(i) Lending on the security of jewellery is generally confined to Khattris, Aroras and Brahmins rural money-lenders, only, though a few of the zemindars also advance against jewellery.

These latter in general lend money on the security of land only.

(ii) No other moveable property except jewellery is accepted as security by the so-called rural money-lenders.

There are few cases here and there in which petty shop-keepers have also lent out small sums to menials on the security of metal utensils.

(iii) Sixty per cent of the value of gold ornaments is advanced in case of pawn-broking, while in case of silver ornaments 40 per cent is loaned out to the borrowers.

(iv) Non-agriculturist money-lenders do the valuation themselves, while agriculturists get it done by the gold or silver smiths. Nothing is generally charged for valuation in the villages.

(v) Money-lenders press the borrowers for the redemption of goods pawned when principal and accumulated interest begin to near their total market value, but invariably before the expiry of 3 years so that the bonds might not be time-barred.

(vi) In view of answer No. (ii) it does not arise.

(vii) Usual rates of interest charged on loans against personal security range from 25 to 37½ per cent per annum, while the prevalent rate of interest on the security of jewellery is 18½ per cent per annum.

(viii) In general, the amount and the duration of the loan do not much affect the rate of interest.

(ix) In certain instances losses arise from the following causes—

(1) Loss from theft.

(2) Decrease in the market value of jewellery after advancement of loans. In such cases borrowers never desire to redeem the goods pawned.

(3) When principal and interest exceed the value of jewellery pawned.

(x) In 80 per cent cases pawn-broking loans are made rather than unsecured ones at the instance of the money-lender in order to obtain better security and freedom from extra

troubles in recovery, while only 20 per cent are made at the instance of some intelligent and substantial borrowers in order to secure more favourable terms.

(xi) The ratio according to the opinions of the staff hardly reaches 1 : 20.

15. *Savings.*—(i) (a) In Amritsar Central Bank apart from general acceptance of deposits, the saving bank account is opened for not less than Rs. 5, but subsequent deposits are received in sums not less than Rs. 2.

(b) In some banking unions saving bank accounts are opened for at least Rs. 5, in the beginning and later on Rs. 2 minimum deposits are accepted.

In Tarn Taran Union even the illiterate persons are allowed to keep their deposits in the saving accounts in order to encourage thrift among the people.

More facilities are afforded in case of deposit of thrift societies in the secondary institutions.

(ii) Having regard to resources of financing institution they can accommodate more saving accounts.

(iii) There is no commission shop.

(iv) I have come across the working of two Central Bank branches, which have done nothing in the matter of attracting deposits, but they are proving useful to a certain extent in facilitating the transaction of affiliated societies.

In spite of this I would advocate the establishment of such branches at suitable places after studying the situation in the matter of attracting deposits.

(v) (a) In Central Bank the minimum of Rs. 100 is accepted in fixed deposit account and saving bank account Rs. 5, are accepted to open the account, but subsequent amounts of Rs. 2 are taken in this account.

(b) In case of banking unions the minimum amount in fixed deposit account is Rs. 50.

For saving bank account, please see (1) (a) and (b) above.

(vi) (a) In Central Bank, Amritsar, there were 140 saving bank accounts on 1st February 1930.

(b) In banking unions there were 109 such accounts on the same date.

(vii) (a) In Central Bank, Amritsar, common rate of interest is Rs. $4\frac{1}{2}$ per cent per annum.

(b) In the Unions as well the rate of interest is the same.

(viii) (a) Rs. 100 can be withdrawn in a week and Rs. 500 on fortnight's notice from Central Bank, Amritsar.

(b) No notice is required for the amounts varying from Rs. 100 to Rs. 400 in various Unions, but for further amounts one week's notice is needed for withdrawal of Rs. 300 to Rs. 1,000.

In case of amounts greater than Rs. 1,000 two weeks' notice must be given.

16. *Cheques.*—(i) Central Bank, Amritsar, is using cheques in the case of floating accounts and cheque bonds in case of societies.

(ii) The use of cheques can be further extended in case of Co-operative Thrift and Savings Societies.

17. *Mortgage Banks.*—It does not arise as there is no mortgage bank in this District.

18. *Competition with Joint Stock Banks.*—Yes, there is competition with Imperial Bank and other Joint Stock Banks in case of fixed deposits regarding rate, facility in withdrawal of the deposit and overdraft against deposit.

19. *Transmission of funds.*—(i) Funds are transmitted by financing institutions to their constituent primary societies in 90 per cent cases by personal attendance and 10 per cent by money-order, while transmission by the societies to financing institutions is made by money-order in about 25 per cent cases. Financing institutions are composed of one Central Bank and six Unions.

Insured letter system is totally stopped.

(ii) Personal attendance is mostly resorted to.

(iii) In view of the prevalent illiteracy among the masses, if money-order commission is totally remitted, then this system can much facilitate transmission of funds or by opening branches of central banks in suitable quarters of the district.

20. *Central Banks.*—No central bank does any banking business other than what is common to all central banks.

22. *Special loans for repayment of old debts and land improvement.*—The Central Bank, Amritsar, has never issued any special loan for repayment of debt and land improvement, but Tarn Taran Union has advanced Rs. 2,000 for repayment of old debt. Information regarding period for repayment is not available.

PART VI.

Answers 7 and 8, Savings and investments.

(i) Khatri, Aroras, Sud, Jaines, Marwaries and Banias are habitually thrifty in the district.

(ii) There is no class of persons which is in the habit of keeping accounts of expenditure and income (other than those relating to business) with a view to savings.

8. (i) The zemindar generally invests his saving in land or lend money or in rare cases deposit his surplus money in co-operative societies.

(ii) In this district the people do not keep their money with other than Co-operative Institutions or commercial banks.

(iii) Yes. It does bear interest.

(iv) No purpose is mentioned at the time of making deposits.

**Oral evidence of Mian Kartar Singh, Assistant Registrar,
Co-operative Societies, Amritsar.**

Chairman.—Are you Assistant Registrar, Co-operative Societies, Amritsar?—Yes, sir.

How long have you been here?—Hardly a month.

Where were you before?—I have been in five districts, but I am coming now from the Muzaffargarh District.

How long have you been in the Co-operative Department?—About ten years.

What part of the Punjab do you know best?—I know the Hoshiarpur District best because I have been there for seven years.

Where do you come from?—I belong to the Una tehsil in the Hoshiarpur District.

I imagine that most of the facts given in your note are the result of consultations with your staff?—Yes, sir.

You say that nearly 7 per cent of the members of the co-operative credit societies repay their loans without being pressed. How have you worked out that figure so exactly?—Enquiries were made in respect of 160 societies and in case of A and B class societies it was found that only 20 per cent of the borrowers repay without pressure.

Who made the enquiries?—The sub-inspectors on the spot.

On the whole you think that the zemindar has sufficient capital?—Yes; in A and B class societies there is sufficient capital for the zemindars, but in C class societies the borrowers don't pay according to the instalments fixed, and consequently they have to go to the sahkars for further credit facilities.

Why don't they pay; is it their fault?—It is their own fault; they are not businesslike in most cases.

Do you think that most of those members who deal with the sahkars could avoid doing so if they were more businesslike, or is it the fault of the societies?—To some extent; the committee members don't press them. They are not so strict about the rules, but in some instances they are not businesslike themselves.

Speaking for Hoshiarpur, which you know so well, do you think that there the ordinary zemindar has enough capital to carry on his ordinary business, apart from the question of being able to improve his land?—I think enough capital is available.

Can you speak on the same question for any other part of the Punjab, Ambala for instance?—I don't think there is a shortage of capital. If one has to meet his demands, sufficient capital is available.

Apart from land improvement, which is a separate question, some people suggest that the cultivator would be better off if he got more

capital. Is it your view that at present he gets enough capital, and that, if he got more, it might be bad for him?—I think he can secure sufficient capital; but, if he gets more and does not apply it well for productive purposes, he will be in danger.

— Do you think most zemindars have sufficiently learnt the use of money to be able to use with advantage more capital if it were available?—There are very few men who have sufficiently learnt the use, and like to improve their lands; there is a very small tendency amongst the zemindars as a whole.

Do you think that most of them would be the better for having more money available, or would they be the worse?—I don't think it would be of advantage to them.

What percentage of the cultivators in the areas which you know best, for instance, Hoshiarpur and Ambala, have sufficiently learnt the use of money to be able to employ it more wisely?—About 10 per cent in general have sufficiently learnt the use of capital.

Would you find more zemindars in Hoshiarpur able to use money wisely than in Ambala; is there any marked difference?—There is so much difference between the two that, if there are fifty men in Hoshiarpur, there are only 25 in Ambala.

To what do you attribute that; is it the result of education or co-operation?—There are certain factors in Hoshiarpur, *e.g.*, enlistment in the army and secondary occupation.

Lala Harkishan Lal.—What is secondary occupation?—Employment in the Military Department or private menial service.

Chairman.—Do you find, for instance, that in Una, where people freely enlist in the army, the result has been to educate people in the right use of money?—They are more thrifty. They save a lot, and I think they have saved a good deal after the war.

Hoshiarpur, with its numerous high schools, is of course well known for its educational facilities. Has that been a factor in teaching people the right use of money? To some extent.

Do you know other parts of the Hoshiarpur District besides Una?—Yes, sir.

Do you think that co-operation has been a factor? Certainly.

Is there any other factor that is operating to make people more careful about money?—Necessity is the mother of invention. People are finding it more difficult to maintain their standard of living.

Which of these four factors—education, enlistment in the army, necessity and co-operation—do you regard as the most important from this point of view?—Co-operation is one factor and general education is the other.

You think, as education and co-operation spread, people will learn the right use of money? Yes, sir.

Has there been a change for the better in that respect during your ten years' service?—Yes; people have come to know the use of money. Formerly they did not know the use of money and they were taking loans for any purpose they liked. Now there is restriction and control in the co-operative credit societies and the committee would not advance money for extravagant purposes.

Do you anticipate that the amount of money available for the zemindars should be gradually increased?—By and by (gradually) it would be useful; not at once.

Do you think that the demand for money for the improvement of land is increasing; have you noticed any change in that respect?—As a whole they want money. Certainly the number has increased, but not much.

Do you think there is a perceptible improvement?—Yes.

In Hoshiarpur there has been a good deal of consolidation of holdings. In your experience has it generally strengthened the demand for money for land improvement?—Certainly.

What form does the land improvement generally take when consolidation has taken place?—They generally sink wells.

In villages which have not been consolidated, do you think that much money could be usefully spent in sinking wells; in other words, do you think that fragmentation is a very serious obstacle in the way of sinking wells?—Yes, sir.

Would you say that, broadly speaking, before much money can be usefully spent on land improvement in districts like Hoshiarpur and Ambala, where fragmentation is very bad, consolidation must take place first?—I quite agree. Consolidation should be taken in hand first; I think it is very important.

You say that one important cause of the increase in debt is the high price of land. Why should the price of land increase debt?—On account of high prices of produce; I am not speaking of the present time, but of past times. When there is a high price of produce, people generally mortgage the same land for higher prices.

You mean that less money can be raised when the price of produce is lower?—Yes, sir.

Why should they want to raise more money?—To meet the demand on account of the high standard of living and other necessities of life.

Do you think people are borrowing more because they can, owing to the high price of land, or from necessity, because they must?—To some extent they borrow on account of necessity, and some are in the habit of borrowing more, and they take money on the security of land. When they find that their land would fetch more price, they shift the land from one mortgagee to another.

Which is the more important of these two factors?—They borrow more because they can borrow more.

Because there is an increase of opportunity?—Yes, sir.

In a word, the credit facilities are greater?—Yes, sir.

You are in favour, I gather, of a fuller use of taccavi?—Yes.

Would you make advances through co-operative societies?—Through the central financing institution, and not direct to the co-operative societies.

And the central institutions should advance to the primary societies?—Yes, Sir.

At what rate do you think this business should be done on these lines?—The Central Bank would presumably pay the usual rate of $6\frac{1}{2}$ per cent.

What margin would you allow between the rates of the Central Bank and the primary societies?—At the most 2 per cent.

At what rate should the primary society advance to the members?—At 1 per cent more.

In that case the members would get the loans at between 9 and 10 per cent per annum?—I think the loans should be advanced at a rate not more than 9 per cent.

Are you in favour of this being done in normal, as well as abnormal, times?—Yes, sir.

Do you think that would tend to undermine the principle of self-help which is so important in co-operation?—The societies shall have to pay interest on that money, and moreover, if they have learnt the use of money and there is controlled credit, then there is no harm. No doubt there would be harm in cheap and facile credit; but, when it is controlled, there is no harm, and these loans will be applied in case of long-term credit.

Are you speaking then of the Land Improvements Act, and not of the Agriculturists Loans Act?—I am talking of the Land Improvement Act.

Why are you not in favour of short-term taccavi loans?—Because we have got sufficient money in co-operative societies to meet the demands of short-term loans and a zemindar can repay that short-term loan within the course of three years; but, if we advance any loan for land improvement, he cannot pay anything out of his income within three years. That would require a mortgage bank which may advance for ten or fifteen years. In some countries such loans are repaid within twenty or thirty years.

Are you in favour of short-term loans in abnormal times being made through co-operative societies?—Yes, sir, for seed, etc., and in case of emergency.

You speak of incidental charges being heavy when loans are made under the Agriculturists Loans Act. Have you made any specific enquiries about them?—I have heard from my staff in Amritsar.

Have they made enquiries?—Yes, sir.

Do you think that the purchase of jewellery is decreasing in the Una tehsil?—Yes.

In the Hoshiarpur District generally?—I think so.

Would you say the same of Ambala?—Certainly.

For what reasons?—The zemindar has got very little to invest. He invests the money, if any is with him, in land, or he lends to his fellow-agriculturists or he spends it on a high standard of living, say, fashionable clothes.

In your memorandum you say that the usual rates of interest charged on loans against personal security range between 25 per cent. and 37½ per cent., while the prevalent rate of interest on the security of jewellery is 18¾ per cent. Why don't the zemindars avail themselves of the lower rate of interest?—They feel shy because, if they take loans on the security of their ornaments, they think themselves degraded in the estimation of others, and the womenfolk don't like to part with their jewellery.

If a person were to mortgage his land without possession, would he be able to get money at a lower rate of interest?—The zemindars told us just now that that would slightly reduce the rate. I agree in that respect.

Is that also a matter of *izzat*?—I quite agree in that view.

Is that the case in Hoshiarpur and Ambala too?—Yes.

In your note you say that in the Tarn Taran Union even illiterate persons are allowed to open savings bank accounts. Is it not done in the Central Bank?—In the Central Bank they take deposits of literate persons only. There are a good many unions in the Hoshiarpur District, but none of them accepts deposits from illiterate persons. I have got experience of the Una tehsil. There in our union they get deposits from illiterate persons.

Why don't the unions do it?—What is the difficulty?—I think they have not sufficiently taught the people.

Has the Tarn Taran union experienced any difficulty?—No.

Then you see no reason why it should not be extended everywhere?—Yes.

You say that the insured letter system is totally stopped for the transmission of funds; why is that?—The zemindars feel inconvenience in this system. They don't like this system, and sometimes mischief is played in insured letters, and the illiterate zemindar is afraid of that. It has not proved successful in the Central Bank.

Have you come across any cases of fraud or negligence?—I have not come across any such cases, but I have heard from the manager, who is coming next in the witness box.

How many people have been employed to cultivate this area?—I have not enquired about this; coolies are employed. I shall find out the actual number of persons employed and shall let you know along with the other information.

What is the largest farm of these ten cases?—One hundred acres is the maximum and the minimum is ten acres.

In some districts we have been told that money-lenders often have an influential friend, a lambardar or a zaildar, amongst the zemindars to assist them in recovery. Have you ever come across that in any area?—Yes: there are some money-lenders who have got some friends who generally help them in recovering outstandings and in advancing further loans.

Where have you come across this?—In the Una tehsil.

Is it common there?—Yes, sir.

Did you find it in any other part of the district?—I have not come across any such cases in other tehsils.

Not in Ambala?—No, sir.

Have you either in Hoshiarpur or Ambala found that money-lenders were leaving the villages because they were not earning enough?—To some extent in the Una tehsil they are leaving for the city to start a new profession because they are not better off in rural money-lending.

Why is that?—Because the agriculturist money-lender has cropped up.

Do you think it is due to the agriculturist money-lender taking away part of their custom?—To some extent.

And also to co-operative societies who do the same?—I think they are leaving the village on account of both.

Do you think it is due at all to an increase in difficulties in the matter of recovery?—I don't think so.

Lala Harkishan Lal.—How many directors are there generally in a primary society?—The bye-laws provide at least five; I have seen nine in some societies; I can't say what the largest number is.

Do they decide all matters in meetings?—Yes; they consult each other in meetings.

How many meetings are there generally in a month?—Those societies which have got a small amount of work have four or five sittings, while the bigger societies have ten or fifteen sittings in a month.

At what time do they hold meetings?—At any time convenient to them; in summer generally in the noon time.

How long do they hold meetings ?—If some important work is before the committee, say, the recovery of debts at the harvest-time, the committee takes nearly half a day to discuss the points. Again at the time of preparation of *kisbandi* they take long.

How many directors are there for a union generally ?—The bye-laws in some unions make provision for at least nine ; the largest number that I have come across is 11—13.

How do they transact their business ?—They transact their business through the medium of a quorum of three directors and the directors meet once a month. The proposals passed in the sub-committee are laid before them when all the directors meet once in a month.

What is the procedure of the Central Bank ?—In the Central Bank there is generally a manager and a secretary ; the secretary is honorary and the manager is paid. They have also a president. The president and the directors are honorary. The number of directors is generally nine, eleven or thirteen. In one place I came across sixteen or seventeen directors. They also transact their business on the same lines as a union does. They hold a meeting every month or after every two months.

For how many hours does the secretary work daily ?—In my opinion, if he works regularly, he would not require more than half an hour.

And the manager ?—He works for the whole day.

What pay does he get ?—He gets from Rs. 100 to Rs. 250.

Is it a graded pay ?—I don't know exactly the grades. Some managers are getting Rs. 100 per mensem, while others are getting Rs. 250 a month.

Do the presidents of the primary societies have to work more than the secretaries of the Central Banks ?—They have not got much work. The president does not do any work exclusively. Every business is transacted in meetings.

Have they also got secretaries in primary societies ?—Yes.

Do they work more than the members ?—No ; they simply discharge the duties of a scribe.

Which class do they generally belong to ?—They are either *patwaris*, school masters, mullahs or agriculturists.

How much time do they devote to ?—They are called in only when the sittings are held. The secretaries write at the biddings of the members.

Who keeps the cash ?—There is a cashier for the purpose.

Does the cashier give security ?—No ; he is honorary in primary societies and only attends the meetings.

Who keeps the account books ?—They are generally kept in the house of the president. In some societies the books remain in charge of the secretary.

If some members are absent on account of unforeseen circumstances, such as death or at harvest-time, how do the societies transact their business?—Such difficulties arise in villages, for instance, of the Dera Ghazi Khan District, where villages are spread over distances. Similar is the case in the Muzaffargarh District, but no such difficulty is experienced in small villages. That is why there are a fewer number of societies in the Dera Ghazi Khan District, but the movement there is doing excellent work.

In the form of cheque bond with me it is noted that interest will be added every half-year?—So far as I knew, this is not the term of a cheque bond. I will supply you with a copy of the cheque bond. There is no practice of adding interest to the principal.

Rai Sahib Kishan Lal.—Do the money-lenders make full recoveries in villages?—In some cases they cannot make full recoveries.

What is the percentage of bad debts to recoveries?—In nearly 5 per cent cases they cannot make full recoveries and there is loss of 5 per cent in recoveries. I am speaking of the Hoshiarpur District.

You say that the money-lenders are leaving the villages. Are they leaving because of losses or for some other reason?—Not on account of losses, but because the money-lending business is not now paying in their case on account of the aforesaid factors.

Khan Bahadur Chaudhri Niamat Ullah.—You say that there are 692 members of A and B class societies, who have not borrowed, and of these 180 are such members who are free from debt. After deducting these 180 from 692, do you think the remainder never felt the necessity of borrowing?—Yes, sir.

One thousand five hundred and thirty-seven members, according to you, of class C societies did not borrow from the societies and 219 are free from debt. What about the remainder?—Some were not advanced any loans because they proved defaulters, and others did not feel the necessity.

They must have gone to money-lenders and must have borrowed at a higher rate of interest?—Yes.

What remedy do you suggest to decrease the number of defaulters?—They should be taught co-operative principles. If they are properly educated, they would not go to the money-lenders.

If you think that the members of class A and B societies are sufficiently educated on the lines of co-operation, would it not be better if the instructive staff engaged with class A and B societies divert their attention to the education of members of class C societies?—The staff is insufficient to instruct the members of class C societies.

Do the money-lenders advance loans on the security of land?—Yes; ever since the introduction of the Land Alienation Act they take lands on mortgage in the name of their agriculturist friends.

Generally the money-lenders advance freely for the improvement of land on the consideration that on the occasion of a good harvest they would be able to realize their debts fully, but why do they advance freely for marriage expenses?—Because on such occasions, feeling the pinch of necessity the agriculturist agrees to any terms that he offers. Moreover he has the prospects of recovery much earlier because he recovers the major portion of it at the time of *nendra* (presents in cash made on the wedding night to the bridgeroom); again, he accompanies the borrower when the latter goes for making purchases; and, where girls are sold, the money-lender generally fixes the price of the bride.

You further say that the agriculturist spends less on improving the productive capacity of land and borrows more for the payment of old debts from Government. How is that?—In certain cases he represents that he wants capital for the improvement of land, but in reality he pays off the old debts with the capital thus obtained. For instance, I may submit that in Gurgaon the agriculturists took taccavi loans on the pretext that they wanted to purchase Persian-wheels, but actually they never purchased them.

This means that the Government staff don't make proper enquiries, into the objects for which taccavi loans are required?—Yes.

Are you in favour of the suggestion that taccavi loans should be advanced through the co-operative societies?—Yes; I entirely support it.

Are the rates of interest charged by the money-lender higher than those of co-operative societies?—Yes.

Whose loan is repaid first, the society's or the money-lender's?—If the society is strong enough, it recovers its dues first; otherwise the *sahukar*, if he happens to be an influential man, takes possession of the produce.

If a loan is advanced by the money-lender to the agriculturist on the security of jewellery, does the former give any receipt to the latter in respect of the ornaments pawned?—The *zemindars* don't obtain credit on the security of jewellery; it is only the menial class, *i.e.*, *kamins*, who obtain credit on the security of utensils, etc.

You say that the *zemindar* class invests more in land than in jewellery?—I am speaking of the Chumian *tehsil*. There, on account of the Akali propaganda most of the women have left off wearing ornaments, and the agriculturists invest their surplus either on the purchase of more land or towards payment of old debts or on the purchase of better clothes.

Which is the better investment; purchase of better clothes or gold and silver ornaments?—I think expenses should be curtailed in respect of both of them.

Have the Muhammadans been affected by the Akali movement or not?—To some extent. Better living societies have been started by the Muhammadans.

Are the mortgaged ornaments redeemed or not?—They are redeemed in very exceptional circumstances.

You further on say in your note that the money-lender suffers a loss simply for the reason that ornaments are not redeemed?—In some of the cases in which ornaments are not redeemed, if the principal and interest be added together, the resultant figure exceeds the value of the ornaments pawned. The money-lender suffers a loss in such cases.

Have the agriculturists got any thrift societies?—No; such societies have been started either by teachers or Government employees.

Should the small agriculturist invest his surplus money, if any, in Government securities or in thrift societies; which is the better of the two?—I think thrift societies are better than Government securities.

What interest does the thrift society pay?—It declares a dividend on its earnings. Some societies pay between 5 and 6 per cent per annum.

You say that in thrift societies cheque bonds can be used; can they be employed in savings bank accounts also?—Yes.

Do you realize that the agriculturists require long-term credit?—Yes.

What remedy do you suggest for providing him with long-term credit?—Land mortgage banks.

Can you start a land mortgage bank here?—I have not studied this point.

Can it be started in the Hoshiarpur District?—It can be started there.

Will there be any difficulty?—One great difficulty is that there are mountainous streams in that district which damage the lands, and the mortgage bank would experience the same difficulties in obtaining possession of the lands as are felt in the Sheikhpura District, where there is water-logging.

Chairman.—Where fields are fragmented, will not a mortgage bank experience difficulties when it has to take possession?—It is difficult to obtain possession of fragmented fields.

Khan Bahadur Chaudhri Niamat Ullah.—You say that there is competition between the Central Bank and the joint stock banks. What remedy do you suggest to remove this competition?—So long as they are rivals, there must be competition; moreover it is a healthy competition.

You say that the Tarn Taran union has advanced Rs. 2,000 for the payment of old debts. Has it advanced to a primary society or to individual members?—It has advanced to a society, which has further lent this amount to its members to pay off old debts.

Are you in favour of the proposal that Government servants should be paid their salaries by means of cheques instead of in cash?—I am in favour of that.

Do you favour the proposal that Government dues should be paid through the Central Bank?—Yes; this experiment has been done in Rewari.

Do the societies experience any difficulty in recovery through the civil courts?—Yes; in this respect execution union is the only remedy.

Would it not be better that the society should pay for the bailiff?—Provided the bailiff is brought under the direct control of the society; in that event the scheme would prove successful.

Chairman.—What is the procedure followed in Rewari in regard to payment of land revenue?—The society sends a cheque bond to the Central Bank for the amount required to be paid by the agriculturists, and the Central Bank credits the amount in the treasury.

Do you consider this system useful?—I don't think so. The Rewari system is not useful because the land revenue is not actually paid out of the income of the agriculturist, but by the society.

Have you any experience of agriculturist money-lenders. Are there many in the Hoshiarpur District?—There are many in the Una tehsil.

Which class do they belong to?—They are Brahmins.

Do agriculturists prefer to go to the professional money-lender, or to the agriculturist money-lender?—They go to the professional money-lender, because he treats them gently.

Is there any difference between their rates of interest?—They are practically the same.

Is the number of agriculturist money-lenders increasing or decreasing?—It is not increasing now; it increased considerably within two or three years after the war.

Do you think there is room for an extension of co-operative credit societies in the Amritsar District?—Yes.

In the Ambala and Hoshiarpur Districts too?—Of course.

Then why don't you start more societies?—On account of insufficiency of staff.

After what period does a money-lender usually charge compound interest?—In the Hoshiarpur District some of the money-lenders manage to recover the interest due half-yearly. Ordinarily they charge

compound interest after the limitation period, *i.e.*, three years. Similar is the case in the Ambala District.

Khan Bahadur Chaudhri Sultan Ahmad.—You have said that in the Una tehsil the agriculturist money-lenders are increasing; to which class do they belong?—They are Rajputs and Brahmins.

Do they belong to agricultural tribes?—Yes.

Are the money-lenders mostly Brahmins or Khattris?—The Brahmins are in a larger number.

When comparing the number of agriculturist money-lenders to non-agriculturist money-lenders, whom did you have in view?—Brahmins and Rajputs.

(Witness withdrew.)

Miss Ahmad Shah, Inspectress, Co-operative Societies, Gurdaspur.

Hoarding.

I. Whether it is common.

Yes,—a large majority of women, especially those who have husbands or those who have children, don't hold any property which they call as their own, excepting their ornament (with a little right of disposal), or cash, if any, with full such right as long as it is kept a secret from the husband invariably, and from the children in some cases. But when the fact of such cash hoarding becomes known to the husband, the right of the wife over it diminishes and comes to the level of her right over her ornaments or even less than that. Here hoarding in one form or the other has become a common practice and the above secret so far as cash is concerned is best guarded under the ground.

II. Whether it is diminishing.

There is no decrease worth the name in this practice.

III. Amongst what classes is it most common.

Muhammadian ladies generally do this, though in most cases their hoardings are small. Among Hindu ladies the tendency is to multiply such hoarded wealth, so a part of it is lent on interest to the neighbours in want.

IV. What form it usually takes, *e.g.*, cash or jewellery.

Cash hoarding is preferred for the reasons given above. Although it may be said with safety, that, value for value, jewellery hoardings are much more in worth.

Jewellery. 2. Do you think that purchase of jewellery is decreasing?

On what grounds do you think this?

The purchase of jewellery is not decreasing. There is a steady change from bulkier to lighter ornaments, and from baser to more precious metals. The goldsmith has to do finer work and consequently earns more money. Although food is becoming scarcer with the rise of population and there is little reform in agriculture, yet in ordinary marriages, more money is spent upon ornaments than formerly, excepting probably those cases where purchase money is given for the wife. Educated classes, no doubt, disapprove of ornaments, not because there is an idea of saving, but because the old fashioned ornaments are not in accordance with the tastes of the civilized classes of the world, though they are spending much more on their own type of jewellery and other outfit of the kind that after their term of ordinary wear is of no value whatsoever. It may not be denied that on the whole the last change is for the better.

II and III. Do not arise.

I. Yes, if the loan is above a certain figure, determinable on the worth of the debtor. Security of utensils and clothes is so far as possible, avoided.

Pawn Broking.

II. Utensils and clothes are accepted as security in rare cases.

III. Half and sometimes one-fourth the market value of the goods pawned is probably considered to be a safe and reasonable amount to be advanced as debt.

IV. The money-lender when she is not satisfied as to the value of the goods pawned does approach the expert for this purpose.

In rural areas no valuation fee is charged. In big cities the case is otherwise.

V. The goods must be redeemed by the time when the principal and interest amounts to $\frac{4}{5}$ ths of the value of goods pawned. The time agreed upon generally expires without any repayment. It may be pointed out that in most such cases loans are taken by the wife at the instance of the husband when he thinks that his good name suffers if he borrows money on such a security.

VII. The smaller the amount, the heavier the interest. Duration generally does not affect the rate of interest, except when time is very short. In such a case a lump sum may be fixed which is generally higher than the ordinary rate.

VIII. Money-lenders do complain sometimes of losses, but their complaints in most cases are not genuine. Money-lenders form the cleverest class and are bound to know their risks.

IX. In general a debtor would prefer to pay a higher rate of interest rather than get secured loans. The creditor gives preference to advancing money on security.

Oral Evidence.

Miss Ahmad Shah, Inspectress of Women's Co-operative Societies, Punjab.

Chairman. Are you, Inspectress of Women's Co-operative Societies? Yes.

How long have been this? This is my 5th year.

How many sub-inspectresses have you working under you? Seven sub-inspectresses.

And in how many districts are you working? We are working at present in 8 districts.

And how many societies have you got in those 8 districts? At the end of July last year there were 128.

Do you know how many there are now? No.

How many members are there? About 2,000.

Are those all thrift societies? There are 4 adult school societies, but they are not working satisfactorily.

How much have the members saved? Rs. 90,319.

What rates do the societies get from the Central Bank? Between 6 and 7 per cent.

Do most of your members regard this as a good rate of interest? Yes, Sir, but some people want more.

On what grounds? Because women do money-lending and can get 1 pice, 2 pice, 1 anna or even 2 annas per rupee per month while we only give 6 per cent. per annum or so.

Do you find that members who do money-lending regard this rate as unduly low? Yes, Sir, as very low.

Do many of the members do money-lending? Have you made statistical enquiry? No, Sir.

Of the 2,000 members would you say they were 100? About a hundred. There might be more.

Are they drawn from different communities? They come from different communities. Very few Muhammdan women do money-lending. But a few from a class called *Khojas* do it.

Are most of those who do money-lending residing in towns or are they doing village money-lending? Both.

Do you know at all what the lending rates are in villages? The common rate is 2 pice per rupee per month sometimes one pice per rupee per month is also charged.

That is Rs. 18-12-0 per cent.? Yes. And sometimes they take one anna too. I made an enquiry about this in several places and sometimes when women want money urgently they take more interest.

Is the usual rate about 2 pice? Yes, Sir.

Among men the rate varies from 18 to 25 per cent. Would you say that women lending to each other charge a higher rate? Yes.

The common rate is 2 pice or 37½ per cent.? Yes.

And they give up to one anna; that would be 75 per cent.? Yes, Sir.

Does it go beyond that? I have heard that sometimes when women want money urgently and cannot be depended upon, they are charged 2 annas.

But you have not come on any definite instance? No, Sir.

Then the money-lending rates of women among themselves are higher than among men? I do not know of men, but this is the rate among women.

Does any reason suggest itself to you why women's should be higher than men's rates? Because women do not like to give for lower rates.

Is it a matter of security? Yes, and they want to increase their money too. This becomes a source of income.

Am I right in thinking that women lend to women and not to men? They might lend to men through their wives.

Have you come across cases of that kind? No.

Generally it is women lending to each other? Yes and secretly.

Without the knowledge of the husbands concerned? Yes and if husbands find out they might take away the money.

Are ornaments generally pledged against these loans or are loans given without security? They do not lend without security unless it is to a friend or one who can be trusted.

Are ornaments pledged in all cases? Yes and sometimes silver and fine clothes and metal utensils.

Is the usual form of security jewellery? Yes and sometimes a widow who has a house pledges it.

In most of these cases are the lenders married women or are they widows? Some are married women and some are widows.

Is there a fair number of married women among them? Yes.

Is the result of joining a co-operative society to make them give up this money lending? The wives of educated men are giving up this habit because of their greater expenses. Educated women are also giving up this habit. Those who do not do money-lending like to join co-operative societies.

Do your enquiries suggest that money-lending women are fairly common throughout the central Punjab? Educated women do not do it usually. There are others who have not got enough to invest thus because their expenses have increased.

Where do most of the women money-lenders get their capital? Some perhaps have kept the money they got when they were married, some earn it by working, some by doing embroidery and by other cottage industries.

What is the largest amount of capital that is being handled by any of these women? I do not know.

Does it run to a thousand? I have no idea.

Have you any idea of the amounts that are lent? Rs. 300, Rs. 400, Rs. 500, and so on.

Single loans of three or four hundred are not uncommon. They are not very common but they are not unknown.

What do you suppose the ordinary loan is between 50 and 100? The poorer women borrow Rs. 25 or so, the richer Rs. 300.

What would be the highest amount? I do not know. I have not made any enquiries.

Lal, Kishen Lal.

You say that hoarding has become a common practice. Do you mean that it is increasing or it is a common practice? I enquired about this and they told me that men who do not want that their wives should have separate money take it away as soon as they find out that they have money and so women who want to have money for their own expenses keep it, and I have it that the practice is increasing.

Chairman.

Is it difficult to set women to join co-operative societies? Yes, but teaching brings good results. One great obstacle to thrift societies is in the 'Committee' system.

How do you overcome that difficulty? Partly by giving interest and some of the women have begun to deposit because in lending they are not sure of getting back their money, and teaching is required. Women lose confidence in 'Committees' when they experience personal loss, these join co-operative thrift societies more easily.

Are women then feeling the difficulty of recovery? Yes, I often hear that they do not get their money back.

Do you discern the beginning of a tendency to regard the safe 6 or 7 per cent. that may be got in a co-operative society as a better investment than higher rates of interest for money that may not be recovered? Yes, the educated women have begun to realise this.

Then it is a matter of education? Yes.

As women become more educated they will be ready to deposit? Yes that is when nobody will ask them for money. Co-operative societies are giving money, and when women find that they or their husbands can get money they do not become money-lenders. The money-lending women shall join thrift societies for investing their money when they lose their customers; and these customers shall cease

to go to money-lenders when (1) they are educated to live within their means, (2) when they or their husbands can borrow money from credit societies on reasonable rates of interest for profitable purposes.

Is the purchase of jewellery decreasing? No.

Yet we are told that goldsmiths are leaving their business. That is because now women do not like the coarse kind of jewellery, besides this they can buy beautiful cheap jewellery from peddlars.

So that jewellery made in towns is appreciated more? Yes they prefer the finer kinds.

Have you made any statistical enquiry as to the amount of jewellery that is held by members of any co-operative society? People do not like to tell how much they have got. They show a few things but do not bring all they have got.

You do not find the same tendency among the educated women? Educated women like jewellery too.

But is their love of jewellery as strong as ever? I think so. Instead of having ten earrings in the ears, they prefer one which costs as much, or more, than the ten; instead of 8 bangles they have one costly bracelet; instead of 3 necklaces they have one fine chain with a pendant and so on.

Then you do not find any sign of the contrary? No. A few women who work may give it up or not make it but all women like to have jewellery. Even educated girls like to have jewellery.

We are told that the Akali movement is having an effect on jewellery. Yes but as soon as women get a chance they make it or get their husband to make it.

Have you found any tendency to value a sewing machine more than jewellery? Women want money for jewellery separately and also for machines and want their husbands to give both. The cases you refer to are rare.

They want both? Yes.

Is it the case that in a Hindu family the jewellery is regarded as the separate property of the wife? As long as the husband is living. When he dies it is taken away from her unless she hides it. She does not inherit it.

We are told that one reason why jewellery is not pledged for loans is that it is thought to be a disgrace to pledge jewellery even though the rates may be lower. I am told that when a man wants to borrow money and cannot get it he tells his wife to borrow it on the security of her jewellery and this is done.

You say that most of these societies started for women are thrift societies. What are the sources of income from which they save? That is a very debatable question. They get it from their husbands or by doing private work or industry. Some husbands wish

them to save from their kitchen expenses from the money they get for clothes and jewellery.

Why I asked this question was that men might be inclined to make a little provision and ask women to open thrift accounts so that in difficulties it may be useful. That is done, especially now women's thrift societies offer higher rates of interest as a special concession.

The women who live by hand labour or by service of some kind, e.g., among Muhammadans women take up the service of cooks, do that class of women deposit? In small amounts.

Do doctors join these societies? Yes.

School mistresses? Yes. We find it difficult to approach school mistresses because they have provident funds, but in some schools besides the provident fund they save in thrift societies.

Have you come across widows who are guardians of their children who join thrift societies? Yes.

That is a source you have to tap because it would be real saving for women who work as guardians of children as they sometimes do not know where to deposit it and their brothers or cousins come and take the money and never return it. We have such members.

How do women who lend out make recovery? Generally the borrowers return it themselves, if they fail to do so, they have jewellery as security and keep it.

Do they have to go to court? No. If they lend Rs. 100 they keep jewellery worth Rs. 150.

Do they take written receipts? Educated women do. But this is not usual.

Chairman.

What proportion of your members are literate? Very few.

Do you think it would be 10 per cent.? Yes about 10 per cent. But as a result of teaching, the educated women are joining more and more, and they are encouraging their children to join thrift societies also.

(Witness withdrew.)

M. Shah Muhammad, B.A., Assitant Registrar, Co-operative Societies, Gurdaspur.

3. *Sufficiency of capital.*—(i) The capital is sufficient for the legitimate needs of an ordinary cultivator. But if all round improvements are introduced then the capital will not be forthcoming for sufficiently long periods and at reasonable terms.

(ii) No general statement is possible under the circumstances. The people who have learnt the wise use of credit will certainly be benefited by having an access to more and long term credit but those who are not equally developed in this respect will abuse this. The percentage of the latter is greater than that of the former.

4. *Increase in debt.*—The causes for the increase in mortgage debt are :—

- (1) Litigation.
- (2) Marriages.
- (3) Famine conditions.
- (4) Migration to colonies.

Debts are secured for purchase of land (Bikaner and Bahawalpur States) and to meet initial expenses of migration and settlement.

- (5) Redemption of old sahkara debt which bears very high interest.
- (6) The habit of drinking with its resultant evils accounts to some extent for increase of debt.
- (7) Persons having no male issue squander their landed property in this way with a view to deprive the rightful heirs out of enmity. They are generally easy going people. The bargain in such cases generally leads to swelling of figures fictitiously in respect of consideration money.
- (8) Rapid increase of agricultural money-lenders who prefer to lend on the mortgage security of land.
- (9) Purchase of lorries by zemindars in some places through mortgage of land. They are mostly those who learned the art of driving motor lorries in the Great War.
- (10) Uneconomic holdings due to sub-division and fragmentation which result in poor yield and consequently leave the zemindar poorer every year. He is forced to mortgage his holdings bit by bit to make the both ends meet.
- (11) Heavy cattle mortality which tells on his resources so often also compels him to dispose of his land in this way.

- (12) Disproportionate rise in the standard of living as compared with the income of the agriculturists.
- (13) "Bai nami." The non-agriculturist money-lender seeing that he cannot recover his loan from a zemindar compels him to mortgage his land to a well-to-do zemindar who in turn gives a bond in favour of the money-lender.
- (14) It is not now profitable to redeem the land mortgaged in the days when the price of land was comparatively high. This also affects redemptions.

5. *Land improvement.*—(1) Yes, we come across such persons who have a desire to improve their land but are unable to do so owing to unfavourable terms of obtaining necessary capital, and absence of long term credit.

(2) There are several reasons for which the money-lender hesitates to advance loans for land improvement :—

- (i) He thinks it against his interest to lend for this purpose as improvement in land is likely to make the borrower rich in due course and consequently affects his business adversely. The poorer the borrower the higher the rates.
- (ii) He does not possess sufficient capital for this purpose.
- (iii) He does not want to lock up his capital for long periods as are necessary in the case of loans for land improvement. He would like to have many customers requiring smaller amounts for smaller periods to ensure rapid turn over of the capital as well as gaining undue advantages out of them and which would be comparatively less if he had advanced loans to a few people for long periods.
- (iv) He generally prefers to lend to those who would offer higher rates when compelled under emergencies, *e.g.*, marriages, purchase of cattle, land revenue, litigation, etc.

(3) Royal Commission on Agriculture is right in saying that the demand for long term loans arises far more from the desire to get better terms for old debts than from any wish to improve the productive capacity of the land. The pace of improvement is slow for the following reasons—

- (i) Lack of education.
- (ii) Holdings being small and scattered.
- (iii) Absence of facilities for long term credit.
- (iv) Prevailing rates of interest are heavy.

(v) Contentment due to fatalistic mentality of the zemindars.

(vi) Poverty (lack of necessary means).

The above facts are based on inquiry from the staff as well as some zemindars.

(4) I have nothing to add to what is said by the Royal Commission in regard to the working of the Land Improvement Act on page 359 of their report.

6. *Agriculturists Loans Act.*—(i) I have nothing to add to what is said in page 362 of the same report in regard to the Agriculturists Loans Act.

(ii) Its use should be extended to normal times as well.

(iii) I would like to apply it to members of co-operative societies on the following grounds :—

- (1) Chances for extortions and illegal gratifications will be removed if such loans are made through co-operative societies and the demand for the loans will increase considerably.
- (2) The measure will be useful in as much as the zemindars will be saving time and labour.
- (3) It will ensure facility of repayment on account of dealing with an institution rather than an individual.
- (4) There will be less botheration about keeping the accounts.
- (5) Through the agency of the society the object for which the Act was passed will be best served as really deserving persons would avail of it.

Loans will be advanced through societies which will treat it like other loans and deposits and the society will be held responsible for repayment.

The society should not charge more than $\frac{1}{2}$ per cent above the Government rates for cost of service.

(4) Taking all incidental charges into account the rate works out at about 12 per cent., i.e., double the official rate, all concerned get something out of the bargain. The subordinate staff entrusted with the work of disbursement and collection freely require to be gratified.

7. *Village money-lender.*—The memorandum under reference on the position of the village money-lender still holds good. In small villages the non-agricultural money-lender is certainly on the verge of extinction but in small towns he is sufficiently strong. There is a migration to the town to a certain extent.

11. *Jewellery*.—Generally speaking the purchase of jewellery is increasing. It has decreased in number but considerably risen in value since gold is taking the place of silver. But the tendency for decrease in this direction has begun to operate.

Akalis (a sect of Sikhs) discarded it altogether though on marriage occasions they are also reported to have resorted to it to some extent out of formality but disposed of the ornaments one and all as soon as the function was over. The decrease in their case was due to the most effective propaganda of their religious leaders. But when compared with the whole they are out of consideration.

(i), (ii) and (iii) therefore do not arise.

12. *Pawn-broking*.—(i) Yes, all classes of rural money-lenders lend on the security of jewellery although non-agriculturists have the upper hand in this respect.

(ii) Yes in rare cases utensils in the case of menials and grain in the case of zemindars are also pledged as security.

(iii) Generally 50 per cent of the value of goods pawned is advanced on loan.

(iv) Money-lender gets the valuation done by the goldsmith. Nothing is charged for this.

(v) In most cases the articles pledged are not redeemed at all and are set off against the liquidation of debt. Interest increases at a pretty quick pace till it becomes unprofitable to redeem the goods. Those which are redeemed are done so within $1\frac{1}{2}$ years or so. The maximum period during which they must be redeemed is three years.

(vi) Money-lenders don't maintain or hire special godowns for the storage of goods pawned.

(vii) The rates vary between $18\frac{3}{4}$ per cent and 25 per cent in the case of goods pawned while in that of personal security it is between 25 per cent. and $37\frac{1}{2}$ per cent. In certain cases it even goes upto 50 per cent.

(viii) Rates are little affected by the amount and duration of the loan.

(ix) Yes they complain of losses when goods pawned are taken away by thieves. Losses are also due sometimes to fraud when goods pawned are not of genuine substance. Such cases are, however, very rare. The complaints are not well founded. The business is quite profitable as the security is tangible and good. The fluctuation in the value of gold and silver is not great and moreover the margin is sufficiently wide to allow for it.

(x) Pawn-broking loans are generally made under the following circumstances :—

- (1) When the money-lender sees that the borrower does not possess sufficient credit or thinks that he would involve him in litigation.
- (2) It pays him sometimes to pawn the goods with a big banker in order to secure more money at cheaper rates to extend his business and thereby save a big margin. It is estimated that the usual rate paid by the small money-lender to his big creditor is about 12 per cent while he lends it on 18½ per cent to 25 per cent.

In 95 per cent cases such loans are made at the instance of the money-lender to obtain better security and only in 5 per cent cases at the instance of the borrower to secure more favourable terms.

(xi) It is estimated that pawn-broking loans are 4 per cent of the total rural debt.

14. *Financial concessions.*—Over and above the present financial concessions enjoyed by the societies I would recommend the following further concessions for consideration :—

- (1) Members' deposits should be exempted from income-tax. This would be a good incentive for the non-members depositors to become members of societies and would at the same time improve the finance of the movement.
- (2) Total exemption of postal and telegram charges incurred in connection with a society's business including remittance charges of money-orders and insurance.
- (3) The Central Bank should be allowed to draw cheques on the post offices for loans to societies instead of payment in money. All sub-offices should be required to cash these cheques within 5 days of their presentation within which time they can arrange for funds. The details can be worked out.

15. *Savings.*—(i) (a) Central Bank is doing nothing to encourage savings except giving preferential rates of interest to women thrift societies.

(b) Only one Banking Union, namely Bham (tahsil Batala) has devised a measure to encourage savings and that is, it allows preferential rates (1 per cent above the current rates) on the proceeds of ornaments disposed of by the womenfolk. No other union has done anything in this respect.

(ii) Their resources at the present stage do not warrant the adoption of such measures.

(iii) The commission shop started recently at Dina Nagar has been successful in attracting a deposit of Rs. 3,500 and there is ample scope for more in the near future. It is hoped it will be working on its own resources in due course.

(iv) There is no Central Bank branch in this circle nor have I any experience of a branch elsewhere.

(v) (a) In the case of Central Bank, Gurdaspur, the smallest sum accepted for opening a deposit account in Rs. 100.

(b) Generally the Union Banks fix no limit for deposits. But in the case of two unions, viz., Pathankot and Batala, limit is fixed. The former does not accept fixed deposit from individuals below Rs. 50 and societies below Rs. 10. The latter (i.e., Batala) does not accept less than Rs. 5 from individuals in current account. There is no limit in other cases.

(vi) (a) No savings bank account in Central Bank, Gurdaspur.

(b) Batala Union had 25 and Pathankot ten such accounts. No other unions had savings bank account.

(vii) (a) Does not arise as there is no savings bank account in central bank.

(b) The common rate of interest allowed in two unions mentioned above is as below :—

| | | | | | <i>Per cent.</i> |
|-----------|----|----|----|----|------------------|
| Batala | .. | .. | .. | .. | 4½ |
| Pathankot | .. | .. | .. | .. | 3 |

(viii) (a) Does not arise as there is no such account in central bank.

(b) No notice is required in Batala Union, while Pathankot lays down that such deposits will not be withdrawn more than twice a week and there should be an interval of two days between the withdrawal. Rules in this case are rigidly enforced.

16. *Cheques.*—(i) Only 3 out of 16 central institutions (i. e., Batala and Pathankot unions and Central Bank, Gurdaspur) use cheques in their business. Primary societies and union use cheque bonds for borrowing.

(ii) Full use is already being made of the system in these cases.

19. *Transmission of funds.*—(i) Transmission is done both by personal attendance and money-order system.

(ii) Money-order system is most common in the case of distant societies for the purposes of repayment. While in the case of borrowing personal attendance is generally resorted to.

Central Bank, Gurdaspur, has laid down that charges in the case of money-orders will be debited to the account of the society in full while it has totally stopped the practice of remittance by insured covers.

(iii) There should be total exemption of money-order commission.

No other case is reported in any other union.

Reply to questions 7 and 8 of the printed main questionnaire.

7. *Savings and investments.*—(i) Banias and Sheikhs are the only people that habitually save.

(ii) They are more or less in the habit of keeping accounts.

8. (i) Mussalman zemindars keep their surplus for purchase of land while the Sikh Jats besides investing it on land resort to money-lending.

Banias do money-lending and trade business and usually deposit pretty big portion of such money in banks.

(ii) Labouring classes generally place it with the sahkars or some other reliable persons whereas other classes either keep it in hand or deposit with some bank.

(iii) Generally no interest in the case of labourers but it does fetch some interest in other cases if deposited.

(iv) No special purpose is specified.

The percentage of such people is roughly five.

Oral Evidence.

M. Shah Muhammad, B.A., Assistant Registrar, Co-operative Societies, Gurdaspur.

Chairman. You are Assistant Registrar, Gurdaspur? Yes.

How long have you been Assistant Registrar? For about four years.

How long have you been in the Co-operative Department? For about 13 years.

I want to ask you a few questions about your note. In question 1 you say that the percentage of members of credit societies who repay their loans without being pressed is fifty in A and B societies and twenty in C Class societies. Further on you say that for the whole it is 16. How do you reconcile these figures? The number of A and B societies is very small as the standard of classification is very high and most societies are in the C class and a fair number of them is also unclassified and in the D class. In new societies we have to train the members to be punctual in repayment and business like habits and in these societies it is necessary for the staff to help the committee in recoveries, so taking the credit societies as a whole, the percentage works out to 16,

Are you speaking from general information? Yes, entirely from general information.

After consulting your staff? Yes, the staff and co-operators as well.

What percentage of co-operators would like money to improve land? Only a small percentage because in most cases the land is split up into pieces and those zemindars who are better placed do not generally find it profitable to invest money in sinking a well or doing other improvements if they do not have a sufficient capital of their own. They do not think it paying if they have to take the whole of the amount on loan. Generally in such cases nearly half of the money required is already with them and the other half they borrow either from the Sahukars or from the societies in the hope that they will repay it. In some cases they have a sure means of repayment, *e.g.*, some one among them has gone to some foreign country or is employed somewhere else.

But what percentage of members do you suppose would like to have more money to improve the land? If money is available at cheaper rates, then many members would require it, but under the present market rates only 1 or 2 per cent. will like to use it.

What are the present rates? Generally 12½ per cent. from societies and about 25 per cent. from Sahukars.

At what rates would they like to have money? About six or seven.

At that rate would they be prepared to spend more upon the improvement of their land? Yes, Sir.

Would not improvement of land be difficult as long as land is fragmented? Yes. But this is being removed by Consolidation of Holdings Societies. The members of these societies exchange their land and consolidate their area with the help of the consolidation staff.

Do you find that where land has been consolidated there has been a greater demand for money for the improvement of land? Yes there is an acute demand. We generally receive applications for advances for sinking wells and in that case they apply for taccavi loans through us. In this district the Deputy Commissioner has placed a sum of Rs. 25,900 for this year at the disposal of the Assistant Registrar who recommends the taccavi loan. No difficulty has been experienced in sinking wells during the year. A sum of money is allotted to us and generally we restrict ourselves to that amount, but if there is need for more, further allotment is made. The Sub-Inspector consolidation prepares the necessary papers for the grant of taccavi loans and the co-operative consolidation Inspector inspects the village and satisfies himself about the purpose. Then he forwards the application to the Assistant Registrar who sends it on to the Revenue Assistant, who in turn passes orders on the application and the applicants get their taccavi.

So that most of the taccavi is set apart simply for use in villages which are being consolidated? Yes. In no other case application is made to us, but in the case of consolidated areas. In other cases they have to apply through the patwari and the kanungo to the tahsildar.

Is this sum of Rs. 25,900—earmarked for employment in consolidated areas? Yes. No part is available for villages which are not consolidated, except when we have no applications; in which case the allotment lapses.

Is the desire for money for land improvement confined to villages that have been consolidated or is the desire also present in other villages? Where the owners of their own accord consolidate the area, through exchange.

But apart from consolidation whether through co-operative societies or private exchange, do you find that people want capital for land improvement? I think the demand is more acute in consolidated areas but not in other places.

Is there any real appreciable demand in other villages? I do not think so.

Would you say then that in Gurdaspur consolidation was almost an indispensable preliminary to the employment of capital on land improvement? Yes, Sir.

Turning to your statement of loans in A and B societies and in C societies, I notice that the percentage of members who did not borrow is generally larger in the case of C class societies. The percentage in

those societies appears to be 43 against 34 in the other societies. How do you explain that? The members of A and B societies are generally well financed and can get money when they require it and as they make good repayments and keep up their demand on each harvest so they are not refused credit. Moreover, they do not deal with sahukars, but prefer to deal with the society. In the case of C class societies, however, the members, on account of having some defects in the societies do not get credit when they require it and have to go to the sahukar and for this reason the number of members who do not borrow in C class societies is larger than the number in A and B class societies.

Would you say then that most of these 1,312 members of C class societies who did not borrow from their societies did probably actually borrow from money-lenders? Yes Sir. A fair number of them do it.

Would you also say most of the 921 members of A and B class societies who did not borrow from the societies did not borrow at all? Most of them did not borrow at all.

Whose fault is it mainly that many members of C class societies borrow from money-lenders? I think it is the fault of both the members and the committee members who cannot manage the society according to the rules or press the members to repay loans in time. Generally the society becomes weak. The fault also lies with the members themselves as they do not keep to their promises and are generally not benefited so much by the Co-operative principles and do not act on them. The fault lies to a greater extent with the members than with the committee.

The average amount of loan for members outstanding at the end of the year in class A and B societies is Rs. 178. Would you say that this represents roughly speaking what the ordinary cultivator in this district requires in the way of finance for an average year? Yes, Sir.

Is the amount outstanding on the 31st July usually above or below the average for the year? I think it is above because members generally repay in the month of May and then get loans for the payment of land revenue, marriages or repayment of old debts in June and July, and I think the amount outstanding on the 31st July can safely be considered the highest that the members require.

In answer to question 4 you mention a large number of reasons to account for the increase in debt. Which of these reasons do you regard as the most important? In my opinion cattle mortality comes first.

Are there any other major reasons? There are also some major items, marriages and payment of old debts and then comes litigation. The others, in my opinion, are smaller reasons.

Is cattle disease specially prevalent in this district? Yes, Sir, mostly in the Bet ilaqa near the chhamb and where the climate is damp.

Is this district probably worse than many other districts, say Ludhiana? Yes, Sir. There is not so much Bet in Ludhiana as on both sides of this district there are rivers.

What would be the expense on marriages? About the same as on cattle diseases.

As far as you know would that factor apply in the same degree elsewhere in the Central Punjab? Yes.

You say in connection with land improvement that the money-lender sometimes thinks it against his interest to lend for improvement on land. Has any money-lender said this to you? Yes, Sir, they generally say that it is not profitable for them. They generally invest in such a way as to ensure speedy turn over and moreover, they prefer to lend to those who want credit in small amounts.

You mean because improvement in land is likely to make the borrower rich? This is so.

No money-lender has ever said this to you? They say so. They admit it.

On the subject of taccavi you say that taking all incidental charges into account the rate of interest works out to about 12 per cent. Is that the result of special enquiry or general impression? To some extent of special enquiry: everybody wants to be gratified when making taccavi loans.

Have you made special enquiry in this district? I have not taken down the exact figures, but generally I know personally as well and also I have enquired from the zemindars and they say that it works out at about 12 per cent.

When you say personally, do you mean that you have actually taken taccavi? No I have never taken it myself, but I have come in contact with the revenue staff. They admit it and there is no secrecy about it.

Further on you speak of the migration of the village money-lender. What is that due to? His dealings are decreasing and he also does not find it profitable to remain there under the circumstances as he thinks his position there is unsecure.

Are his dealings less profitable than they were? Yes. Generally there are so many co-operative societies and there are agricultural money-lenders too who come in competition with him.

Have you any figures to show that the agricultural money-lenders are increasing? No, Sir. That is the result of general enquiry.

Do their rates vary at all? The rates of the professional money-lenders are higher than of the agricultural money-lender.

You say that there have been several cases where societies are reported to have effected a compromise between their members and the sahu-kars. Can you say approximately in how many cases and in how many societies this has been done? In about 6 societies. I have got their reports. Five in Batala tahsil and 1 in Shakargarh tahsil.

On what lines was the compromise done? Partly help was given by the societies and the rest was collected by the members themselves and then the money-lenders also remitted some portion of the demand in interest. In this way the loan was repaid.

And were special loans given by the societies to the members? Yes, in case of necessity. In some cases the maximum limit of the members had not been exhausted and he could borrow up to the limit without applying for a special loan, but in cases where that limit had been reached they applied for special loans.

Has that been done recently? Yes. There was one case about a week or fortnight ago. I sanctioned the special loan.

Are the other cases old cases? Within two years.

How many members are concerned? About fifty members.

And are they repaying the loan according to the instalments fixed? According to the instalments that are fixed at the time of recovery when the harvest is taken in.

So far as you know no difficulty is anticipated in the matter of repayment? No, Sir.

Was the experiment confined to A and B class societies. It was made in C class societies also. No difference was made.

Are you thinking of extending the experiment? Yes, Sir.

You say Akalis are against jewellery. Is it one of their tenets that no jewellery must be worn? They are reforming themselves. But they have not been successful to any great extent as they have to supply jewellery at the time of marriage and dispose it off afterwards.

What do you mean by saying that some dispose of it afterwards? Do they sell it? Yes, Sir.

The jewellery then is got for the purpose of the wedding and then sold? Sometimes as the majority are not of this idea and if they do not supply jewellery according to the wishes of the parents of the girl then they cannot get their sons married. Where the parties possess the same ideas no difficulty is felt.

Is the Akali movement having an effect on jewellery? Yes, but taken as a whole the number of Akalis is not considerable and jewellery is not decreasing.

Do you know at all what is done to the money that is saved? It is spent on household affairs.

Nothing in particular is taking the place of jewellery, such as sewing machines? No, Sir.

In connection with pawn broking you say that sometimes grain is accepted as security. In that case does possession pass to the money-lender? Yes, Sir, the money-lender generally locks the room where the grain is stored.

In the Zemindar's house? Yes, Sir, and keeps the key with him.

Is that unusual? Yes, Sir.

Is it a new departure? I did not know of this before coming to this district.

Is it possible that the money-lender has taken a leaf out of the book of the Imperial Bank? It might be so.

You say that in most cases the articles pledged are not redeemed at all. How do you know that? I have had a talk with people who deal in pawn broking.

You have asked a certain number and they agreed. Yes, Sir.

You say that only in 5 per cent. cases does a man pledge jewellery even though the rates of interest are more favourable. Why is that done so rarely? This is the last resort to raise money. Taking loan on jewellery is thought to be a disgrace to some extent.

You recommend that members' deposits could be exempted from income tax over and above the present financial concessions. But do many members of co-operative societies pay income tax? Not at present but if they be exempted the number of members can increase and a larger amount of money will come to the movement.

You are perhaps thinking more of the future than of the present? Yes, Sir.

In regard to savings you say that the Bham Union gives preferential rates on the proceeds of ornaments disposed off by women-folk. Do you mean that women sell their ornaments and deposit the proceeds with the bank and then get preferential rates? Yes, Sir, I inquired these rates personally at the time of my inspection of this union and I also made enquiries from the Directors of the Union and was quite satisfied.

How does the committee satisfy itself that the money brought in deposit is in fact the proceeds of a sale of jewellery? At present this movement is not widely extended but is confined mostly to big zemindars who want to reform themselves and if any such event takes place in any family it becomes known to all in the neighbourhood.

What does the commission shop in Dinanagar mainly market? Paddy.

When was it started? In January—about two months ago. It has started practical working and is now disposing off the paddy.

Has the society found any difficulty in getting a suitable manager? No, there was a non-agriculturist Lala Ram Chand who had had a training of the work and has been employed as manager. The Committee had confidence in him and after being appointed he has been 2 months in the Lyallpur Commission Shop.

What is his salary? Rs. fifty, to start with.

You say that two unions use cheques in their business? In what connection? In the case of current accounts.

In no other connection? No.

Further on you say that the Central Bank, Gurdaspur, has totally stopped the practice of remittance by insured cover. Why does it object to it? They think it is unsafe and the receiver might deny that he has received anything but a blank cover. Moreover, it is possible that the remitter might not have put the notes in the insured cover of the value that is intimated to the receiver.

Have they ever had a loss? They did not experience any loss in this bank but the manager told me that it happened in some other co-operative bank.

What percentage of the recoveries in the district are in cash? We were told that not more than fifteen or twenty per cent. is in cash. Yes, Sir, but in parts where marketing facilities are non-existent recoveries in grain are the general practice.

What is the number of credit societies in the district? 1,073.

And how many societies are there altogether? There are 1,326.

Do you happen to know how many villages have societies? Recently an enquiry was made in this connection and these 1,073 societies are situated in 877 villages.

And how many villages are there in the district? 2,363.

What percentage of the population are members of these societies? The population is about 8,52,192 including those of cities and the number of members on 31st July was 28,452. Assuming five to a family it works out at 16 per cent. There are 12 credit societies in Batala City.

And they mostly for non-agriculturists? They are combined.

These societies have got both agriculturists and non-agriculturists as members? Yes, Sir, and we are receiving applications for more societies in the city of Batala. The recent circular of the Registrar is a hindrance as it lays down that where there is one society another cannot be started unless the members in the old society exceed eighty.

Why do people not join the existing societies? In cities memberships is generally derived from the same mohallas and these people have no trust for those outside and they want such members in the beginning who are to be trusted.

Have you asked the Registrar to relax the rule in the case of cities on the ground that it was really intended to apply to villages? Whenever, I feel any difficulty I forward the case to the Deputy Registrar and convince him of the need and do not feel the necessity to move the Registrar.

So that whenever you have felt the need of societies you have had no difficulty? No, Sir. But it takes time because the Deputy Registrar wants to satisfy himself that there is a necessity and I have to answer his objections.

If traders in Batala want to open a society would there be any difficulty about their doing so? The only difficulty would be that mentioned above. In this district there are many societies of this kind and it is sufficiently advanced in this respect. There is a society of traders in Pathankot which has a deposit of about Rs. 45,000, one at Kalanaur from which the Lokhan Khurd Union derives most of its funds and there are other societies in this district which are a source of help to village societies and unions.

Does your experience of the urban societies suggest that they can be developed? Yes, Sir.

Are the existing traders' societies in the district working well? Quite well.

Is there a strong demand for new banks in the villages? Yes, Sir, but unfortunately we have been given no new staff. We have already a sufficient number of societies for the staff at our disposal. There was a hope that a second inspector for Shakargarh and for Batala each would be sanctioned during the new financial year, but we have been informed that there is no hope that the new staff will be sanctioned. The general rule is that not more than 300 societies should be in charge of an inspector, but in Shakargarh the number of societies at present is about 330 and in Batala there are about 345 and it is a very heavy charge for the inspectors.

Then the paucity of staff is definitely standing in the way of starting new societies? Yes, Sir.

And is there a strong demand? Yes, Sir, we have touched only one-third of the villages.

You have given here a list of A and B societies and of C societies
Lala Harkishan Lal but you have not mentioned D? Yes,
Sir.

The number of A and B societies is 85 and of C societies 125 or a total of 210, are the rest of the 1,073 in class D? No. I have only collected the information for so many societies. If information was to be collected for all societies it would have taken a long time.

But am I to understand that apart from 210 societies all others are in class D? No, Sir. Most of them are in the C class.

In your jurisdiction how many societies are in D? There are 54 such societies. On the 31st July there were 1,044 societies of which 15 were in A class, 143 in B and 743 in C and 54 in D and 89 were unclassified, i.e., we have not yet sufficient experience about them.

Will you kindly tell me from your experience if anything else is included in land improvement apart from the well-sinking? Introduction of machinery, such as Raja ploughs, harrows, intensive cultivation that requires more manure, etc.

Some body mentioned this morning that land breaking was also included in it? You mean the reclamation of land; yes, that is also included, but it is not a major factor.

Apart from well-sinking have people shown any desire to borrow money for any other object connected with land improvement? Not at present.

Do you think it likely that as education increases, they might think more of land improvement? If the lending rates are cheaper and the terms are favourable.

If they can get money on easy terms, they would turn their attention to these various improvements? Quite so.

You have already said that 6-7 per cent. ought to be the rate of interest for loans advanced for the improvements mentioned by you and you further add that people will then think more of improving their lands and prosperity? Yes.

You have said something about pawn-brokers. Will you kindly tell us what are the articles which are really pawned excepting jewellery? Metal utensils of copper and brass. Only such persons pawn such utensils whose credit is very much weakened and they have got nothing else to pawn.

Have the agriculturists got these metal utensils to pawn? The agriculturists generally don't raise money by pawning utensils; it is the non-agriculturists, i.e., village Kamins who raise money by pawning utensils.

Have the Kamins got any jewellery? To some extent.

Silver or gold ornaments or both? Mostly silver.

Do these people have much money to invest in these utensils? They invest according to their requirements.

How much generally a well-to-do non-agriculturist (I don't mean a Sahukar or a Bania, I mean a Kamin), invests in utensils? About Rs. seventy or Rs. eighty.

How much do they get if they pawn their utensils? Half the price.

You say in your memorandum that the Central-Bank is doing nothing to encourage savings. Are people in the habit of saving money in this district, and if so what classes? Bantias and Sheikhs save as far as my experience goes.

And no body else saves? Others also save, but these are the principal communities who can save.

Do the lawyers, whether agriculturists or non-agriculturists, and whether town men or village men, save money? Yes, they save, and the Government servants also save something.

And apart from the money lent, the money-lender saves part of his annual or monthly income and spends the remainder; is not that so? Quite so.

Whether an agriculturist or a non-agriculturist? Yes.

Does a non-agriculturist zemindar, *i.e.*, a Brahmin, a Sheikh who has got land, or whose chief source of income is agriculture, save? Every body tries to save.

What do they do with their savings? If they are money-lenders, they invest it in their own profession; others invest in some other ways; some build pucca houses, some spend on marriages or education of their sons and sometimes invest in deposits.

Generally the saving, which really is a saving and which is not spent again in the house building; is not that so? Yes; in this district people generally build houses.

Or build a marble tomb for his father? No, not that way.

Is any part of that really invested in the co-operative movement? Yes, some of it is invested; the trouble is that all of them are not of the same ideas.

Do the professional class, the official class and the non-agriculturist zemindars freely invest in the co-operative societies? Yes.

Have you any experience of the remaining $\frac{2}{3}$ rd of the population which is not touched or helped by the co-operative movement? We go to such villages as well. They generally have not got so many facilities for investment.

In that case the chances for them to save are not many? They have not got co-operative societies there and therefore, they save less. There are joint stock banks and post offices, where they can invest.

So far as I know there is no joint stock bank in Gurdaspur? One is to be opened shortly.

Does the co-operative movement induce people to save also? Yes.

As there is no co-operative movement there, therefore the inducement for saving is less? Yes.

The inducement for saving being less, the borrowers of those places are doubly more unfortunate than the borrowers in the places where co-operative movement is in existence, because they cannot borrow on such easy terms as the co-operative movement lends, and besides there are no savings either to reduce the rates of interest? Yes.

If they invest the savings into the co-operative movement it is lending? Yes.

I am thinking of that portion of the savings which is not invested in buildings, but in the co-operative movement. In that case the savings ultimately go to the assistance of the agriculturists. Therefore, the poor men in those parts are doubly unfortunate. Have you any scheme, apart from the co-operative movement, in mind really to relieve these unfortunate people? I have not considered it.

Do you think any is necessary? I think that co-operation is the best remedy.

Chairman.

Do you think any other remedy is possible? No other remedy is possible.

In answer to Question 4 you say that the debt of the agriculturists

Khan Bahadur Chaudhri is increasing, because they are addicted to drinking. To which class of agriculturists does this remark relate? The Sikh and Hindu Jat agriculturists are addicted to drinking.

Is it unknown amongst the Mohammadan agriculturists? There are a few exceptions among them as well.

Lala Harkishan Lal.

You say in your memorandum that one of the causes for the increase in mortgage debt is the purchase of lorries. Is it a lucrative business that people mortgage their lands for the purchase of lorries? Some people consider that they are more suited to this sort of work and therefore they invest in the purchase of lorries. Formerly also zemindars used to purchase Ekkas or tongas. Now second hand lorries don't cost more than Rs. 500 or Rs. 600, and some years back the ekkas or tongas cost so much.

If a man invests Rs. 1,000 in land what would be his annual income? It would approximately be Rs. 20, and after paying land revenue and other charges his net savings would amount to Rs. 16.

What would he gain if he invests this sum in lorries? In my opinion the plying of lorries on hire is a more lucrative business, provided one does not indulge in bad habits, but the drivers, whether tonga drivers or motor drivers, generally are addicted to bad habits.

You say in your note that there is absence of facilities for long term credit. What remedy do you suggest; is a mortgage bank suitable for long term credit? I don't think it would prove successful, because mortgage money is much larger in proportion to the areas mortgaged.

Would the great fragmentation of land be an obstacle to the successful working of a mortgage bank for the reason that if a mortgage bank had to take possession of land, it would encounter a good many difficulties? Yes, Sir.

Chairman.

Is it an insuperable obstacle? Not insuperable, because the fragmented fields can be consolidated.

Khan Bahadur Chaudhri
Niamat Ullah.

What is the liability of a primary society?
Unlimited.

People who keep deposits in the societies have got faith in their soundness? Yes; generally people know that their deposits are safe in the primary societies.

How are they working as compared with the last two or three years? They have improved very much.

If a depositor requests the Registrar to give some post to his brother or relation and if he is refused, will that be a sufficient excuse for him to withdraw his deposit? Now the movement has passed through all these stages. -Now deposits are coming in without any propaganda.

If a man is not elected a Director of the Central Bank, will he withdraw his deposit? Such things now have got no effect on the movement.

What is the amount of deposits in the primary societies in your circle? Rs. 3,31,069.

Has a depositor got a hand in the management of a primary society? So long as he is not a shareholder of the primary society, he has got no hand in its working.

There are two kinds of shareholders in a primary society; *first*, those who have joined the societies in order to raise loans, and *secondly* those who wish to help the poor agriculturists and improve the co-operative movement. Who do you think should have preference in the management of the society? It is only the faith and confidence of members which enables a man to come on the directorate of a society. It is the outlook of the members to select whom they like.

Can you tell me from your experience which community has got a larger number of banks? Here the Muhammadans have got a larger number of societies than the non-Muhammadans.

The general impression is that the depositors are mostly Sikhs and Hindus. If they withdraw their deposits on the ground that they have got no hand in the management of the societies, will other people follow suit? No; now the people keep their deposits with the societies on the ground that their deposits are more safe there than elsewhere.

You have said in your report that money-lenders usually charge 25 per cent. What do you think is the usual rate charged by the agriculturists? 18½ per cent.

Further on you say that sometimes it goes up to fifty per cent.? In special cases if the need of the zemindar is more pressing and his credit is not sound, then it goes to fifty per cent.

Have you seen the account books of the money-lenders? I have not seen their accounts, but there are instances in which they have charged even fifty per cent.

Have you come across them yourself? Yes.

You have said in your note that seventy per cent of the amount under head "debt" refers to old debts. You mean to say that there are now no new debts? There are new debts, but seventy per cent. represent the old debts and thirty per cent. new debts.

Then it means that the old system of money-lending is decreasing? Yes.

You say in your note that "in most cases the articles pledged are not redeemed at all and are set off against the liquidation of debt. Interest increases at a pretty quick pace till it becomes unprofitable to redeem the goods." Do you mean the ornaments? Ornaments and other utensils or articles.

They don't get them back because of the fall in prices or the accumulation of interest? Both the reasons apply.

(Witness withdrew.)

**Chaudhri Ghulam Muhammad, Assistant Registrar,
Co-operative Societies, Rawalpindi.**

Increase in Debt.

4. It is due to the following reasons :—

- (1) In face of low prices after the Great War the desire to maintain the high standard of living that was attained during the Great War when prices were high.
- (2) With the grant of lands in colonies people earned and invested the savings here in the home districts.
- (3) *Ex*-soldiers and *ex*-officers had earned money and invested in mortgages.
- (4) The decrease in the period of loan from six to three years and thereby the early required liquidation of old debts.
- (5) Litigation.

5. (1) I have never come across a person who could not secure loan for sinking a well or some other land improvement that might be paying.

(2) I have no reason to suppose that village money-lender does not advance loan freely for land improvement when asked to do so.

(3) The tendency in the area is to give up the running of even the existing wells as it seldom proves profitable because only extensive cultivation is made use of even on wells. Speaking generally the intensive cultivation is not in vogue in this Ilaqa. I have made enquiry which gives the following result :—

In the year 1918-19, there were 1,287 wells in all in the Rawalpindi district out of which 27 were out of use and 19 were newly sunk in the whole year.

At present in the year 1928-29 there were 1,278 wells in all out of which 183 were given up and 45 were newly sunk.

A heavily indebted cultivator who, when pressed, is willing to mortgage or sell his land for the liquidation of the debt, feels convenient to liquidate the debt than to make land improvement. Truly speaking it is somewhat difficult for a family having no peace of mind to think of its improvement.

6. *Taccavi*.

(i) I advocate its use in normal times even but not through the civil officers but through the medium of the Co-operative movement.

(ii) I would apply it to the members of Co-operative Societies in the following manner :—

The Government should place the amount at the disposal of mortgage banks which should be required to advance it to its members.

(iv) Yes. I agree. I estimate the rate of interest at not less than 12 per cent in case of big loans and 20 per cent in case of petty loans.

7. Yes. I regard the attached memo. regarding the village money-lender as correctly representing the conditions in this Ilāqa with the following remarks. He is gradually losing ground; yet he still dominates in my circle. Agriculturists in this Ilāqa are chiefly Muhammadans with small holdings. Those who may have earned money from colonies or service take land on mortgage, but they too have not taken to money-lending as an occupation. I would like to add that one of the causes of losing of ground by him is the increasing tendency of the rural classes towards the elimination of the ceremonial expenses, i.e. marriage, death, etc.

Hoarding.

10. (1) Yes, it is still common.

(2) It is diminishing.

(3) It is common in all classes.

(4) Jewellery.

11. (a) No. I think the purchase of jewellery is not decreasing.

Jewellery.

(b) There is no canal area in this circle.

12. (i) Yes, all classes of money-lenders lend on the security of jewellery but they do not lend only on the security of jewellery. Lending without any security is also common.

Pawn-broking.

(ii) Yes, other movable property besides jewellery is accepted as security but this happens in very rare cases and for petty loans only.

(iii) Seventy-five per cent of the value of goods besides jewellery will be advanced.

(iv) He himself does the valuation. Nothing is generally charged for valuation.

(v) They are usually expected to be redeemed within the period of say about three months.

(vi) No special godowns are ever maintained or hired.

(vii) Against goods pawn-broking interest rates are somewhat like 12 to 24 per cent., while in case of loans on security it is about 24 to 50 per cent.

(viii) Yes, they vary with the amount and duration of loan.

(ix) No, I have never heard of such a complaint.

(x) In case of large advances to traders, they are made at the instance of the borrowers in order to secure more favourable terms. In other cases on the instance of the money-lenders to obtain better security.

(xi) The pawn-broking loans are nearly 20 per cent of the total rural debt.

16. (i) Cheques are drawn on floating accounts only by the customers and drawings made by societies for money are totally drawn by cheque bonds.

(ii) Central banks may draw cheques upon each other and the Punjab Provincial Bank should act as clearance house to settle the claims in order to facilitate the transmission between various banks.

19. (i) They are transmitted by the following methods :—
Transmission of funds.

(1) By money order.

(2) By insured letter.

(3) By personal attendance.

(ii) Money order and insured letters.

(iii) The transmission of funds may be further facilitated by increasing the rate of refund of money order fee and by granting the concession at an extensive scale.

Oral evidence of Chaudhri Ghulam Muhammad, Assistant Registrar, Co-operative Societies, Rawalpindi.

Witness stated that his circle included Jhelum. He has served about seventeen years in the Co-operative Department. He has been nearly three years in Rawalpindi, two in Lyallpur and twelve in Gujrat. The reply given in his note to question 1 regarding repayments was the result of a special enquiry. People who have been taking loans from sahu-kars at rates from 37 to 75 per cent numbered eight in one village of about 130 houses, two in another village and six in a third village of about seventy houses. All these were zemindars. There are not many people who require money for the improvement of land. Compared to conditions fifteen years ago, there is a marked difference in the way people now spend their money. They are spending it more wisely; and, if more money were available, they would put it to better use. This is due to the teaching of co-operative societies, education and changes in the ways of living, etc. The troubles that people have experienced in the past in the repayment of their loans have also taught them to be more careful with their money. The fact that indebtedness in the Punjab is increasing every year is not due to people spending money more widely, but to the fall in the value of money. It is true that the prices of things have gone down, but that is a very recent development

Of the five reasons given in his note, witness stated that the increase in the standard of living and litigation were the most important causes of the increase in indebtedness. There has been no decrease in the amount of litigation in the district, but the cost of it has increased.

Witness advocated the distributing of taccavi even in normal years, and not only in times of emergency. Asked by the chairman whether this would not militate against the co-operative principle of self-help, he said not, if the loans are used only for productive purposes, and given through co-operative institutions. He explained that whatever he had written in his note on this subject referred only to the Land Improvement Act. The remarks in his note regarding the effective rate of interest were the result of a special enquiry. The same applied to what he had said regarding the proportion of members of co-operative societies who still continued to deal with sahu-kars. The only way of stopping this was to improve the teaching given. At present many members are ignorant of the real principles of co-operation, and in some cases the secretaries are illiterate and the managing committee is not composed of competent men who are suitable for the job. Sometimes parties are formed inside the societies. These defects can only disappear if education is improved among the members.

His remarks about hoarding applied only to jewellery. In Gujrat more was spent on jewellery because the incomes of the people

were higher, and not because people there like jewellery more than in Rawalpindi.

People prefer to raise loans without giving security rather than on mortgages. This is true of Rawalpindi, Jhelum, Gujrat, Lyallpur and Jhang. There has been no change in this except in villages where co-operative societies have been started. In some cases also the sahu-kars do not now advance loans on personal security as freely as they used to do. The rate of interest charged from an average man on loans given on personal security is between 24 and 37½ per cent. This is true of Rawalpindi, Gujrat and Jhelum. Mortgages without possession are very rare. On mortgages with security the return would vary with the quality of the land, but is in no case equal to 24 per cent. Zemindars usually give away their lands on mortgage only when their other sources of borrowing are exhausted. Ordinarily zemindars do not have enough money to lend to other zemindars on mortgage without possession. Miadi mortgages are very rare. People do not wish to mortgage part of their land in this way as ordinarily there would not be enough left with them to give them enough employment and they would have to look round and get some other land on rent which might be away from their land and would be troublesome to cultivate. Also the lender would naturally try to get the best portion of the land as security.

In regard to the figures of loans taken by members of all classes given in the note, the average of which comes to about Rs. 100 per member, witness stated that this amount ought to be sufficient for the cultivator as long as he did not want it for improving his land.

Questioned by Chaudhri Sultan Ahmad, witness said that military pensioners who have surplus money generally spend it on buying more land or ornaments, but never think of spending it on land improvement. They may have got a better outlook on life by going out of the country during the war, but have certainly become lazier as far as cultivating the land is concerned.

Questioned by Chaudhri Niamat Ullah, witness said that the people mentioned by him in his note as having borrowed money at rates varying from 37 to 75 per cent were both members and non-members. Non-members did not get enough taccavi during the floods to meet all their wants. Land in witness's area could be improved a lot by putting up small bunds to catch the water in the nullahs; in fact, this would be more beneficial than digging wells, but this too would need money. Some better-living societies have been opened in the district and have proved of benefit to the people. No arbitration societies have been opened, one reason being the starting of panchayats. During the last 36 years about 50,000 acres of land in the Jhelum District have been lost on account of erosion by nullahs. This included also some land near the Salt Range destroyed by salt, but this was not really cultivable

land. The reason why people who were heavily in debt preferred to sell off their land rather than improve it was that improvement could only be thought of in those cases where the people were well-to-do and at peace; the people of the district were poor, and factious therefore could not think of improvement of land. Less money is being spent on jewellery in the villages. In the city people are buying more expensive jewellery and also spending money on finer clothes. In pawn-broking, receipts are not given to the borrower. Post offices are at great distances; and, if the Central Banks start sending money through the post offices, the people will be put to inconvenience. There are two central banks in the district, and the need for unions has not been felt, though, if some were opened, they will be of use. Cheques are not used in connection with savings bank accounts, and, if they are introduced, they will facilitate the working of the banks. There have been three cases in which ten rupees have been found missing out of the money remitted by insured covers. In two cases the money was recovered from the remitting clerks as they had not followed the procedure laid down for such remittances, and in the third the Central Bank has refused to pay the society as the right procedure was followed. Good crops are very rare and the people have no surplus money with them.

In reply to Rai Sahib Kishan Lal, witness stated that there were no agriculturist money-lenders in the district. The net profit to the money-lender after deducting all his expenses would amount to 24 per cent.

Questioned by the Chairman regarding the arrangements made during the last floods to advance loans to members of co-operative societies at 7 per cent., witness stated that the scheme was at first started by him and was also put in operation in the Jhelum District. About Rs. 1,07,000 were advanced. The floods came on the 29th August and relief was distributed in September and October. Government just after the flood gave no special taccavi, but some money given by philanthropic people was distributed among the people. In witness's circle no staff was requisitioned from outside. Money was distributed in nearly 39 villages. No difficulty was felt in doing this, and witness was sure that in case of similar emergency this could be easily repeated. There have been no complaints of the misuse of money, or of the staff having taken illegal gratification. Money was distributed in the presence of the inspector and sub-inspector and was checked the same day by witness who called a general meeting of the members for the purpose. As many as six villages were visited by witness in one day. This could be done as these villages were on the pacca road and communications were quite easy. It is really not necessary for the Assistant Registrar to check all the cases; but, if he were to go through a few cases in every place, it ought to be enough, and would also enable this kind of work to be done in more villages every day. About twenty days were spent in making a special

enquiry into the conditions of the people and their needs. Witness promised to supply figures showing the number of people to whom this special loan* was given. No help was asked from the tehsil staff or the patwaris, but the whole arrangement was made by the members of the societies themselves with the help of the staff. The particulars actually checked by the Assistant Registrar during his visits were : whether the money had actually been paid to the member and what was the amount ; the loss suffered by the member concerned ; the amount of any previous loan that might have been taken from the society ; and whether the money was spent on the purpose asked for. In cases where money was given in excess of the maximum credit limit of the members, approvals were only given where the revenue paid by the member seemed to justify it, but it never exceeded 1/10th of the money with the society. Money was not advanced to defaulters. Powers were given to the society to judge cases of men who had not been good repayers of loans in the past. An audit of these accounts was also carried out at that time according to certain set lines suggested by the Assistant Registrar.

In reply to Chaudhri Sultan Ahmad, witness stated that the Central Banks gave a gift of Rs. 3,200 to members who for the reasons given above could not be given advances out of this special loan money. In each case where such loans were given, two sureties were taken. In witness's circle the need for opening new societies was keenly felt, but more societies could not be opened on account of the paucity of staff. Since the opening of co-operative societies, the rate of sahkara interest has gone down in the sense that people who about fifteen years ago were charged 37 per cent are now charged less. The reasons why actual rates have not considerably changed may be that the number of societies so far opened has been too few to affect it. *Begar* (free labour) is not now claimed by the sahkars from their debtors, and other overhead charges have also come down. Sahkars have influential friends in the villages to help them in recovering moneys advanced to other people in the village. These people are not charged a lower rate of interest, but are given concessions in repayment, also a few other facilities. *Chilkana* (discount) is taken at the rate of one anna per rupee.

(Witness withdrew.)

*The number of people to whom this special loan was given is 1,080.

**M. Nawab Ali, Assistant Registrar, Co-operative Societies,
Campbellpur.**

3. (i) Yes, the ordinary cultivator generally gets as much capital
Sufficiency of Capital. as he requires for all his legitimate needs.

(ii) It seems that often he borrows more than is really needed for his legitimate needs.

4. It is noticed even in these districts too that the mortgage debts are increasing. The increase in the mortgage
Increase in debt. debts can be attributed to the following :—

(a) Transformation of unsecured debt into mortgage debt. The following are the causes of transformation of unsecured into secured debt :—

(i) unproductive loans.

(ii) Sub-division and fragmentation in holdings rendering them uneconomic, weakens the credit of cultivators.

(iii) Wilful leniency of the money-lender leads to accumulation of debts and when the loan is just on the verge of being time-barred, pressure is exerted for renewal or execution of mortgage in his favour through another agriculturist and this is known as 'Benami.'

(iv) Rise in the standard of living without corresponding increase in the income, renders the cultivator weak, so he must borrow and that is now possible only on the security of mortgage.

(b) To a certain degree the increase in the mortgage debt is due to the desire of the agriculturists to invest their money in the mortgage of land with the final hope of purchase.

(c) The tendency of an ordinary cultivator is that he will prefer to mortgage his ~~sm~~ rather than to sell it in the hope of getting it redeupdi when circumstances allow.

5. (i) No such persons have been come across who wish to
Land Improvement. improve their land by sinking a well or making a Bund and have not got necessary capital.

(ii) There is no reason to suppose that the village money-lender does not advance for the land improvement when asked to do so.

(iii) The general tendency is not to borrow for land improvement and in larger number of cases, the short term loans are transformed into long term credit for lightening burden of interest.

(iv) Nothing is to be added to paragraph 359 of the report of the Royal Commission on Agriculture with regard to working of land improvement act. The necessity of strict supervision is being repeated.

6. (i) Nothing is to be added to the findings of the Royal Commission on Agriculture.
Agriculturists Loans Act.

(ii) These loans should be issued at the time of emergency only as floods, etc.

(iii) When the societies have funds or the movement can supply money to the societies, resorts should not be made to Taccavi loans from the Government under Agriculturists Loans Act. In case of emergency when the movement is short of funds, the money may be taken from the Government as loan and given to members through societies. Further the issue of Taccavi loans through the societies may reduce the incidental charges, which accompany the direct issue of such loans.

(iv) It is very difficult to calculate exactly the rate of interest at which the people in reality get the money. Roughly it may be stated at about 12 per cent.

7. The districts of Mianwali and Campbellpur are admittedly backward and the co-operative movement in Village Money-Lender. these districts has not so far materially affected the business of the sahlukar. The migration to towns is not so frequent as is noticed elsewhere. Migration does not necessarily mean the ceasing of money-lending business. In these districts money-lending is still stated to be a good paying concern.

Hoarding. 10. (i) Yes, hoarding is common.

(ii) The decrease is imperceptible.

(iii) It is common among all classes of people.

(iv) It usually takes the form of ornaments. But hoarding does not mean, necessarily, saving, for people ordinarily make ornaments from their income, and not from their savings. It is very difficult to arrive at a definite percentage.

12. (i) In Mianwali district advances on security of jewellery are exceptions, but in ordinary cases in this district money-lenders secure their advances on personal security, while in Campbellpur district, it is reported that particularly in Campbellpur, Fatchjang and Pindigheb tahsils, cash loans on security of jewellery are common and all class of money-lenders advance loans on the security of ornaments.

(ii) Generally no other moveable property is accepted as security.

(iii) The amount advanced is generally 50 per cent of the value of the ornaments pawned.

(iv) The valuation is generally done by the money-lenders themselves and no charges are made for valuation.

(v) No period for redemption is usually fixed, but the money-lender, before the principal and interest approximate the total value of the pawned ornaments, asks the debtor either to have his ornaments redeemed or to make a final settlement with him.

(vi) No.

(vii) The general rate of interest in these two districts ranges between 25 and 37 per cent and the rates of loans on security of ornaments are issued approximately at 18 per cent.

(viii) Generally the rates do not vary with the amount and the period of loans.

(ix) Losses, if any, are exceptions.

(x) In most of the cases, it is the money-lender who demands the security of the ornaments.

(xi) It is very difficult to give any estimate of the proportion that pawn broken loans bear to total rural debt in the circle. It is stated that such loans may amount very roughly to 2 per cent in Mianwali district and 10 per cent in Campbellpur district.

14. The present concessions are desirable and should continue.

Financial concessions. If only one is to be retained the exemption of stamp duty should be continued.

15. (i) (a) Both the Central Banks in this circle maintain Savings.

Savings. Bank Accounts for the benefit of the public. These savings bank accounts may begin with Rs. 5 in each Central Bank and the subsequent deposits may be even Re. 1. The rate of interest is $4\frac{1}{2}$ per cent in Attock and 4 per cent in Mianwali Central Banks. Maximum withdrawal in each Central Bank amounts to Rs. 500 twice a week. The rate of interest given by post office saving banks is 3 per cent to be paid annually, while Central Banks pay interest each 6 months.

(b) Sarwar Co-operative Credit Union Limited, Shadi Khan and Kot Estate Union, Limited, the only two Banking Unions, keep no savings bank accounts.

(i) It is further possible to decrease the minimum of accepting savings bank deposits to Re. one.

(ii) There is no commission shop in this circle.

(iv) There is no Central Bank Branch in this circle.

(v) The smallest sums ordinarily accepted in deposits by the Central Banks are given below :—

(a) Central Banks.

| | Fixed deposit. | Savings bank deposit. | Current account. |
|--------------------------------|----------------|-----------------------|------------------|
| | Rs. | Rs. | Rs. |
| CENTRAL BANK, ATTOCK. | | | |
| Societies | 100 | 5 | 50 |
| Individuals | 100 | 5 | 50 |
| CENTRAL BANK, MIANWALI. | | | |
| Societies | 10 | 5 | 10 |
| Individuals | 100 | 5 | 10 |
| Minors | 100 | 1 | 0 8 0 |

(vi) The total number of saving bank accounts for each of the two Central Banks of Mianwali and Attock with amounts are given below. None of the Unions is keeping any savings bank account.

| Name of Central Bank. | Number of account on 1st February 1930. | Amount. | | |
|---------------------------|---|---------|----|----|
| | | Rs. | A. | P. |
| Attock Central Bank .. | 120 | 41,594 | 4 | 6 |
| Central Bank, Mianwali .. | 158 | 33,135 | 0 | 0 |

(vii) Common rate of interest allowed on savings bank account in Attock Central Bank is $4\frac{1}{2}$ per cent and in Mianwali 4 per cent. None of the Unions is keeping savings bank account.

(viii) No period of notice has so far been fixed by any Central Bank.

16. (i) Cheques are generally used for drawing current and savings bank accounts in the Mianwali Central Bank while in Attock they are only used for current accounts. While the cheque bonds are used by all the borrowing primary societies.

19. (i) Funds are transmitted between Central Banks and primary societies either through money order or insured covers and by personal attendance.

(ii) From societies to central banks through money order and from central banks to societies per insured covers.

(iii) No.

23. (a) Yes.

Dealings between Land-
lord and Tenant.

(i) Advances are mostly made for seed, sometimes for bullocks and food grains.

(ii) Generally no interest is charged. But exception is reported from Tahsil Tallagang, where Sikh landlords are reported to be charging interest, but these landlords are very few. Such loans are ordinarily recovered from the produce of the next crop.

(iii) Muhammadans do not charge any interest, while Hindus and Sikhs (who are very few) charge interest. The rate of interest is generally about 25 per cent.

(b) In this Haqa there is no practice for tenants to advance loans to their landlords.

Q.—To what extent Muhammadans do not take interest on account of religious scruples ?

A.—Most of the Muhammadans hesitate to take interest on account of religious scruples, but the advanced section of the Muhammadans do not hesitate in accepting interest although some of them may give it for charitable purposes. When rural Muhammadans have money, generally they try to invest in mortgage and purchase of land, for investment in mortgage is considered less objectionable than taking of interest.

**Oral evidence of Mr. Nawab Ali, Assistant Registrar,
Campbellpur.**

Chairman.—You are the Assistant Registrar, Campbellpur?—
Yes, sir.

Mianwali and Attock are in your circle?—Yes, sir.

How long have you been in Campbellpur?—About four months.
I recently came here from Multan.

How long have you been there?—2½ years.

In what other districts have you served?—Lyallpur.

For how many years have you been there?—six years.

Multan and Montgomery were in your circle then?—Yes, sir.

Then you can speak with a good deal of knowledge of Montgomery,
Multan, Lyallpur, Mianwali and Attock?—Yes, Sir.

Did you not serve in Attock before?—Yes; I did.

How long?—About one year and some months.

Are the figures that you have given in regard to repayment the
result of special enquiry?—Yes, sir. They were discussed with the
whole staff, and then the results were noted down after full discus-
sion.

I gather, you think the ordinary cultivator has at present more
capital than he requires?—Yes, sir.

Do you think it is unnecessary to give him more credit facilities?—
I think so. He should be taught to use his credit more wisely.

Is there any indication that the ordinary cultivator has been
spending his money more wisely in the areas for which you can speak.
Is there any improvement?—Yes; there is some improvement in the
right use of money, but still much is needed.

How much service have you had in the Co-operative Department?
Eleven years.

In this period have you seen much improvement?—In this
period there has decidedly been an improvement, but still much is
needed.

Do you think many have learnt to spend their money more wisely,
but much remains to be done?—Yes, sir; a certain percentage has
learnt to spend wisely, but much still remains to be done.

What is this improvement due to?—To the teachings of co-
operative societies; that is the main cause.

And general education too?—I have some experience that those
who have gained general education don't always use the money wisely.

Have you come across any marked desire for money for land im-
provement in any of these districts?—No.

Not even in Lyallpur?—In Lyallpur much money is not needed for any improvement. Whatever is needed, the cultivator can get, and should get, from his resources.

Do you mean that the cultivator can finance himself because his earnings are big?—Yes, sir ; in many cases wells are not required, and much money is not needed for other improvements.

In the Western Punjab there is no marked desire?—There he has got enough every year for the improvement of land; and, if he wants more, it should not be given to him.

Why?—Because he can save, I think.

In fact, he should be able to finance himself out of his own resources?—Yes, sir, in Lyallpur and other established canal colonies thrift is more needed than credit, I think.

Turning to the figures which you have given us for borrowings in A and B class societies the average comes to Rs. 101 per member who borrowed, and in C class societies it comes to 86. Both figures are for 31st July?—Yes, sir.

Is that a time when a man's borrowing is likely to be high?—I don't think so.

Then these figures would be considerably lower than the maximum?—Yes, sir.

Could you say at all on the basis of these figures how much a man who is financing himself prudently would require in a normal year?—It depends upon the land that he has to cultivate.

Taking an average holding, which would be, I suppose, between ten and twenty acres in both districts?—The average holding is between eight and nine acres of cultivated land and of uncultivated it is 29 acres. Much of the land is waste and not under cultivation in both these districts.

Taking that average, would you say that what a man would require is much above Rs. 100?—Usually Rs. 100 would be sufficient.

Khan Bahadur Chaudhri Sultan Ahmad.—Do you think the same figures would do for the Hazro tract?—No; I don't think so. This is about the average. For that tract more money is required. This is the average for both the districts.

Chairman.—About taccavi: you were in Mianwali, your present circle, when these emergency loans were made; can you tell us whether the distribution was on the whole satisfactory?—The taccavi money was distributed by the civil authorities. They should be in a better position to give a definite opinion about it. The emergency flood loans through co-operative societies by the Co-operative Department were given before my resuming charge of this circle, but I should think it on the whole, satisfactory, and speedy as well, because co-operators got the money at the right time.

How long did they take to get it?—In about one month's time.

Have you had any complaints about the system, which was, I take it, to some extent experimental?—There have been no complaints so far.

Did it work entirely satisfactorily?—Yes, sir, as a system.

And the money found its way to the people who needed it?—Yes.

And, roughly speaking, in the right amount?—Yes; there are cases where the defaulter also got the money and members got more than their bare needs, but on the whole it seems to have worked alright, and there was no under-finance.

Would you prefer that system in future to the system of getting advances from Government?—This will be a better arrangement, I think. Of course, if the movement has got its own money, then they need not ask Government for funds; and, if the movement has not enough money, then Government should be asked for loans which should be advanced through co-operative credit societies. Khan Sahib Ghulam Hassan Khan, Honorary Secretary, Mianwali Central Co-operative Bank, added: "This year also we moved the Deputy Commissioner to allot us some money from the taccavi loans to be advanced to the members through co-operative societies, but the chief objection which was raised by the tahsildars and other officials was that the taccavi loans were meant for the zemindar population in general, and that they were not meant for the members of the co-operative societies, only. Therefore it was very difficult to place taccavi loans at the disposal of co-operative societies; the members use funds of the Central Bank also, and therefore these taccavi loans were chiefly meant for those people who were not members of the co-operative societies."

Chairman.—Therefore nothing was given to the co-operative societies?—They don't allot anything from the taccavi loans for distribution through co-operative societies.

Simply on the ground that the members of co-operative societies had their own resources?—Quite so; but, in practice, it cannot be said that members of societies did not at all take taccavi loans. Instances are not wanting to show that members of co-operative societies took also taccavi loans as well.

Which don't need supplementing by Government?—Yes sir.

Did it not require any particular effort on the part of the co-operative staff to make these emergency loans?—The staff had to exert itself very hard; special staff was invited from other districts.

How many men came in from outside?—I think practically half of the staff went from the Attock District to Mianwali.

For how long?—For about a fortnight.

Was any staff requisitioned from any other district?—No.

Do you think that the necessary effort could always be made in emergencies?—That can be made of course.

There is nothing to prevent this being done again?—No.

You say that in Mianwali and Campbellpur the business of the sahuakar has not been materially affected. Is that the case in Multan too?—I think so.

And in Montgomery also?—Yes.

Would you say then that the position of the sahuakar in these districts is as strong as it was ten or eleven years ago when you joined this department?—Effect there is, but not very material. In these two districts (Campbellpur and Mianwali) we have touched about 14 per cent of the population and about 10 per cent of the capital.

About 10 per cent of the total capital advanced to cultivators is provided by the co-operative societies; is that what you mean?—I mean that the sahuakar has got roughly ten times more capital in the field. This figure I got after consultation and discussion with the Income-tax Officer, Campbellpur. Effect there is clearly, but not very material, I mean; still we have to do much.

Are the figures* which you have given us for A and B class societies in regard to dealing with money-lenders the result of a special enquiry?—Yes, sir; these are the results of discussions with the staff.

You say that 60 per cent of the members of C class societies deal with money-lenders; what is your remedy for that?—More teaching, more supervision and more education of the people on business principles.

You don't think it is due to any shortage of finance?—No.

The money is available?—The money is available all right.

But at present people don't know how to use it?—Yes, sir.

If they knew how to make proper use of it, it would not be necessary to go to the money-lender?—Yes, sir.

You say hoarding is common; do you mean hoarding of cash?—That is not common.

Why are loans on the security of jewellery more common in Attock than in Mianwali?—I cannot say any thing definitely about it.

Is it due to the fact that less jewellery is possessed by Mianwali than Attock?—Before the great war the jewellery which the zemindars in general possessed in the Mianwali District was not much, and most of it was silver ornaments and only one or two trinkets of gold. Since the war, of course, gold ornaments have come to be possessed by zemindars, but I think it is an old custom amongst people not to pawn ornaments.

* Vide Statement No. 11, page 345 Report.

Are people reluctant on social grounds to pledge their jewellery for loans?—In the Attock District they are accustomed to it.

In some districts, we have been told, people regard it as derogatory to pledge their ornaments; that is not the case in Attock?—No; this is so to some extent in Mianwali because, when a sahuakar asks a person that he can get a loan by pawning his jewellery, it is considered that he has got very low credit, and it is considered a sign of *beizzati*. People who pawn their jewellery try not to make it known to the people that they had secured a loan by pawning their jewellery.

What about Multan; is the pawning of jewellery regarded as derogatory there?—Yes; in Multan, Lyallpur and Montgomery it is considered a disgrace.

If only one of the concessions available to co-operative societies was to be extended, which would you suggest?—I don't think we should have more concessions extended. The present concessions should continue. Concession generally means weakness; I am not in favour of it.

Coming to the Central Banks; does either of the Central Banks in your circle allow people who are illiterate to open savings bank accounts?—There are some illiterate people who have got savings bank accounts.

You mean there is no bar?—No, sir.

Has it led to any difficulties?—Not up to this time. Some of the illiterate persons are using cheque books also.

How do they manage that?—They get the cheque attested by a witness, and also the messenger, who brings in the cheque, is required by the bank to attest it.

How many illiterate persons are using cheque books?—Not more than a dozen.

Has that led to any difficulty?—Not up to this time.

Has that been in force for some time?—For about six or eight months.

Have you had any difficulty in the use of cheques for operating savings bank accounts?—No, sir.

How long has that been in force?—We started about six or seven months ago.

In regard to landlord and tenant, I gather that the landlords are in the habit of financing their tenants. Is the tenant in that respect better off than the ordinary land-owner who has to go to the sahuakar?—The tenant has not got much credit with the money-lender so he has to get his credit from the landlord to meet his needs.

Does the landlord charge much the same rates as the money-lender?—Muhammadan landlords don't charge any rate of interest.

Do they compensate themselves in any way?—Not definitely ; but they have got some dues (*habubs*) which are not definitely a rate of interest ; it is in the interests of the landlord as well to provide capital and seed to the tenant.

You say that the small land-owner has got to pay 25-37½ per cent., but you say that very often the tenant does not pay anything at all?—It depends upon the will of the landlord ; he can get extra labour.

I am only speaking of the financial relations between the two?—That extra service may be counted in terms of money as well.

Having regard to all that, do you think that the tenant is better off than the ordinary zemindar?—One would think so, but the tenant has no social position and serves the landlord in many ways.

Does he get the finance he requires?—Yes ; he does.

Are the marketing conditions in Attock and Mianwali much the same as in Multan?—They are different, I think. In Multan in some places we have got quite organized markets ; here they are comparatively more primitive.

Is the producer handicapped by anything which could be set right?—I think, generally speaking, the producer mostly does not get enough to sell. In dry years he hardly produces anything for his requirements and little for marketing.

So marketing is not a very important part in his life?—He cannot avail himself much of the facilities if they are created as in Lyallpur and Montgomery.

Khan Bahadur Chaudhri Sultan Ahmad.—What about the Kundian grain market?—It is not a regular market. Of course the local money-lenders there are generally the grain dealers, and they purchase grain from the zemindars. There is a comparatively better market to an extent at Kallurkot.

Chairman.—Has the money-lender often got an influential friend amongst the zemindars to assist him in making his recoveries?—I think he has got a friend everywhere.

Wherever you have served you have found that?—Yes, sir.

Have you found that in Lyallpur?—It is natural for him to keep big zemindars as friends to help him in recoveries, and he will make advances to them at a lower rate comparatively.

Would you say that there had been any change in the interest rates since you entered the department?—Yes there has.

Which way?—It is competition or the influence of the co-operative societies.

Have the rates gone up or gone down?—The rates have gone down.

Do you mean to say that they were higher than the rates you mention?—Yes ; they were higher.

But then you say that the rates range between 25 and 37½ per cent?—They were, I think, higher before.

Have you made any enquiry as to the amount that a money-lender ordinarily recovers out of court when he has got a decree?—I have made no special enquiry, but I think he recovers enough—about 80 per cent in these two districts at least.

Would you say that the money-lender had very few bad debts?—He has a few bad debts, but not many.

Can you offer an opinion as to the amount of net profit or net interest that the average money-lender makes over a period of five or ten years after deducting all his expenses and all his bad debts?—I have not worked out the figure, but I think that he makes enough; that is my impression.

Have you considered what is the best way of dealing with the present situation?—The co-operative movement is spreading, but has so far only touched a minority of the population, and the majority have still to deal with the money-lender. Some people suggest that, till co-operation can spread sufficiently to take over the rural finance of the province, something should be done to improve the indigenous system of the province. Have you any views on that point?—I still think money is necessary under the present circumstances for at least twenty or thirty years. In about thirty years the co-operative movement will cover a sufficient percentage of population.

Would you do anything meanwhile to facilitate the money-lender in his business, either by giving him facilities for recovery or by bringing him under control?—I think facilities are not required for recovery, but he should be brought under control.

What kind of control do you suggest?—The rate of interest should be lowered.

Would you have a maximum rate of interest?—Yes.

What would you put it at?—I think he should not go beyond 18 per cent.

Do you think it would be possible to enforce that maximum rate?—That one cannot say definitely; experience will show; it is not quite easy to say that.

Would you have this for the whole of the Punjab or only in certain districts?—I think for districts which are backward. For central districts we need not have this rate; they are far ahead.

Would you be in favour of licensing certain money-lenders and giving them facilities?—No.

Khan Bahadur Chaudhri Sultan Ahmad.—You say that mortgages are replacing unsecured debts, but that the rise in mortgages has no danger because it is the zemindar who is now getting it. After all the money is advanced by a zemindar to a zemindar. To your

mind the mortgage is not the same kind of danger as the other insecure debts of a bania?—It is transformation when the credit of a man becomes weaker. These mortgages are more or less transformation of the open debts or unsecured debts.

You don't look upon them as a danger to the zemindar in the sense in which you look at the unsecured debts?—The multiplication is also dangerous because the zemindar is losing his credit or income.

If the worst comes to the worst, and they have to raise loans, then you would prefer a mortgage to a zemindar?—The first loan, if it is raised by a mortgage, I would prefer.

The bania is at present charging from 25 to 37½ per cent., and of course, when the zemindar takes it, he takes with it possession. What is the rate of interest which he secures on his mortgaged land?—The rate will be lower, but still transformation means more indebtedness of the man who mortgages his land.

If it is only a change from one form to another, then it must be to the advantage, rather than to the disadvantage, of the borrower?—Apparently it looks so, but this will encourage more unsecured debts, and then again transformation and so on.

Chairman.—If a debt is raised by a mortgage, from whom is it raised—from the non-agriculturist money-lender or the agriculturist money-lender?—It is raised from both; from the non-agriculturists it is a benami transaction.

The non-agriculturist does not take mortgages?—No; not in direct forms.

Khan Bahadur Chaudhri Sultan Ahmad.—Are these military pensioners investing their pensions in mortgages on lands?—Yes; they do whenever they have got money. Their first idea always is to invest in land.

Khan Bahadur Chaudhri Niamat Ullah.—If pensions were paid to these pensioners through the Central Banks, do you think that would create the saving habit amongst them?—It is difficult to say that.

Are more credit societies required in your circle?—The Co-operative Department was started here in 1919-20; therefore the movement can be regarded as fairly progressive. Fresh societies are being started.

What is the reason new societies have not been started?—They are being started because there is a demand for credit institutions all over the ilaqa. The thing is that people demand more credit societies than co-operative credit societies; consequently it is essential that we should not take a hasty step; a bad start is very dangerous for the movement.

Have you got sufficient staff to establish more societies?—More staff is required having regard to the dimensions of the ilaqa.

Chairman.—Is lack of staff retarding the development of the movement?—I don't think so, but more staff would mean comparatively rapid development.

Khan Bahadur Chaudhri Niamat Ullah.—Is there any custom of reducing the transactions of pawn-broking to writing in your ilaqa?—No.

Are you in favour of the proposal that, if once the society liquidates all the debts of a member, any subsequent debts contracted by him through any agency other than the co-operative society should be declared as null and void?—I am in favour of that.

Will commission shops prove successful if started here?—There is little scope for commission shops here.

You say that the Attock Central Bank has got 120 savings bank accounts and the Mianwali Central Bank has got 158. Do any of these accounts belong to zemindars?—Very few. They have got floating accounts. Generally they keep their floating accounts for six months, and in the month of Har they withdraw their balances to invest the money either in land or the redemption of land.

Have you ever suffered a loss in sending money through insured covers to societies?—No; I have not heard of any complaint in this circle.

You say that there are a good many agriculturists who don't take interest. Can you suggest any remedy to instruct them to take interest?—They should be taught to do so. Only religious-minded people can bring them round.

Do you agree that all the deposits made in the Central Banks or the primary societies are made on business principles?—Yes.

Is there any likelihood of their withdrawal at the instigation of anybody?—If a regular propaganda be made, people may withdraw their deposits; otherwise not.

(Witness withdrew.)

M. Ghulam Muhammad Khan Niazi, B.A., Assistant Registrar, Co-operative Societies, Multan.

PART I.

7. Yes. Due to improvement in communications and increase of motor traffic it is in many cases not cheap to remit big sums by Money Order. So the Money Order Commission rates require revision and reduction to meet this need. Similarly extension of Post Office branches should not be strictly based on commercial grounds only but the convenience of the public should also be kept in view. In the long run this policy will not only add to the convenience of the remitting public but will also result in brisk circulation of money both beneficial to the people and the State. There is also great inconvenience felt in remittances in branch offices which at present cannot take sums exceeding Rs. 500 a day. The limit may be raised.

Post Office.

PART II.

1. (i) Principal crops are generally brought to the market in the following ways in my circle :—

- (a) The producer himself brings the produce to the market. In most cases he is already indebted to the *arhtis*.
- (b) The producer sells his produce to the local shop-keeper or money-lender in case his produce is small in quantity or if he is indebted to him.
- (c) *arhtis* of the mandi send their agents to the villages to make purchases.

In the colony the local abadkars usually sell their produce to the local shop-keepers who also do money-lending. This is also due to the fact that the local abadkars have no bullock carts and hence they feel great difficulty in bringing their produce to the market especially cotton. Big land-lords, however, bring their produce to the market.

The settlers in the Nili Bar Colony usually sell their commodities in the market as they are neither indebted to any local money-lender or *arhtis* nor do they have begun dealings with any such person.

In old abadi of the multan District there are no 'mandis' and hence the zemindars are compelled to sell their produce to the local shop-keepers and money-lenders.

The produce is brought to the mandi in the following ways :—

- (1) Carts.
- (2) Animals, e.g., camels, bullocks and donkeys.
- (3) Motor lorries.

Carts have been introduced by the settlers from the Central Districts. Animals are wholly used by the local abadkars or sometimes by the money-lenders or *arhtis* bringing the produce to the market. Motor lorries have recently been introduced at Chichawatni and Arifwala mandis for conveyance. They are owned by the factory owners.

(ii) Yes. Methods of marketing vary according as the crop is one mainly used for domestic consumption or one mainly sold in the market. Kharif crops are marketed earlier than it is in the case of Rabi crops. The former is also stored for a longer period according to market conditions. Kharif crop is mainly brought to the mandi while a great part of Rabi crop is sold to local consumers.

2. Whenever the market for any commodity is dull and the storer wants money immediately he uses the grain stored as security for obtaining credit. This practice is only in towns where there are mandis or bank godowns. It is common with the factory owners and *arhtis* dealing in *pucci arhat*.

PART VI.

Post Office Savings Banks. 3. (i) No.

(ii) (a) The maximum limit of deposits during a year and also of credit of a depositor should be enhanced and be doubled up.

(b) The depositors may be allowed to withdraw twice a week.

(c) Interest is calculated at the lowest balance at the credit of an account on any date between close of the 4th day and the end of the month. It will be better if instead of 4th the 7th of each month is fixed, by that time most of the salary earners get their pay.

(d) Balances at Sub-offices should be sufficient to meet the demands of the depositors promptly.

(e) Time for notices for withdrawal of bigger sums be reduced.

(f) No Money Order fee should be charged on remittances and withdrawals made by the out-station depositors residing within the area of operation of that particular Post Office Savings Bank. The Pass Book will evidently be sent free.

(iii) Employees, Pensioners, Pleaders, Contractors, Firms, Local Bodies, Co-operative and other Institutions and Minors.

(iv) (i) Savings Banks should be multiplied both in rural as well as in urban areas.

(ii) Half-yearly interest should be allowed.

(iii) Pass Books with the rules of business be printed in vernaculars.

7. (i) Hindu Aroras as a class and Muslim Khojas of Jalalpur Pirwala and Khakwani Pathans of Mailsi and Lodhran habitually save.

(ii) As a class Hindu Aroras and Khojas keep the accounts of income and expenditure (other than those relating to business) with a view to saving. The others do not keep accounts generally. Besides the above there are some stray examples found out where complete record is kept by individual persons. Of these the following may be mentioned :—

- (1) Khan Sahib Syed Pally Shah of Lasuri, Tahsil Shujabad.
- (2) Malik Muhammad Ramzan, Zaildar, Wahi Ali, Arain, Tahsil Lodhran.
- (3) Khawaja Ghulam Murtza Khan, Pathan of Murshidpur, Tahsil Lodhran.
- (4) Malkani Zuhra Bibi, Caste Joye of Zirak Wahan, Tahsil Lodhran.

8. (i) The average pathan of rural area of Mianwali District spends the money not required for his normal expenditure in the following ways :—

- (1) Litigation (Criminal).
- (2) Marriages (Polygamy).

Among the educated pathans the idea of purchasing land predominates. Rajputs of the Rawalpindi District dispose of their surplus money in the following ways :—

- (1) Buildings.
- (2) Dress.
- (3) Purchase of lands.

Sikh Jats in the Colony spend in the following ways :—

- (1) Purchase of land.
- (2) Marriages.
- (3) Litigation.
- (4) Money-lending.

The Arains in the Colony spend their money chiefly in purchasing land.

Mussalman Jats of the Multan and Kabirwala tahsils spend the money in increasing the household expenses, purchasing camels and horses for riding purposes, marrying more than one wife and among

the big zemindars if there is still something left a case is instituted against an old enemy. The Muslim proprietors of the Muzaffargarh District spend their money on litigation, marriages and other extravagant ceremonies.

(ii) Surplus money, if any at all, is kept with themselves and in some cases with the local sahlukars. The Sikh Jats lend it as mentioned above.

(iii) Except in the case of Sikh Jats no interest is taken.

(iv) The surplus is kept generally for current needs and in some cases for the purchase of land.

Supplementary Questionnaire.

3. (i) Yes he can get for current legitimate needs but at exorbitant rates.
Sufficiency of capital.

(ii) He would be better if he secures more at favourable terms and at the same time it is a controlled credit.

4. The causes are nearly common with the rest of the Punjab, but mortgages are yet not numerous in the Colony area as most of the abadkars have not secured the proprietary rights so far. In the old abadi mortgage debt is increasing. Among other general causes the following particulars may be mentioned :—

(i) Indebtedness in general is increasing due to disproportionate rise in the standard of living and consequently the unsecured debt can not be had easily (owing to the weakening of the credit) hence the land is mortgaged to get the credit.

(ii) Due to heavy load of unsecured debt and payment of usurious rate of interest the cultivators prefer to mortgage their land either to the fellow agriculturists or alienate it to their creditors for a number of years.

(iii) There is some tendency to invest money in land which if cannot be had otherwise is wholly taken in mortgage.

(iv) Mortgages are also due to the extravagant habits of the people. In Chak 54/2-L. in Okara tahsil and in Chak 81/5-R., 110/12-L. and 111/12-L. in Montgomery tahsil a good portion of land in these chaks has been leased out due to the drinking habits of the colonists who are all Sikh Jats.

Agriculturists Loans Act. 6. (i) No.

(ii) It is suggested that its use may be confined to times of emergency only, e.g., of drought and flood. I know that in the Muzaffargarh District it has been abundantly used and the loan has been misused in many cases, and has had demoralising effect on the people. Last year and this year too to avoid misuse of the loans in cash the advances were made in kind instead of cash for seed purposes.

(iii) In view of its reduced rate of interest it is beneficial to apply it to members of Co-operative Societies. The amount should be advanced to societies who will see its proper disposal.

(v) Yes. A few specific examples may be quoted as under in support of this contention:—

A big land proprietor of Kabirwala had to meet initial charges amounting to Rs. 75. Besides this he will have to bear further charges at each repayment. In case we do not count further expenses the initial charges along with Government interest come to 14 per cent and in case further incidental charges till recovery are taken into consideration the interest will rise upto about 17 per cent at the minimum.

A zemindar took Rs. 50 out of Taccavi on Kharif 1928 and he had to make the following payments before the amount was handed over to him:—

| | Rs. | A. | P. |
|------------------------------|-----|----|----|
| To writing charges | 0 | 4 | 0 |
| To paper | 0 | 0 | 6 |
| To Wasil Baqi Nawis | 2 | 0 | 0 |
| To tahsil Chaprasi | 0 | 4 | 0 |
| To Zaildar's servant | 1 | 0 | 0 |
| Total | 3 | 8 | 6 |

After six months the payment was to be made in four quarterly instalments of Rs. 14-10-0 each and each time he paid Re. 0-2-0 to the tahsil peon who came to recover the instalments. Total expenses amounted to Rs. 62-8-6. In other words he paid Rs. 12-8-6 as Interest on Rs. 50 in a year and a half which comes to about 17 per cent per annum. There are several instances quoted in support of the contention that the rate of interest is really three times the usual Government rate.

7. Yes; but in Lower Bari Doab Colony except Renala he is feeling the pinch and his profession is on the wane.
Village Money-lender.

Jewellery.

11. (a) Yes.

(i) Inquiry from the people shows that jewellery is decreasing. They generally say that they have no money spare for this purpose; at the same time they say the amount they invest in jewellery is much depreciated and the goldsmiths too aggravate the malady. Another ground for decrease is that the industry of goldsmiths is on the decline and in villages where there were a number of goldsmiths before, some of them have either left the village or have taken up other profession.

The number of ornaments is decreasing, silver is being replaced by gold and the gold ornaments too are decreasing in number and giving place to a number of more valuable ornaments.

(ii) Reasons for the decrease are as follows—

(a) Spread of education.

(b) The institution of Sudhar Committees, and spread of Co-operation especially of Better Living Societies and preaching by the social as well as religious leaders.

(c) Modernisation of the fashion. More is spent on personal hygiene and dressing than on gold and silver.

(d) General economic unrest which pervades everywhere leads them to spend their spare money on some productive purposes rather than on white and yellow metals.

(iii) It is invested in the purchase of land and other investments starting of business, education of children, building of decent houses and money-lending.

(b) Inquiry was conducted in 17 villages of which there are two villages in which there are Better Living Societies since 1926.

The results are tabulated as follows:—

| | | | | | |
|------------|----|----|----|----|---|
| Khanewal | .. | .. | .. | .. | 2 |
| Montgomery | .. | .. | .. | .. | 9 |
| Okara | .. | .. | .. | .. | 3 |
| Pakpattan | .. | .. | .. | .. | 3 |

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| Number of villages. | 1 | 2 | 3 | 4 | | | 5 | | | 6 | | |
|--|----------------------------|---|--|--|----------|----------|--------------------------------|------------|------------|--|----------|----------|
| | Population of the village. | The number of families from whom inquiries were made. | The number of (2) belonging to the local Better Living Societies (if any). | THE NUMBER OF MARRIAGES CELEBRATED IN EACH CASE. | | | THE AMOUNT SPENT IN EACH YEAR. | | | THE GENERAL CONDITION OF THE HARVEST IN EACH YEAR. | | |
| | | | | 1926-27. | 1927-28. | 1928-29. | 1926-27. | 1927-28. | 1928-29. | 1926-27. | 1927-28. | 1928-29. |
| 15 | 9,214 | 212 | .. | 40 | 62 | 77 | Rs. 16,961 | Rs. 35,007 | Rs. 59,792 | Average | Poor. | Poor. |
| 2 (Containing Better Living Societies) | 1,615 | 61 | 61 | 12 | 16 | 17 | 780 | 1,000 | 1,355 | Do. | Do. | Do. |

1927
1928
1929

ATT

12. (i) Yes all classes of money-lenders in my circle lend on the security of jewellery.

Pawn Broking.

(ii) Yes. Utensils are also rarely used as security for obtaining credit. The system of 'Bhanoti' which resembles pawn-broking is also much prevalent in Alipore and Muzaffargarh tahsils of the Muzaffargarh District and in Shujabad, Lodhran tahsils and old abadi of the Multan District and among Mahtams and Janglis of Pakpattan.

'Bhanoti' is a sort of contract whereby on a certain settled price of the produce the cultivator obtains credit on the security of the standing crop. The price at which the produce is estimated is much below the expected market price of the crop and it is estimated to be sixty per cent of the current prices of the commodity. At present in Pakpattan, Kabirwala, etc., loans on Bhanoti are being made to needy persons at Rs. 2-8-0 per maund.

Arhtis also advance loans on the security of the produce stored with them.

(iii) The amount advanced is generally 75 per cent of the produce pledged.

In case of ornaments—

| | <i>Per cent.</i> |
|----------------------------------|-----------------------------------|
| Silver fetches about | 93 |
| Gold fetch about | 50 |
| Standing crops fetch about | 60 where Bhanoti system prevails. |
| Stored grain fetch about | 75 |

(iv) In case of ornaments usually the money-lender does the valuation himself and nothing is charged for valuation in rural areas. In urban areas where the money-lender seeks the advice of the 'Sarrafi' from 3 pies to 6 pies are charged for the valuation.*

*In case of 'Bhanoti' and advances by the *Arhtis*, general market conditions determine the sums to be advanced.

(v) Usually the ornaments are pledged for periods ranging from weeks to about 6 months; and in practice more than 50 per cent are never redeemed.

In case of stored grain the maximum is generally three months.

(vi) Except *arhtis* no special godowns are hired for the storage of goods pawned.

(vii) Rate of interest varies according to the credit of the borrower and the nature of the property pawned or personal security offered and according to the market conditions.

In general other things being equal, rate of interest is lower in case goods are pawned than in the case of personal security offered.

(viii) Yes.

(ix) Yes. Sometimes ornaments pledged are stolen or sometimes they are found to be counterfeit.

With regard to grain stored sometimes losses occur due to fire.

In case of 'Bhanoti' losses occur due to the destruction of crops where the cultivator is then unable to pay but losses have been known to be rare.

(x) It is the money-lender who demands security but in urban areas it has been found that business men especially in case of emergency pawn their goods to secure more favourable terms.

(xi) It is estimated, very roughly of course, that the proportion that the pawn broker loans 'including Bhanoti' bear total rural in my circle is one to twenty.

13. (i) On the whole analysis of the objects of loans given in each year's annual report is trustworthy and represents the objects for which members of credit societies borrow.

Object of loans.

(ii) Major portion of the head 'Debt' represents the old debts incurred before the member joined the society.

14. Arbitration facilities to Co-operative Societies already granted by the Local Government should be extended with further concessions as follows :—

Financial Concessions.

(i) No extra pay should be demanded by the High Court for the recoveries of the special Bailiff where sanctioned as the societies already pay the ordinary process fee.

15. (i) (a) All the four Central Banks in my circle have opened Savings Bank Accounts for the convenience of the public. The terms offered are liberal. Minimum amount varies from Re. 1 to Rs. 5 at the first instance and subsequent deposits vary from Re. 1 to Rs. 2. The maximum amount of deposit to be held in an account varies from Rs. 3,000 to Rs. 10,000 according to the capacity of the Institution. Withdrawals are allowed to Rs. 500 in every week. Pakpattan Central Bank allows withdrawals upto Rs. 200. Rate of interest is allowed $4\frac{1}{2}$ per cent by all the Central Banks excepting Pakpattan which allows Rs. 4. Interest is allowed half-yearly and it is calculated on the minimum balance during a month. Montgomery Central Bank has provided in its rules to receive deposits for the following purposes which is a further encouragement to the depositors :—

(1) Purchase of pension or annuity for one-self or wife or children.

(2) Marriage or education of children.

(3) Acquisition of a dwelling house for oneself or family.

(ii) There is no savings bank account in the one union in my circle.

Yes, provided the transfer of account from one Central Bank to another is made easy as in the case in other Joint Stock Banks.

(iii) There are three commission shops in my circle but they are practically of no great service in attracting deposits.

(iv) I have no experience of this.

(1) Central Banks receive deposits in the smallest amounts as under :—

| | Rs. |
|---|-----|
| Montgomery and Khanewal Central Bank .. | 50 |
| Multan and Pakpattan Central Bank .. | 100 |

Thrift societies are given in certain Central Banks the concession to deposit lesser amounts. Multan Central Bank allows Rs. twenty, Khanewal Central Bank Rs. 25.

(2) Banking Union accepts Rs. 20 as the smallest sum.

16. (i) The cheques are used for drawing on current accounts by the depositors in each Central Bank in my circle. They are not yet used for payment and individual debts as in the case in Joint Stock Banks. The reason is obvious that as they are not as yet cashed in other Co-operative Banks but by the drawee bank.

(ii) Yes, provided they can be encashed by other Co-operative Banks with proper safeguards. The cheque Bonds can be further used for the purpose of obtaining overdraft from the Imperial Bank of India or other suitable resources if their value is fully recognised and facilities are provided in Law for the purpose.

17. (i) There is no mortgage bank in my circle but I have experience of starting one in Mianwali and have seen also Jhang Mortgage Bank.

(ii) Yes, in areas where the value of the land has risen recently due to some improvement and old mortgages are numerous.

(iii) I have nothing to add to Mr. Darling's note on Mortgage Banks in his Annual Report on the working of Co-operative Societies in the Punjab for the year 1927-28.

(iv) and (v) (1) Thorough inquiry into the tenure of the land and as to its quality is not sometimes made.

(2) Directors are not usually loyal to the bank and submit incorrect reports due to their personal relations.

(3) Defaulters are not promptly dealt with.

(4) Purpose of loan other than the redemption of land is often vague and misapplied.

(5) Some members deceive the bank by effecting fictitious mortgage in favour of their relatives and thus get loan for redemption purposes and consequently misuse it. The check should not be loose.

(6) Influential members get high loans and are defaulters.

(7) Staff should be more efficient and well paid.

19. (i) The funds to other Central Banks are remitted per Remittance Transfer Receipts or through the Agency of Provincial Bank by book transfer. Central Banks at tahsil head-quarters could remit up to Rs. 30,000 per Remittance Transfer Receipts in a financial year but due to the opening of Punjab Provincial Bank, Lahore cheques are freely used by them and they can remit any amount within a year. Money to affiliated societies is remitted per insured cover or the representatives attend personally for receiving the amount. The primary societies remit the amount per Money Order or pay by personal attendance.

(ii) The most common method adopted in case of remittance by the District Headquarters Central Banks from and to other Central Banks is per Remittance Transfer Receipts and in case of those at Tahsil headquarters by the issue of cheques. While remitting amount to societies insured covers are commonly used save in the case of Montgomery Central Bank which mostly pays to the personal representatives of societies. The Societies remit the amount generally by Money Order to their affiliated Central Banks.

(iii) The transmission between the Central Banks can be further facilitated if the Imperial Bank agrees to remit funds by means of credit advice to their branches. This will save the delay caused in obtaining the required Remittance Transfer Receipts and also will be a safer course than that of the Remittance Transfer Receipts.

In case of Central Banks at tehsil headquarters considerable difficulty is also felt for transmission of money to the Treasury at District headquarters. Transmission by Money Order and by insured covers is expensive. If transmission of funds from the headquarters of a sub-treasury to District headquarters of a Treasury without limit say a really large maximum of Rs. 2,00,000 in the course of a year may be secured for Central Banks situated at tehsil Headquarters, an easy flow of money would be obtained and waste or expensive mode of transmission of money avoided, but the delay involved in the transmission of money through sub-treasuries largely neutralizes the benefit obtained.

20. No.

22. (i) One society, namely Chhaparanwala in tahsil Kabirwala was advanced Rs. 4,000 by the Multan Central Bank during the last three years for repayment of old debt of Chaudhri Chugga and his sons who owed Rs. 22,000 to arhtis in Khanewal mandi. The member himself contributed Rs. 18,000. The loan was cleared thus. The Central Bank loan advanced for this purpose was repaid within a year.

Special loans for repayment of debt and land improvement.

Rupees 17,055 have been advanced last year to six Co-operative Credit Societies in the colony for the repayment of the debt of the members owed by them to the money-lenders in the colony. The loan is to be repayable to the societies in two years.

(ii) To Bunga Awan Co-operative Society in tahsil Dipalpur Rs. 2,500 were advanced last year by the Pakpattan Central Bank for redemption of 266 acres of land of some members of the society. The land was mortgaged some 34 years back. The amount has been advanced to the members for three years repayable in 6 equal instalments.

Dealings between landlords and tenants.

23. (a) Yes.

(i) Ordinarily advances are made for all agricultural purposes.

(ii) All advances made are recovered from the first crop charging the market price of the advances made.

(iii) In Convillapur Farm advances are made in cash and kind and interest at 12 per cent is charged, but no interest is charged in Coliana Estate. Dattar Singh Dairy Farm (Montgomery District) and Rai Sahib Ganga Ram of Pakpattan charge 25 per cent per annum.

(iv) Muhammadans do not take interest on such advances.

(b) No.

Oral evidence.

M. Ghulam Muhammad Khan, Assistant Registrar, Co-operative Societies Multan.

Chairman.—How long have you been in the Co-operative Department ?

A.—Since 1918. As Assistant Registrar since April 1927.

Q.—How much service have you had in the South-West Punjab ?

A.—About three years.

Q.—You were recently Assistant Registrar for Muzaffargarh and Dera Ghazi Khan ?

A.—Yes. I came to Multan in November last.

Chairman.—*Q.*—In your written statement you speak of motor-lorries bringing agricultural produce to the mandis; what kind of produce ?

A.—All kharif and rabi crops. The motor-lorries at Arifwala and Chichawatni are possessed by the factory owners.

Q.—You further say that the kharif crop is mainly brought to the mandi, while a great part of the rabi crop is sold to local consumers ?

A.—The rabi crop—wheat, barley, gram, etc., are mainly used by the people for local consumption.

Q.—To which area does this refer ?

A.—This refers to all the areas in my circle.

Q.—Is wheat not generally exported from Montgomery ?

A.—A great part of it is exported, but it is also consumed in sufficient quantity. Nearly the whole of cotton is exported.

Q.—Would you say that there is more consumption of wheat locally than before ?

A.—I have not much experience of Montgomery and therefore cannot offer any opinion.

Q.—In your statement you say that the Khakwani Pathans of Mailsi and Lodhran habitually save; how is it that they can save and not others ?

A.—They are accustomed to save on account of their family traditions.

Q.—In your statement you say that seventeen per cent. of members of all co-operative credit societies repay their loans without being pressed; What is the percentage of "C" class societies ?

A.—It might be about twelve per cent. It is only a rough estimate based upon the figures of a few societies.

Q.—You have given us figures showing the dealings in 216 societies—158 of which are class “O”; in these 1,729 members did not borrow from their societies last year; do you suppose that they did not borrow at all?

A.—Yes.

Q.—Do you not think some dealt with money-lenders?

A.—I think some of them had to resort to money-lenders. They may be 33 per cent.

Q.—In the case of 802 members of A and B societies who did not borrow; do you suppose that they did not borrow at all?

A.—No. Some of them did borrow; but only very few.

Q.—You state that unsecured debt cannot be had easily—hence the land is mortgaged to get the credit; would you say that mortgage debt was increasing faster than unsecured debt?

A.—To some extent it is increasing, I cannot say whether it is increasing faster or not.

Q.—You say that taccavi loans in the Muzaffargarh District have been misused in many cases, in what way have they been misused?

A.—In many cases loans have been taken for one particular purpose, *e.g.*, the purchase of bullocks, but actually the loans have been spent on other purposes, *e.g.*, marriage, etc.

Q.—Would you say that taccavi was not suited to a district like Muzaffargarh?

A.—I do not think that it was a suitable practice for Muzaffargarh.

Q.—How would you deal with emergencies?

A.—If the purpose of the loans can be carefully watched which is not done at present, then emergency loans may be advanced, but the practice should be reduced to a minimum.

Q.—Has any emergency loan been made through co-operative societies?

A.—No.

Q.—Do you think that taccavi should be made in kind rather than in cash?

A.—It will be much better if the taccavi advances are made in kind, but the process is very troublesome. This year too it was made in kind in the Muzaffargarh District and has worked successfully. Taccavi in bullocks was proposed last year, but it could not be done.

Q.—You mention several cases in which old debts have been settled through the intervention of co-operative societies; could these methods be more freely used?

A.—Yes. These methods may be freely used in the case of good societies only. As our societies improve these methods can be tried successfully.

Q.—Would you try them in A and B class societies only.

A.—I cannot say, but where the committees are efficient and our staff has the confidence of the public the methods can be tried. So far this has been done on a very small scale. The Arbitration Society at Thath Ghulwan in Shujabad Tahsil is doing very good work in effecting composition of debts of zemindars. The work is done very amicably—I can supply figures later on.

Q.—You have given us figures showing the amount of jewellery purchased in seventeen villages; are these villages typical?

A.—Yes, they are, because we took several villages of Sikhs, some of Muslims and some of Jats, and Arains.

Q.—Would you attribute the great decrease in expenditure in the villages with better living societies to those societies?

A.—Yes. In the case of a marriage of a boy the expenses are limited to ninety rupees and in the case of a girl to forty rupees. There are three other societies where the expenditure has been limited by local panchayats.

Q.—You say that loans on Bhanoti are being made to needy persons at Rs. 2-8-0 per maund?

A.—This is right.

Q.—What is the present market rate?

A.—To-day (28th February 1930) the market rate is Rs. 3-12-0 a maund.

Q.—Is there any reluctance on the part of the people to mortgage jewellery?

A.—Yes. There is some hesitation because they think that mortgaging of jewellery affects their *izzat*. Jewellery is pawned by those persons who have no other credit.

Q.—You suggest that no extra pay should be demanded by the High Court for the recoveries of the special bailiff, etc., what do you mean by extra pay?

A.—I mean to say that a society employing a special bailiff has to pay process fee as well as the pay of the special bailiff, though process fees are supposed to cover bailiff charges.

Q.—You say that the Montgomery Central Bank receives deposits for special purposes; does that mean that a special deposit can only be withdrawn for the purpose for which it is deposited?

A.—Yes. If a deposit is made for the purpose of marriage, it can only be withdrawn at the time of marriage.

Q.—What is the present rule in regard to the transmission of funds from a sub-treasury to a head-quarters treasury; Is there a limit?

A.—A Central Bank can remit Rs. 30,000 in a financial year. It would be much better if the limit is increased to two lakhs.

Q.—You speak of a special loan of Rs. 17,055. having been made by the Pakpattan Central Bank to six co-operative credit societies for the repayment of the debt of the members owed by them to the money-lenders in the colony. Have instalments been fixed?

A.—The whole loan is repayable in three years.

Q.—In a lump sum?

A.—The members will pay in instalments to their societies and the societies will pay to the central bank on demand.

Q.—Is there no understanding that part of it should be paid on each harvest?

A.—There is no such understanding.

Q.—Has any part been repaid?

A.—No, Sir, this has recently been given.

Q.—How recently?

A.—About six or seven months ago.

Q.—Is the agricultural money-lender of any importance in this tract?

A.—No, Sir.

Q.—In Muzaffargarh and Dera Ghazi Khan is it usual for the rural money-lender to have some influential friends among the local zemindars?

A.—Yes, Sir. They are given loans on reduced rate or free of interest. But in recent years in most places these relations have become strained.

In reply to Khan Bahadur Chaudhri Niamat Ullah, witness said when he wrote that "In old abadi of the Multan District there are no 'mandis' and hence the zemindars are compelled to sell the produce to the local shop-keepers and money-lenders," he refers to all the people whether members of societies or not. The conditions are the same for all. He was of opinion that co-operative sale societies would be of good, but their working was difficult and required efficient staff and good committees. In reply to a question as to whether such societies would not be cheaper as rural shop-keepers have no experience to sell at the best value, he said that there were no mandis in these places. He was of opinion that the limit of Rs. 2,000 for saving banks should be doubled. It is better that savings should be put in the co-operative societies rather than in the Post Office Savings Banks, though both were good in their place. Co-operative societies being among the beneficent activities of the Government, the question of the profits going to Government rather than to societies did not arise. If Post Office Saving Banks are increased, the people will also develop the saving habit. In reply to a question as to whether there were no co-operative arbitration societies in Mianwali, as he had stated that people there spent much money on litigation, he stated that there was only one. People often

placed their surplus money with the local sahukars for safe custody and because they have been used to doing this. Cases where small zemindars do not even get seed are very few, about two in 10,000, and these were tenants-at-will. The only way to help such people would be to increase the co-operative societies. He was unable to say whether even in places where societies existed, mortgages were increasing owing to the extravagant habits of the people, as he was new to the district.

Taccavi under the Agricultural Loans Act is always taken for special purposes, thus during the last floods it was given for house-building. He had already stated that if taccavi is given through co-operative societies, it would be much better. He would suggest the same rate of interest to be charged from societies as is being done now. If Government does not fix the rate which co-operative societies should charge for such loans, they would charge something lower than their present rates.

Very few members of A or B class societies go to sahukars now. It would be a good thing if in the case of A and B class societies it was ruled that if a member took a loan from a sahukar such loan would be declared invalid, but it would be difficult to do this. A man with good credit is not more heavily in debt, but a man with more property gets more loan. To save a man with much land from getting into debt for useless things, it would be good even in the case of C class societies if any debt he takes from a sahukar is declared invalid. Witness also agreed that if a man takes a loan from a society to pay off a sahukar and then goes again to a sahukar and the transaction is declared invalid, it would be of benefit. Owing to the spread of education people were spending less on jewellery and it was also having some effect on litigation, but it will take some time before it checks extravagance.

Societies send cheque bonds to central banks either personally or through the Post Office. In both cases they are only accepted if the President or the Secretary has attested the signatures or thumb-impressions affixed on the cheques. Banks can ascertain whether the signature is genuine as they have instructions to keep specimens of the signatures of all the committee-members of their affiliated societies.

The witness further declared that in the case of mortgage banks some members do try to deceive their committees. Influential members get bigger loans and are defaulters. As a remedy he suggested that Deputy Commissioners should be made *ex-officio* members of mortgage banks and a limit is set to loans above which the approval of the Deputy Commissioner is made necessary, and that this provision is properly enforced. At present Government does not nominate one member, but in spite of this defects do creep in. This is-

often due to the fact that bye-laws are not strictly adhered to. Defects only occur in weak societies. One or two cases have occurred in which money sent under insured covers by central banks has been stolen before delivery and has been given to societies by the post office after several months when the cases had been settled, but without interest. He knew of no case in which the money in the cover has been found to be less than the amount said to have been remitted. Money-order is better than insured cover for the transmission of money, but the limit at present set by Government is too little for the needs of the central banks. There are two central banks, one at Khanewal and the other at Multan. He did not think that opening of a central bank branch in each tahsil would be of much benefit. He has had to resort to arbitration in some cases during the last three years. As regards the witness on the previous day who said that he had only been successful in three cases out of seventy cases of arbitration, his *ilaqa* was a very poor one. The same difficulty of getting back their money faces the money-lenders, though they can pay the bailiffs and so get their money, but societies cannot. Ordinarily, members help in the recovery of loans. Government should provide special bailiffs paid by them for co-operative societies. At present societies have to pay them besides process fees. Some arrangement will presumably have to be made by which societies affiliated to the union or banks shall get such expenses paid by them. Witness was in favour of insuring crops against destruction by flood or locusts, but said that this should not be forced on the people, but introduced only where they were ready for it. Post Office Cash Certificates were only purchased in the cities, not in villages. In central banks cheques were used both for current accounts and savings bank accounts. If Government rules that money-lenders should be registered and prescribes the books, the local script should be used so that the rural population could read them. If Government was ready to prescribe two or three scripts, these should be fixed otherwise Urdu should be the script; but in no case should the script now used by *sarafs* be allowed as they cannot even read it themselves. Witness was not in favour of the proposal that Government servants should get their pay by cheque even if they were in places where these could be cashed, as it is easier under the present system for them to remit money where they want to send it on the day they receive their pay. It would only be good in the case of those who maintain banking accounts. Asked whether he did not think that he would be able to educate the zemindar in the use of cheques and opening bank account if he took to these himself, witness stated that this may be done if one had surplus money with him. He was not in favour of any such Government order.

Sometimes zemindars do lend money to other zemindars, but usually without any writing. This lending is generally done in the case of relatives only. The reasons why banks are used to a less degree are that in the first place people are not acquainted with banking

account system and then there is illiteracy and also savings are not much. The general impression is that in obtaining loans zemindars experience lot of difficulty. The remedy is that more banks should be opened, there is a great demand for them, but the staff is insufficient. People very rarely mortgage after joining as members, but those who are not members they have to resort to mortgaging. This is also a reason for opening new banks or there should be some other device by which they can get loans easily and are controlled. The need of close supervision must be borne in mind. Emergency loans obtained for seed or fodder are sometimes spent on other objects, and for this very reason wheat in Muzaffargarh was distributed instead of cash. Generally zemindars do not sell seed, but there may be a few instances. Of those who misuse taccavi given in cash, I cannot give the exact percentage, but it may be roughly 33. Some people pay back their debts to money-lenders, some purchase clothes, I think there is a lot of misuse. It will be very difficult to stop the payment of incidental charges that are usually incurred in obtaining taccavi as it would mean lot of delay in getting payment. I think it will be much better if they get money even at some higher rate from co-operative societies. In some cases the money taken from the central bank is not used immediately and so remains lying in the house for some time. It will be much better if it is put in the savings bank account as they will get interest. The reason why recoveries are difficult is that on account of the poorness of crops people have not the resources to pay them. They have no dishonest motives. But so far as the payment to money-lenders is concerned some people do demur as they think that they have paid much more than the principal and fair interest and it is the heavy compound interest that pinches their heart. Here too their intention is not bad. There are good chances of better recoveries when the crops are good. I think the relations between the zemindars are quite good. They are on good terms. In the Muzaffargarh District there is some trouble between some of them. In my opinion money-lending business is decreasing. There may be a few cases of old money-lenders who have left this occupation. Only educated people do this. In the Muzaffargarh and Dera Ghazi Khan districts there are no cases of people who have left this profession, but the money-lenders do not lend as frequently as in the past because they do not get full repayment. In these districts the money-lenders have amassed old debts which they have no hope to recover and for this reason they do not lend more money. The condition of money-lenders in these two districts is not bad. So far as the condition of the money-lenders in the Mianwali District is concerned it is very good, except in Bhakkar. Sahukars are called the *hamsayas* of the zemindars and recovery is very easy.

I meant in suggesting that taccavi loans in cases of emergency be given through the co-operative banks, that
 Reply to Chaudhri Sultan Ahmad's question. loan of a taccavi should be given to members only and I do not contemplate that any loan

should be given to non-members. Among the uneducated Muslims the idea is prevalent that they do not wish to put money in the bank because interest accrues.

(Witness withdrew.)

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2008-04