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P R E F A C E

THIS volume contains the notes of interviews and village enquiries conducted by members of the Bihar and Orissa Provincial Banking Enquiry Committee, acting as a sub-committee. The notes record the impression left on the minds of the members by the conversation. They have not been examined by those with whom the conversation was conducted, nor do they represent the considered conclusions of the sub-committee. Matters of fact have been recorded as presented by the persons interviewed and cannot always be accepted as correct.

The Chairman and Secretary conducted the interviews and enquiries, assisted in some places by other members, when they could conveniently attend. Several other gentlemen both official and non-official rendered valuable aid with the village enquiries, by interpreting as well as by suggesting lines of enquiry. The materials for this volume were collected at places accessible from Cuttack, Puri, Ranchi, Patna, Bhagalpur, and Muzaffarpur only, and so the province was not by any means completely covered.

The notes of three interviews with agents of the Imperial Bank have been excluded from the volume at the request of the authorities of that bank.

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CONTENTS.

Interviews and enquiries in chronological order.

CUTTACK CENTRE.				PAGE
Mr. Rice, jute buying agent	...	August, 19th	...	1
Cuttack Joint Stock Bank, Ltd.	...	August, 19th	...	5
Ayatpur village	...	August, 21st	...	10
Merchants and indigenous bankers	...	August, 22nd	...	10
Manufacturers and merchants	...	August, 23rd	...	21
Cuttack Central Co-operative Bank	...	August, 26th	...	27
Kajjanga village	...	August, 28th	...	33
Babu Subhani Sahu, rice dealer	...	August, 29th	...	39
Kamarpada village	...	August, 30th	...	41
Balia Eason village	...	September, 2nd	...	46
Mr. N. K. Roy, Deputy Registrar, Co-operative Societies.		September, 3rd	...	52
PURI CENTRE.				
Bhatgaon village	...	September, 5th	...	56
Puri (Joint Stock) Bank, Ltd.	...	September, 6th	...	61
Jagannath (Private) Bank	...	September, 6th	...	66
Sakhigopal village	...	September, 7th	...	69
Puri Central Co-operative Bank	...	September, 9th	...	74
Merchants and indigenous bankers	...	September, 10th	...	78
Merchants	...	September, 11th	...	83
RANCHI CENTRE.				
Chota Nagpur Banking Association	...	September, 18th	...	86
Chota Nagpur Christian Central Co- operative Bank.		September, 18th	...	92
Ranchi Central Co-operative Bank, Ltd.	...	September, 19th	...	98
Murho village	...	September, 20th	...	103
Traders and postmasters	...	September, 21st	...	108
Sosai village	...	September, 23rd	...	116
Mr. B. C. Roy, contractor and consult- ing engineer.		September, 24th	...	119

				PAGE
Munrhu village	...	September, 25th	...	122
Ramgarh village	...	September, 27th	...	126
Gargaon and Bero villages	...	October, 3rd	...	130
Lac manufacturers at Jhalda	...	October, 4th	...	134
PATNA CENTRE.				
Bank of Bihar, Patna	...	October, 22nd	...	141
BHAGALPUR CENTRE.				
Traders and indigenous bankers	...	October, 24th	...	146
Traders	...	October, 25th	...	150
Babu Hanuman Das Khemka, silk merchant and manufacturer.	...	October, 25th	...	155
Rai Bahadur Bansidhar Dhandhanian, indigenous banker.	...	October, 26th	...	156
Rai Bahadur Debi Prasad Dhandhanian and Loknath Dhandhanian, indigenous bankers.	...	October, 26th	...	159
Benares Bank, Bhagalpur	...	October, 26th	...	160
Bhagalpur Central Co-operative Bank	...	October, 26th	...	165
Faizaliganj village	...	October, 28th	...	169
Mr. M. N. De, Superintendent, Silk Institute, Bhagalpur.	...	October, 29th	...	173
Akbarnagar village	...	October, 30th	...	177
Banka Central Co-operative Banking Union, Ltd., and Banka village.	...	November, 1st	...	182
MUZAFFARPUR CENTRE.				
Traders and indigenous bankers	...	November, 4th	...	188
Pokhraisā village	...	November, 5th	...	192
Sugar manufacturers	...	November, 7th	...	195
Baghi village	...	November, 8th	...	199
Traders and indigenous bankers	...	November, 9th	...	203
Muzaffarpur Central Co-operative Bank	...	November, 6th and 9th	...	208
Benares Bank, Muzaffarpur	...	November, 11th	...	214
Dholi village	...	November, 12th	...	219

Classified list of interviews and enquiries.

	Page
I. Villages—	
Ayatpur, District Cuttack	10
Kajjanga, District Cuttack	33
Kamarpada, District Cuttack	41
Balia Sason, District Cuttack	46
Bhatgaon, District Puri	59
Sakhigopal, District Puri	69
Murho, District Ranchi	103
Sosai, District Ranchi	116
Munrhu, District Ranchi	122
Ramgarh, District Hazaribagh	126
Gargaon, District Ranchi	130
Bero, District Ranchi	130
Faizaliganj, District Monghyr	169
Akbarnagar, District Bhagalpur	177
Pokhraira, District Muzaffarpur	192
Baghi, District Muzaffarpur	199
Dholi, District Muzaffarpur	219
II. Officers connected with Co-operative Banks.—	
Babu Ram Chandra Das, Secretary, Central Co-operative Bank, Cuttack.	27
Babu Debendra Nath Das, Joint Secretary, Central Co-operative Bank, Cuttack.	27
Maulavi Wasiq Ali, Assistant Registrar, Co-operative Societies, Cuttack Circle.	27
Directors of the Puri Central Co-operative Bank	77
Secretary, Puri Central Co-operative Bank	77
Rev. J. Lakra, Chairman, Chota Nagpur Central Christian Co-operative Bank, Ranchi.	92
Mr. Tirkey, Honorary Secretary, Chota Nagpur Central Christian Co-operative Bank, Ranchi.	92
Maulavi A. S. Khan, Assistant Registrar, Co-operative Societies, Ranchi.	92
Rai Bahadur Radha Gobinda Chaudhuri, Honorary Secretary, Central Co-operative Bank, Ranchi.	98
Rai Sahib Amarendra Nath Banerji, Honorary Secretary, Central Co-operative Bank, Ranchi.	98

	PAGE
Directors of the Ranchi Central Co-operative Bank	98
Babu Kamleshwari Sahay, Honorary Secretary, Central Co-operative Bank, Bhagalpur.	165
Babu Bholanath Sen, Honorary Joint Secretary, Central Co-operative Bank, Bhagalpur.	165
Babu Sham Sundar Lal, Director, Central Co-operative Bank, Bhagalpur.	165
Babu P. K. Roy, Manager, Central Co-operative Bank, Bhagalpur ...	165
Directors of the Banka Central Co-operative Banking Union ...	182
Babu Mathura Prasad, Assistant Registrar, Co-operative Societies, Bhagalpur.	182
Directors of the Central Co-operative Bank, Muzaffarpur ...	208
Manager, Central Co-operative Bank, Muzaffarpur	208
III. Officers of Joint Stock Banks.—	
Managing Director, Cuttack Joint Stock Bank	5
Secretary, Cuttack Joint Stock Bank	5
Mr. Bhudev Charan Banerjee, Secretary, Puri Bank	61
Mr. Krishna Mohan Mohanti, Secretary, Jagannath Bank	66
Babu Panchu Gopal Roy, Manager, Chota Nagpur Banking Association	86
Babu Akbauri Sen, Director, Chota Nagpur Banking Association ...	86
Mr. R. C. Pandit, General Manager, Bank of Bihar, Patna	141
Mr. Rai Surana, Manager, Benares Bank, Bhagalpur	160
Mr. Satgur Das, Agent, Benares Bank, Muzaffarpur	214
Mr. S. K. Misra, Sub-Agent, Benares Bank, Muzaffarpur	214
IV. Indigenous bankers, money-lenders and traders.—	
Tar Muhammad Janu Husain, rice merchant, Cuttack	16
Kassim Ayub, rice merchant, Cuttack	16
Kassimbhai Manji, rice merchant, Cuttack	16
Babu Satish Chandra Bose, rice merchant, Cuttack	16
Babu Durga Prasad, money-lender, Cuttack	16
Babu Khetrabasi Sahu, money-lender, Cuttack	16
Mr. Bilmoria of F. H. Bilmoria & Co., general merchants, Cuttack	21
Babu Ram Dayal, cloth merchant, Cuttack	21
Babu Lakshminarayan of Tilok Chand Hari Ram, commission agent, Cuttack.	21
Babu Ganesh Das Kaluram, indigenous banker and cloth merchant, Cuttack.	21

V

	PAGE.
Babu Subani Sahu, rice merchant, Kendrapara ...	89
The Mahanth of Emarmath, indigenous banker, Puri ...	78
Rai Sahib S. C. Ghosh, indigenous banker, Puri ...	78
Babu Jagannath Misra, indigenous banker, Puri ...	78
Babu Krishna Chandra Gochika, indigenous banker, Puri ...	78
Babu Gadadhar Sahu, importing and exporting merchant, Puri ...	78
Mr. S. G. Mustafa, general retail merchant, Puri ...	83
Mr. P. L. Shaw of Messrs R. N. Shaw & Co., general retail and wine merchant, Puri.	83
Mr. L. A. Noronha, exporter of fish, Puri ...	89
Babu Ganga Prasad, indigenous banker, Ranchi ...	108
Babu Ratan Lal, banker and general merchant, Ranchi ...	108
Babu Lokenath Prasad, indigenous banker of the firm of Rai Bahadur Debi Prasad, Bhagalpur.	146
Babu Budhu Chandi Prasad, merchant, Bhagalpur ...	146
Babu Kedar Nath of the firm of Messrs. Khialiram, Kedarnath, grain and oil merchants, Bhagalpur.	150
Babu Lachman Sahu of the firm of Lachman Sahu Gopal Sahu, grain dealer, Bhagalpur.	150
Babu Gopi Sahu, Munshi Sahu, grain merchant, Bhagalpur ...	150
Seth Jhunjhunwala, banker, grain merchant and cloth dealer, Bhagalpur.	150
Rai Bahadur Bansidhar Dhandhanian, indigenous banker, Bhagalpur	156
Rai Bahadur Debi Prasad Dhandhanian and Babu Lokenath Dhandhanian, indigenous bankers, cloth and grain merchants, Bhagalpur.	158
Babu Amarnath Khanna, wakil and money-lender, Muzaffarpur ...	188
Babu Badyanath of the firm of Messrs. Bhagwan Das and Jidutta Ram, cloth merchants and bankers, Muzaffarpur.	188
Babu Gopalji of the firm of Ghina Chowdhury, Gopal Chowdhury, paper, tea, cigarettes, sugar and grocery merchants and bankers, Muzaffarpur.	203
Babu Sat Narain Chowdhury of the firm of Ranchlal Chowdhury, tea, sugar and grocery merchants and bankers, Muzaffarpur.	203
Babu Badrilal Basudeo Sah, goladar and grain merchant, Muzaffarpur	203
Babu Fakiralal Sah of the firm of Jagooram Srikrishna Ram, goladars and oil mill owners, Muzaffarpur.	203
Abdul Mian(tobacco merchant, Muzacarpur ...	203
Badri Sah, tobacco merchant, Muzaffarpur ...	203
Muni Lal Sah, tobacco merchant, Muzaffarpur ...	203

	PAGE
<i>V. Manufacturers, Zamindars and others.—</i>	
Mr. Rice, jute buying agent for messrs. Mackinnon Mackenzie & Co., Cuttack.	1
Mr. N. K. Das, manager of the Utkal Tannery, Cuttack	21
Mr. D. N. Sur, manufacturer of horn goods, Cuttack	21
Mr. N. K. Roy, Deputy Registrar, Co-operative Societies, Cuttack	52
Rai Bahadur Thakur Das, distiller and lac manufacturer, Ranchi	108
Mr. Purna Chandra Mukberji, Postmaster of Ranchi	108
Mr. B. C. Roy, contractor and consulting engineer, Ranchi	119
Mr. Arakial, manager of A. M. Aratoon's lac factory, Jhalda	134
Mr. G. C. Devthian, manager of Messrs. M. C. Gregory, lac manu- facturer, Jhalda.	134
Mr. H. J. Apcar, managing partner of Messrs. H. J. Apcar, lac manufacturer, Jhalda.	134
Rai Bahadur Udhav Chandra Singh, zamindar of Jhalda	134
Babu Uma Charan Paul, manager of Messrs. Mahadeo Prasad Kashi Prasad, lac manufacturers, Jhalda.	134
Mr. Narendra Nath Chowdhury, Municipal Chairman and Honorary Magistrate of Jhalda and contractor.	134
Babu Ashutosh Halder, assistant manager of the Victoria Oil Mill, Bhagalpur.	148
Babu Sri Mohan Panna Lal, proprietor of Rice and Oil Mills, Bhagalpur.	149
Babu Motilal Dhandhanian, manager of Rai Bahadur Bansidhar Dhandhanian's oil mill, Bhagalpur.	149
Babu Hanuman Das Khemka, silk manufacturer, Bhagalpur	155
Mr. M. N. De, Superintendent, Silk Institute, Bhagalpur	173
Babu Radha Kishan, zamindar and banker, Muzaffarpur	188
Mr. Henry of the Darbhanga Sugar Co., Ltd., Lohat	195
Mr. S. Richardson of the Japaha Sugar Factory	195
Mr. Wynne Sayer, Secretary to the Indian Sugar Committee	195

NOTE OF INTERVIEW WITH MR. RICE, JUTE BUYING AGENT FOR
MESSRS MACKINNON MACKENZIE & CO.

—:O:—

The Chairman and the Secretary had a conversation with Mr. Rice on the morning of the 19th August. Mr. Rice does the jute buying in Cuttack district for the Coromandal Company managed by Messrs Mackinnon Mackenzie & Co., his headquarters being at Kendupatna, some 20 miles down the Kendrapara Canal. He has been on this work for the last 11 years and has acquired a considerable knowledge of rural conditions. He is not in a position to tell us much of marketing of rice. As regards the ordinary seasonal financing of the agriculturist he stated that the *raiyats* would rather borrow from the local *mahajans* than from a Co-operative Society as the local *mahajans* usually lend on a plain note of hand while the Co-operative Societies will require mortgage deeds or the security of at least 10 persons if a new society is started. The interest charged is half an anna per rupee per mensem for loans up to Rs. 200/- i. e., 37½%, one fourth anna up to Rs. 50/- i. e., 18¾% and one sixth anna for 500/- i. e., 12% or more. Money is usually given for 1 year but is repayable at any time within that year at the borrower's option. Such loans are very seldom secured on standing crops and only the larger ones on actual mortgage of landed properties or pledging ornaments. Ornaments are usually taken only from unsubstantial debtors. *Mahajans* have no special expert for assaying jewellery but they safeguard themselves by lending only 50% of its value. Mr. Rice considered the rate of interest too high, and thought that the Co-operative Societies should only charge about 3% above Bank rate.

Regarding his own business he said that buying begins between the 20th of September and the 15th October. A date is chosen as a "Lucky purchase" day on which invitations are issued to all regular *beparis* to bring in one seer of jute for sale. After this customary start he on behalf of his firm and two Marwari firms at Kendupatna begin giving out advances to *beparis*. These *beparis* in their turn advance to under-*beparis* of their own or of the neighbouring villages

(3)

hundred Rs 10/- notes at a time. These circulate freely. The cost works out at -2/7 % out of which -2/- is insurance. The Marwari firms, he understands, frequently underinsure similar consignments of currency notes and so make a small saving. It would be no advantage for his firm to open a cash credit or other form of accommodation with the Imperial Bank at Cuttack since the postage rate from Cuttack to Kendupatna is of course the same as from Calcutta to Kendupatna. A Bank will in contract transactions advance up to 80 % of the value of railway receipt and invoice as a rail receipt is always a negotiable document. There is however little of such business at the Cuttack end. In non-contract transactions, the produce is shipped to an *arhat* (dealer or commission agent) in Calcutta who generally advances 50 to 90 % of the value.

Mr. Rice gave his views on some other points outside his own special business. He saw no prospect for the agriculturists in pooling their products to hold for a better market. There would be a good deal of expenditure on *pucca* buldings, insurance, staff for tallying in and out etc., while the agriculturists would at once lose confidence if they were caught with their produce unsold on a falling market. Obviously no Bank could take the risk of carrying the crop if it were left in the ordinary conditions of village storage. He however suggested that *raiyats* could take better advantage of their market, if Government arranged to circulate through the Police Stations and presidents of *panchayats* the market rate of rice prevalent at district headquarters and the probable trend of market. As regards jute he was quite sure that the jute growers as well as the *beparis* were fully informed of the Calcutta price and probable trend. They would gain nothing by organising themselves into selling associations, as they would not get better rates than they get at present.

As regards investments his impression was that savings were almost invariably invested in land or in lending money or paying off the debts of a bad season. He did not think the *raiyat* buried his savings any longer, though he invested them to some extent in ornaments. A family with 5 to 10 acres of land usually had from 200/- to Rs. 300/- worth of ornaments. His own experience

was that the price of land has been more or less stationery for last 11 years and the prices of staple crops has not varied much that period. There was a big distinction in the area which he k between irrigated and protected tracts and unprotected tracts. In the former fetches from Rs. 300/- to 500/- per acre. In the un tected tract it fetches only Rs. 75/- to Rs. 100/- per acre. The di ence is far greater than the difference in the value of the c raised over a number of years would justify.

NOTE ON THE CUTTACK JOINT STOCK BANK.



The Chairman and Secretary had a meeting with the Managing Director and Secretary of this Bank on the morning of the 19th August. The Bank was founded in 1913. Although by its Articles of Association its capital can extend to 5 lakhs of rupees, it has actually issued only 1100 shares of Rs. 50/- each and has called up only 15/- per share. Liability to share holders therefore is only Rs. 16,500/-, reserve funds stand at 29,000/- + 13,000/- for buildings, and 12,000/- for bad and doubtful debts. The Bank held customers' fixed deposits of 2,19,000/- and savings bank deposits of 49,000/- at the close of 1928. It has 1,03,000/- out against mortgage bonds, 1,82,000/- on simple bonds and promissory notes. About 18,000/- more was lent to Directors on personal security and 20,000/- represents decrees outstanding. The Bank earned a dividend of 20% last year and 18% the year before. A great portion of its loan business (about 50%) has been against land mortgages yet it is evident that very few of these mortgages are pressed to foreclosure, since investment in land on 31st December 1928 gave a figure of Rs. 750/- only. The Bank's policy is to avoid foreclosure as much as possible, not only in view of the difficulty of management but in view of the difficulty in obtaining the landlord's consent under the Orissa Tenancy Act. A small amount of loan business has been on pledged ornaments but this is not encouraged since the Bank does not employ a goldsmith capable of testing value. The loan business of the Bank extends beyond Cuttack town into Cuttack District and also into Puri and Balasore Districts. For small loans, i.e. loans up to Rs. 500/- interest from 8 to 15% is charged. The maximum for larger loans is 12% while only 9% is usually taken on loans of Rs. 5,000/- and more. The Bank is distinctly conservative in placing its loans. Besides actual mortgages the Bank lends from time to time on such securities as insurance policies or title deeds merely deposited with it without assignment to the Bank. By these means the Bank avoids much litigation, simplifies the process of debt collection, saves registration fees to the borrower and secures him against exposure. Litigation is also avoided by a careful selection of parties. As an instance of how far it will go on personal security

only, it may be noted that to an old customer worth about Rs.20,00,000 the Bank advanced nearly Rs. 50,000/- on a pronote. The Bar does little business in the form of advances to traders, only 5% of its loan business being of that character. It has occasionally advanced small amounts from 5,000/- to 10,000/- to timber and cloth merchants and also for market gardening (potato cultivation). When financing timber and cloth merchants the practice has been to require a fixed deposit and then to advance as a demand loan within the period for which the fixed deposit is made. For such transactions 8% is charged. In the ordinary loan business the loans are mainly taken for social ceremonies or for buying landed property. Some 10 to 15% of the loans are taken for social ceremonies. About 80% of the total business is done with members of the bar or with Government servants both gazetted and non-gazetted or other customers who may be generally described as "*bhadralog*". The Bank has not given any customer a cash credit. It does not discount on ordinary *hundis* and makes no advance on pledged goods in warehouses. It has no warehouse of its own. It occasionally does a little business in exchanging *hundis*.

The Bank has 267 customers with a savings bank account, and 233 with a fixed deposit account. It has no current accounts in the proper sense of the term and consequently issues no cheques. Savings bank business is taken on a 4% interest basis, the customers being by rule restricted to drawing twice a week, but they frequently get greater facilities. Fixed deposit accounts are all on one year's basis and interest at 6½% is paid on them. This rate was formerly 6% but competition with the Co-operative Central Bank has raised it to 6½%. The Bank pays interest from 7½% to 7% to local depositors and 6½% to outsiders. The Bank keeps a current account with the Imperial Bank standing at 33,000/- at the end of 1928, which is its main cash resource for meeting the demands against its savings bank and fixed deposit accounts. It keeps very little cash with itself. It has had no occasion to call for advances from the Imperial Bank. That Bank, however, gives it a concession over its original customers by cashing cheques at other places at -2½% discount instead of the usual -4½% discount. These concessions cover cheques presented to the Cuttack Bank by its

customers thus giving a profit of $2\frac{1}{2}\%$ to it. The Bank somewhat frequently has surplus funds which it cannot invest. These are placed in fixed deposit with the Imperial Bank at 3%. This means a clear loss to the Bank since it is paying 4% to its customers on what are practically deposits at call. The question was put why the Bank did not alter its price for credit according as money for investment was plentiful or scarce. The reply was that they did not want to offend old customers, who would resent the reduction of the usual interest rate.

It is clear that the Bank does a very conservative business with a small range of customers mostly of one class and would not care to face a large extension of business with casual customers, who might by insisting on withdrawal place its position in danger.

The Bank management had not fully considered the question of a Land Mortgage Bank operating on a large scale in advancing money to agriculturists to pay off old debts. They anticipated that a bank of such a kind would be much impeded by the slowness of business in the Courts. In the course of discussion of this matter an interesting point came up that the ordinary *mahajan* habitually evades the provisions of the Usurious Loans Act by entering up a much larger sum than that actually lent i. e. by charging a considerable amount of interest in advance.

The Bank's shares are not quoted on the share market but in private transactions shares originally worth 300 have fetched a price of 700

A statement giving the deposits and rates of dividend of the Cuttack Bank is attached herewith.

**A statement giving the deposits and rates of dividend
of the Cuttack Bank Limited.**

DEPOSIT.		DIVIDEND DECLARED.		
Total Deposits (Fixed and Current)	1913.	13,811	0 0	12 p.
	1914.			
Fixed Deposit	...	46,750	0 0	
Current Deposit	...	5,167	1 0	
		<hr style="width: 100%; border: 0.5px solid black;"/>		12 p.
		51,897-1-0		
	1915.			
Fixed Deposit	...	61,444	10 7	
Current Deposit	...	16,576	12 0	
		<hr style="width: 100%; border: 0.5px solid black;"/>		12½
		78,021-6-7		
	1916.			
Fixed Deposit	...	76,312	12 10	
Current Deposit	...	21,339	4 6	
		<hr style="width: 100%; border: 0.5px solid black;"/>		12½
		97,652-1-4		
	1917.			
Fixed Deposit	...	82,519	11 2	
Current Deposit	...	17,155	0 9	
		<hr style="width: 100%; border: 0.5px solid black;"/>		12½
		99,674-11-11		
	1918.			
Fixed Deposit	...	102,468	11 10	
Current Deposit	...	16,851	8 4	
		<hr style="width: 100%; border: 0.5px solid black;"/>		12½
		119,320-4-2		
	1919.			
Fixed Deposit	...	120,550	11 3	
Current Deposit	...	24,415	6 7	
		<hr style="width: 100%; border: 0.5px solid black;"/>		12½
		1,44,966-5-10		
	1920.			
Fixed Deposit	...	142,412	5 5	
Current Deposit	...	28,592	1 0	
		<hr style="width: 100%; border: 0.5px solid black;"/>		15 p.
		1,71,004-6-5		
	1921.			
Fixed Deposit	...	157,202	14 11	
Current Deposit	...	41,074	6 0	
		<hr style="width: 100%; border: 0.5px solid black;"/>		15 p.
		198,277-4-11		

DEPOSIT				DIVIDEND DECLARED
		1922.		
Fixed Deposit	...	165,937	6 2	
Current Deposit	...	32,656	5 6	
			<u>198,593-11-8</u>	15 p. c.
		1923.		
Fixed Deposit	...	163,478	8 4	
Current Deposit	...	22,167	5 11	
			<u>185,645-14-3</u>	15 p. c.
		1924.		
Fixed Deposit	...	167,896	3 5	
Current Deposit	...	33,492	8 7	
			<u>201,388-12-0</u>	15 p. c.
		1925.		
Fixed Deposit	...	181,992	10 10	
Current Deposit	...	39,984	1 6	
			<u>221,976-12-4</u>	20 p. c.
		1926.		
Fixed Deposit	...	196,526	3 4	
Current Deposit	...	29,776	10 2	
			<u>226,302-13-6</u>	15 p. c.
		1927.		
Fixed Deposit	...	209,097	13 0	
Current Deposit	...	29,346	3 7	
			<u>238,444-0-7</u>	18 p. c.
		1928.		
Fixed Deposit	...	219,149	10 3	
Current Deposit	...	49,066	0 2	
			<u>268,215-10-5</u>	20 p. c.

NOTE OF VILLAGE ENQUIRY

Ayatpur village, thana No. 345 of Cuttack Thana was visited by the Chairman, Rai Saheb Lokenath Misra and the Secretary accompanied by Rai Saheb Baidyanath Misra (Personal Assistant to the Commissioner) and by Babu Gopal Chandra Praharaj, the zamindar of the village. The date of the visit was the 21st August.

Replies to the simple questionnaire had been got ready for this village and also for a neighbouring village Sidheswarpur from which several inhabitants were present and generally the ground had been well prepared for our inquiry.

Ayatpur proper, to which the enquiry was mainly confined, contains 141 households, 40 of which are labourers, owning no land, the remainder being nearly all *raiya*s.

Borrowing for cultivation expenses

Those who grow sugarcane or potatoes borrow for the heavy expense required for these crops. Otherwise it is only about 20% to 30% of the *raiya*s who borrow for the paddy crop. Loans are wanted to pay labour and canal water rate. Both money and paddy are borrowed. About 80% of the seasonal borrowing from the village *mahajans* is in paddy. But 41 out of the 101 households borrow in cash from their Co-operative Society. The need for borrowing usually occurs when the household has several non-workers. A household does not borrow more because it has more land.

The chief village *mahajan* is an Oriya *teli* (oilman). He is also the village shop-keeper and holds some land. The president of the *Panchayat* a Brahmin who is both a proprietor and a *raiya* lends money and paddy too, as do 2 or 3 other big *raiya*s. The village being in the protected area does not receive *takavi* loans and is not familiar with them. The local Co-operative Society has advanced money to 41 of its members.

The rate of interest for paddy is 25% per annum, and is paid without reduction, even if repayment is made, as it usually is, before the end of the year. Paddy is mostly borrowed in *Asar* (June-July). The *raiyats* say they repay before the end of the year because they are not sure whether they will have the paddy to repay with land in the year. If payment is not made at the end of the year 25% interest is charged on the original loan plus the 25% interest. Money is borrowed at 18¼% per annum, usually between April and June. It is mostly repaid between December and March. Those who can afford to wait do so until the April *kist* of land revenue and rent has been paid, as paddy prices are usually best after April. Usually there is no record of the loan except an entry in the *mahajan* books, but for large loans a document is drawn up. For paddy loans below one *bharan* (4 maunds) the *mahajan* does not even take a thumb impression. Neither in this village nor in other villages round about has any one heard of unfair dealings by the *mahajan*. Very occasionally a *raiyat* denies his liability, but pressure of public opinion as well as his future need for loans make him pay up after a time. (This statement of the relations between *raiyats* and *mahajans* was agreed to by all classes). The *mahajans* do not compete among themselves to secure business nor do they combine. The Co-operative Society competes in lending at Rs. 15-10 % per annum instead of the *mahajan's* rate of 18¼% according to the *raiyats*. About 80% of the advances are taken from *mahajans* and 20% from the Co-operative Society.

Loans for improvement

Only about 10 to 12 % of the *raiyats* take loans for improvements e.g. removing sand and filling up low lands, turning high lands into paddy lands, making *pan* gardens. For improvements about 30% of the total borrowed has been taken from village *mahajans* and 20 % from outside *mahajans* and about 50 % from the Co-operative Society. These loans are paid up in about 3 to 5 years. If the loan is more than 25/- the *mahajans* wants a mortgage, otherwise only plain handnote. The bonds are usually made out for payment after 6 months or a year, but there is an understanding that repayment will not be pressed for till after 3 to 5 years. The reason given for this practice was that the local scribe says it is the only legal form

of document. *Mahajans* do not take advantage of their chances of suing before the end of the period really intended. (As a matter of fact this practice allows the lender to put pressure on the borrower if no attempt is made to pay something back in the early period of the loan. Once a payment has been made, limitation begins to run again from that date, so there is no need to press again immediately) Interest rates are the same as for seasonal borrowing.

Borrowing for other needs

About 50% of the *raiya*s have to borrow to some extent to pay their rent and water rate. Rent is paid in April and November and water rate in February and March. The greater part of the borrowing is for the November payment. This borrowing (according to some *raiya*s) is necessary because the paddy is not ready for marketing. According to others, it is better to borrow for these charges and hold the paddy for better rates. The crops of the village scarcely ever fail, but sometimes there are crop pests.

Borrowing is usual for marriage and *brata* (sacred thread ceremony) and for the first *sradh* but not for annual *sradh*. It is also usual for purchase of cattle.

The same rate of interest and generally the same terms prevail as for seasonal borrowing, and money is obtained from the three sources open in about the same proportion as for improvements.

Enquiries from local *mahajans* and examination of the Co-operative societies' books gave an estimate of total annual borrowing for all needs of Rs. 850/- in cash and 35 bharans of paddy which may be priced Rs. 525/- making Rs. 1375/- in all for the 141 house-holds.

The same enquiries have given for present outstanding debt. Rs. 2150/- in cash and 65 bharans worth Rs. 975/- or Rs. 3125/. The debt owing to outside creditors has already been estimated at 20% of the whole for improvements and occasional needs. There is no outside borrowing for cultivation expenses. It will probably be safe to take 10% as the amount added by outside borrowing for all these needs. Thus the annual borrowing may be put at Rs. 1512-8 and present

indebtedness at Rs. 3437-8. It was stated that the labourers (40 households) owed only about Re. 1/- each, leaving Rs. 3397-8 for the remaining 86, excluding 15 households which are not in debt. The *raiya*s who borrow are therefore indebted to about the extent of Rs. 39-5 each.

After these results had been obtained the books of the society of Ayatpur proper were examined and showed Rs. 1582/- outstanding for 41 members which gives Rs. 38-6 each. The books of the adjoining society Ayatpur Patan gave Rs. 1034/- outstanding for 26 members or Rs. 39-8 each. These results indicate Rs. 40/- per household of actual *raiya*s, excluding labourers, is about the average indebtedness in this village.

The figures which the two societies show for distribution of existing debt according to purposes, are as follows :—

	I.		II.	
(a) Repayment of earlier debts	80	7-7	437	27-6
(b) Social ceremonies	100	9-6	416	26-3
(c) Distress (temporary maintenance)	35	3-4	119	7-5
(d) Payment of rent and water rates	20	1-9	nil	nil
(e) Purchase of seeds and manures	174	16-8	231	14-6
(f) Purchase of bullocks	110	10-6	36	2-3
(g) Purchase of improved implements	nil	...	nil	...
(h) Various improvements	nil	...	110	7-0
(i) Non-payment of interest	nil	...	nil	...
(j) Purchase of land	275	26-8	233	14-7
(k) Litigation	nil	...	nil	..
(l) Trade	240	23-2	nil	...
Total	1,034		1,582	

Marketing.

Paddy is sold locally only. The buyer husks the paddy and sells it as rice. The *raiya*s sell as they require money and have their own small storing places. They have not enough surplus to want large store houses. They do not take advances from outside buyers. The buyers collect the paddy themselves. The *raiya*s make their own *gur* from the sugarcane and sell to the local *mahajans*.

Cheaper and more credit.

Cheaper credit would in their opinion be a great benefit, enabling them to hold for better prices, instead of having to sell at once to pay off debts. They cannot at present afford to let debts run on. They do not think they would borrow more, but only as they required money, and would not borrow more for social ceremonies. A cursory examination of the "*haisial*" register, showing year by year the assets and liabilities of each member of the two societies gave the strong impression that indebtedness has been reduced besides being concentrated in the society itself, in spite of the cheaper credit afforded. Nevertheless some *raiya*s, who are not members, appeared to distrust the societies owing to the unlimited liability.

If credit was cheaper better crops could be raised.

The local *mahajans* say they have at present to refuse loans for lack of funds. They would be willing to take more money from Government or special banks at a low rate of interest for lending in the villages. They could lower the rate of interest, if their business could be thus extended. They would accept control, if facilities like those given to Co-operative societies for realising their debts could be given to them. Their main difficulty now-a-days is the slowness and uncertainty of realisation through the Courts.

No one knew anything about the Land improvement Loans Act, the zemindar himself, an ex-Government Pleader, thought it was limited to proprietors. There has been no distribution of Agriculturist Loans in this village. The people were in favour of a debt-clearing bank (land mortgage bank). They thought loans should be given to be paid off in not more than 10 years. They were against the idea of running such a bank on co-operative lines.

Use of savings.

Only about 5 to 7 % of households have any savings. These are invested in land purchase, money-lending, trade and purchase of ornaments. The largest portion about 90 % is used in purchasing land. A household with 2 to 3 acres usually has Rs. 15/- worth of ornaments. Savings are never buried now-a-days. The Ayatpur people through only two miles from the Sidheswarpur Post Office, said they knew nothing about the Post Office Savings Bank or cash certificates. Some Sidheswarpur men have Savings Bank deposits. They complain that the interest is very low, but it is convenient to be able to get the money fairly quickly when they want it. The branch post office, a very small affair, is well managed. The Sidheswarpur Post Master thought that more deposits could be got if the rate of interest on savings bank deposits was raised. Very few of the Savings Bank accounts are held by actual cultivators. He had not sold any cash certificates.

**NOTE ON DISCUSSION WITH MERCHANTS AND INDIGENOUS
BANKERS OF CUTTACK HELD AT CUTTACK ON 22nd
AUGUST 1929.**

Present—

MR. HUBBACK

MR. BATHEJA

The following gentlemen attended to discuss :—

Tar Mahmud, Janu Hassim, Kassim Ayub, Kassimbhai Manji
Satish Chandra Bose, Ganesh Das Kaluram, Durga Parsad, Khetrabasi Sahu.

The first three are Kuchi Muslims with their head office in Bombay. They do most of the large rice business and also do an even larger import business especially of spices into the Orissa districts. They do not do any banking now though one of them up till 5 years ago used to act as shroff with the Imperial Bank i. e. rediscount *hundis*. He gave that up as the profit was only one-tenth percent and the risk great.

Mr. Bose does some rice business and some jute business selling the jute to mills in the Madras Presidency.

Hundis are put on the market in Cuttack on the personal reputation of the issuer, not against goods. They have no relation to the amount of business the issuer is doing. The longest period for *hundis* is 121 days but most business is done on 60 days *hundis*. The only thing that really matters is that a *hundi* when due should be promptly met.

The Muslim Kuchis buy rice in a number of important bazars throughout the three coast districts, where they have their agents who are servants of the firm. The rice is brought to these bazars by *beparis* who collect it from the villages. These *beparis* are financed by *dandidars* who charge interest at Re. 1-4-0 $\frac{1}{2}$ per month. A commission of Re. 1-9-0 % is also taken from the *beparis* by the *dandidar* for selling the produce on the *beparis* account. The *beparis* take the market risk. Selling goes on at the bazars fairly evenly throughout the year. *Dandidars* do not receive advances from the big merchants. They trade on

their own capital which is as a rule between Rs. 100/- and Rs. 1000/- The *beparis* and *dandidars* are mostly Oriyas with some Marwaris. There are also *dalals* (brokers) who bring together the agents of the exporting firm and the *dandidars* and charge 0-6-0 % on transactions put through by them. They have no considerable capital. They act in cases of dispute as arbitrators and witnesses to the transactions. The Cuttack firms issue orders to their agents as to the price at which to buy and they go on buying as much as they can at that price until fresh orders are issued. Money is sent out to them by messenger or by exchange *hundi*. The consignments of rice are sent to places all over India where they are required and the sale proceeds are collected through the agents of the firms in those places. The firms very seldom require money in Cuttack as their selling business is more important than their buying business not only in Cuttack but all over Orissa. Consequently they have their own funds ready to send out to their buying agents. The Head Office in Bombay manages the distribution of the surplus proceeds and under their instructions these are sent off to other agencies, as a rule by T. T. through the Imperial Bank, Cuttack. Before the Imperial Bank opened a branch at Cuttack the merchants had to send surplus proceeds in cash to Calcutta at a cost of $\frac{1}{3}$ -%, whereas present arrangements cost about $\frac{1}{10}$ -%. These firms do not use bazar exchange *hundis* for such remittance as the risk is too great and all places cannot be covered by means of *hundis*.

The stamp duty on ordinary *hundis* (i. e. time *hundis*) is too high. But some merchants do not wish to have it abolished. They argue that if it were, all kinds of paper would be used and forgeries would be easier. There would be more difficulty in getting the Courts to accept the *hundis* as prima-facie evidence of indebtedness and so obtaining attachment of the debtor's property before judgment. Other merchants, however, saw no objection to complete abolition of stamp duties, arguing that sight *hundis* now had no stamp and no difficulty had arisen. The merchants were quite satisfied with the working of the Negotiable Instruments Act.

Of the Muslim merchants one firm sent off about 25 lakhs of rupees by T. T. in the year and there are 3 or 4 firms in Cuttack doing about the same amount of business.

Hundis made payable in Cuttack are dealt with in Cuttack only but those payable in Calcutta, Bombay and other large centres are dealt with in Cuttack. There appears to be no attempt to send *hundis* for sale at what is at the moment the best market for them. Some inconvenience is experienced by the enforcement by the Imperial Bank of a rule that only Rs. 200/- in small coin will be taken for any one payment for T. T. The bazar custom is that a creditor is obliged to take Rs. 10/- in silver and Rs. 5/- in small coin (nickel) in every Rs. 100/- of payment. Otherwise the bazar charges -/6/- per cent for converting nickel into legal tender. Until recently the Imperial Bank had no such rule or did not enforce it. There is a great demand for small change just after the rice harvest, i.e. January to March but then the demand falls off. The Imperial Bank's difficulty is that it cannot remit small coins through currency chest transactions without paying a *batta*. The Imperial Bank's rate of discount for *hundis* backed with documents for which cash is required on presentation at Cuttack is 0-4-0 up to Rs. 2,500/- and 0-3-0% after that. If payment is deferred until intimation is received that the amount has been collected at place of consignment the discount is reduced to Rs. 0-2-0%. The Bank undertakes to collect interest from the buyer of the goods, if that is arranged, in cases when some time elapses between presentation and collection. An extra -/1/- is charged if the place of consignment is at a distance from a branch of the Imperial Bank. These rates are considered high and consequently traders frequently use bazar facilities instead of the Bank's facilities. But the Cuttack bazar will usually only be able to provide bills of exchange on some of the larger centres and not for the particular place of consignment desired. Postal rates are generally less favourable than Bank or bazar rates.

Documented *hundis* are used freely and are rediscounted by the Bank through the agency of Ganesh Das Kalu Ram. These documents are invariably Railway receipts.

One merchant (Mr. Bose) has occasionally obtained a credit at the Bank against pledge of goods in a warehouse, up to 75% of value.

He is not very well satisfied with the form of credit as he has to pay 1% above Bank rate, and compound interest accumulates month by month. Still *mahajans'* rates of interest are very much higher.

Indigenous Bankers.

GANESH DAS KALURAM said he lent money mainly on 60 day *hundis*, charging -/8/- to -/12/- % per month interest. His customers are *beparis* of country produce, silver and gold workers, *telis* and general retail merchants. He does not lend direct to cultivators. For a small number of customers he charges as much as -/14/- % per month interest.

DURGA PRASAD (a Bihari money-lender) said he traded mainly on his own capital, but occasionally rediscounted *hundis* through Ganesh Das at the Imperial Bank who gets from 1 to 2 % on such transaction. (This evidence seems doubtful). Money is lent on personal credit with a single signature (i. e no second name is required). The amount out on loan in this business runs up to six lakhs between October and March, the busy season,

The money-lenders sometimes have to refuse good business for want of capital, but do not apparently wish to extend their business by rediscounting with the Imperial Bank, as the business by itself is troublesome and risky.

Durga Prasad lends to *mofassil mahajans* at times. He charges 11 to 12 per cent for such loans against an average of 9 per cent for urban traders. Such *mahajans* borrow on hand notes with or without mortgage bonds. He also lends to zamindars, with mortgage, the period of repayment being put down as one year or less but the debt is allowed to run on.

KHETRABASI SAHU an Oriya money-lender lends money to good class zamindars on mortgage. His interest rate ranges from 5½ to 18 %. He has 3 lakhs out in Balasore, Jajpur and Cuttack. Another money-lender of the same class has from 5 to 10 lakhs out.

The complaints of the money-lenders are (1) the delays in Court and (2) treatment by the Income Tax authorities. K. Sahu said he occasionally refuses good business for lack of capital and sometimes borrows in order to lend to good customers. He does not want to extend his business, but if the cost and trouble of litigation could be diminished, he and other money-lenders would gladly extend their business. The money-lenders said they would not object to some degree of Government control.

**NOTE OF DISCUSSION WITH MERCHANTS AND SMALL
SCALE MANUFACTURERS OF CUTTACK HELD AT
CUTTACK ON 23rd AUGUST 1929.**

—:O:—

The following members of the Committee were present:—

MR. HUBBACK

MR. BATHEJA.

RAI SAHEB LOKENATH MISRA.

The following gentlemen attended :—

Mr. F. A. Bilimoria of F. H. Bilimoria & Co. (oilman's stores and general merchandise), Babu Ram Dayal (cloth), Babu Lakshmi Narayan of Tilok Chand Hari Ram (commission agents), Ganesh Das Kalu Ram (cloth), Mr. N. K. Das (Manager of the Utkal Tannery), Mr. D. N. Sur (manufacturer of horn goods).

MR. F. A. BILMORIA said that his firm had been originated by his father-in-law, who had been a clerk in the Empress Mills at Nagpur. He was recommended to W. N. Graham & Co. of Bombay for starting a kerosine agency first there and then, when the B. N. Railway workshop moved to Kharagpur, at that place. The firm then started a similar agency at Cuttack together with general stores and he and his cousin separated off and now own the Cuttack business. They trade on their own capital, banking with the Imperial Bank, Cuttack branch, with banking accounts with the Hongkong and Central Banks in Bombay and Calcutta, where they make all their purchases, mostly in Calcutta. They pay in Bombay and Calcutta by cheque, and remit the proceeds of their Cuttack sales to those places through the Imperial Bank without charge. This is a special arrangement made with their Banks in Calcutta and Bombay. Previously they had to pay 0-2-0 % for such remittance. The firm does no export business, but imports oilman's stores, petrol, kerosine, motor oil and motor accessories. Oilman's stores are obtained on 1½ month's credit. Only 15 days' credit is given for petrol. Payments are made direct to suppliers by cheque on the Calcutta or Bombay Bank, with which the firm has an account. Usually payment is made within a fortnight.

There is not much scope for expansion of the business and consequently no need for further capital. The present capital is about Rs. 50,000/- The opening of the Talcher line has diverted business from Cuttack. Formerly the Petrol Companies used to supply on the basis of monthly payments for monthly sales actually made. Some agents understated their sales and used the money thus available for other business. Now all agents have to pay in full for the stock supplied to them within a fortnight of receipt. The firm pays promptly in order to get better prices. Before the Cuttack branch of the Imperial Bank was opened the firm used to keep its Bombay and Calcutta accounts in credit by remitting currency notes by registered and insured post. Nowadays a good many of its customers have accounts with the Imperial Bank, Cuttack, and pay by cheque.

BABU RAM DAYAL said his main business was sale of cloth bought in Calcutta. He did some business as a commission agent in rice and other grain, tobacco and oil. He once held the post of *khasanchi* (Treasurer) at the Cuttack Branch of the Imperial Bank on behalf of his master (*malik*). The main duty of that post is to guarantee the bank against loss on bad coin or notes or theft of the same during business hours in exchange for a fixed allowance. His cloth business is mainly wholesale but he does a little retail business. He buys cloth in Calcutta through commission agents (*gadiwala*), who buy in the Calcutta market or sometimes direct from importers. The commission agents charge 1% on the bill which shows Calcutta price plus all charges from the Calcutta warehouse to Cuttack station. He deals with only one commission agent, with whom he keeps a running account (*chalu hisab*), Interest is charged on the daily balance and he pays or gets the interest according to the direction of the balance. The interest rate is 9%. His commission agent is a big man with capital of some Rs. 10 lakhs. He trades with his *mofassil* customers like Babu Ram Dayal on their personal credit without taking security for an overdraft on the running account, though the size of that is of course limited by their standing and credit. The village *beparis* buy cloth from Babu Ram Dayal as well as the town retail dealers. These *beparis* are Oriyas or Marwaris or Bengalis. Only 5% of them buy on cash terms. With the others a running account is maintained. No

interest is taken for one or two months; after that 9%. (presumably some interest is concealed in the price). Pressure is put on them if payment is not made within three months.

He remits to Calcutta either by bazar (exchange) *hundi*, or by cheque through the Imperial Bank, or by currency notes sent by registered and insured post according to whichever is most convenient. Notes are sent when the Bank is closed. The $\frac{2}{100}$ commission charged by the Imperial Bank for sums below 10,000 is the upper limit of the bazar rate for *hundis*. He has an annual sale of about 1 to $1\frac{1}{2}$ lakhs worth of cloth.

GANESH DAS KALU RAM confirmed Babu Ram Dayal's account of cloth business, but said that his running account with the Calcutta *gadiwala* was kept on a basis of $\frac{6}{12}$ interest. His accounts with his own buyers are kept on a 9% basis. His own cloth business was 2 to 3 lakhs annually. He put the whole cloth business in Cuttack at 50 lakhs annually.

LAKSEMI NARAYAN of the firm of Tilokchand Hariram said he is a Cuttack commission agent. He has a kerosine agency at Khurda Road, and exports cocoanuts from Sakhigopal in Puri district. He is also interested in salt manufacture in Ganjam district. His commission business is on the basis of $\frac{12}{100}$ commission on cash orders received from places as far as Bhagalpur, Sambalpur, Ranchi etc. On credit transactions interest at the rate of 9% is charged in addition. The orders are mainly for rice, but a fair amount are for cocoanuts required for sweetmeats. Some customers have running accounts, others keep a deposit and in these cases balances are received either through V. P. P. or through the Imperial Bank who charge $\frac{4}{100}$ per cent for such collection.

Money is raised for the business by means of *hundis* in the bazar the interest rate varying from 6 to 10% as the Bank rate varies. The Cuttack branch of the Imperial Bank always charges one per cent more than the Bank rate. Other charges viz: 2% for the guaranteeing shroff $\frac{6}{100}$ for the *hundi* stamp and $\frac{2}{100}$ for brokerage, bring the total cost of borrowing from the Cuttack branch to $10\frac{1}{4}$ annas per cent per month for a 60 day *hundi* when the Bank rate is 5%. It will be

correspondingly higher when the Bank rate rises. At the present moment the bazar rate is only 9 annas per cent per month against the Bank charges of $10\frac{1}{4}$ annas. Burmah Shell Co. has required a deposit of Rs. 8,000/- and supplies stock up to the limit of the deposit only. A running account is kept up to that limit and the Company pays 5% interest on the balance of the deposit.

The merchants complain of the extra 1% above Bank rate charged on loans made by the Cuttack branch of the Imperial Bank. They say that they sometimes have a shortage of capital, sometimes no such shortage. They could occasionally use more capital. The high rate of interest on accommodation money is due to want of local capital. The fluctuating Bank rate is a great disadvantage. Stamp duty should in their opinion be abolished. They see no reason why it should not be completely abolished as it has been for sight paper which has been of great advantage. Vernacular cheques would be an advantage.

Mr. N.K. DAS of the Utkal Tannery said he had been managing it for the last three years. He buys hides and skins from local bazar merchants, who have mofassil agents mostly Pathans or untouchables who collect the hides and skins from the villages. Some merchants have monopolies in a Feudatory State or an estate in British India. Cuttack is an entrepot for hides. The village agents are the Cuttack merchants, who are mostly Oriya Muslims.

The indigenous bankers usually charge from 12 to 20% for a 60 day *hundi* on a single signature. (*N. B.*—the bankers themselves said they charged from 9 to 12%). The total annual value of the Cuttack hide business is more than one crore of rupees. (But see below) It is financed mainly by Madras merchants through their local agents. These are the biggest buyers, and they do not raise their money locally. The Utkal Tannery borrows money mainly for purchase of hides, not for wages etc. Its business is to convert raw hides into half tanned. These are exported to Madras and recently to Leicester, Cardiff and a few French and Belgian places.

The foreign firms have opened credit in our favour at the Cuttack branch of the Imperial Bank and we can draw up to 75% of value on shipping documents. We get the balance from our foreign buyers after inspection of the hides. There is a charge of 7/6 per cent on 90 days bills of exchange discounted with the Imperial Bank which varies in accordance with the fluctuations in the sterling exchange rate.

For Madras business internal exchange *hundis* with railway receipts are presented to the Imperial Bank, Cuttack. The arrangement is mainly for payment on collection.

No advances against stock (either raw or manufactured goods or machinery etc.) have been taken. The Director of Industries was sounded about the prospects of a loan under the Loans to Industries Act but was not encouraging.

The head office of the Imperial Bank overruled a proposal of the Cuttack branch to advance against stock.

More capital could be used and a lower rate of interest and a longer period of say 10 years would be greatly appreciated as the Tannery has to pay 12% or more on loans for running expenses.

MR. D. N. SUR is a Bengali manufacturer of horn goods. He has the same arrangements for purchasing horn as the Utkal Tannery has for purchasing hides. Most of the horn goes unmanufactured to Calcutta or Madras, the same Muslims who deal in hides dealing in horn too. The annual value of the Cuttack horn business is about Rs. 5 lakhs. He manufactures pen-holders, shaving brush handles, combs, stick handles and fancy goods and sells these in Bombay, Calcutta and Madras. He trades on his own capital of about Rs. 10,000/- and does not borrow. He could extend his business if capital were available. His annual sales are about Rs. 12,000/- to Rs. 18,000/-. Government offered to lend him Rs. 6,000/- a little time ago, but the terms were too stiff for him. Expensive sheds for housing the new machinery and insurance for the machinery were required and other conditions which he could not meet. He may put in a note about this. He does not borrow for his running expenses,

Competition with Germany and elsewhere has depressed his business. He sells by sending his goods on consignment account to private firms in Calcutta, Bombay and Madras. These pay only after sale. Mr. Sur fixes his price, and the firms either sell above that price or return the goods. He gets no advance on goods supplied and so his capital is always locked up to a large extent. So much so that he has had to close down the business at times.

Mr. Bilimoria of F. & S. Bilimoria & Co. suggested that the Co-operative Central Bank should be allowed to lend money to commerce and business on long term credit up to 10 years. Mr. N. K. Das of the Utkal Tannery subsequently wrote modifying his estimate of one crore for the Cuttack annual turnover of hides and skins. He thought Rs 60 lakhs to 40 lakhs was more probable. The goods are mostly collected in the Feudatory States and Angul; but are sold, handled and financed by the people of Cuttack. Consequently this is the one of the foremost trades of Cuttack and could be further developed if finance was more easily available. It provides employment for many Muslims and non-Muslims. Caste scruples against a trade which brings in ready money are fast dying away.

VISIT TO THE CUTTACK CENTRAL CO-OPERATIVE BANK
26TH AUGUST 1929.

—:O:—

Members present:—

Mr. HUBBACK

Mr. BATHEJA

The Honorary Secretary, Babu Ram Chandra Das, and the Joint Honorary Secretary, Babu Debendranath Das as well as the Bank staff were present; the Assistant Registrar of Co-operative Societies, Manlavi Wasiq Ali also attended. The Bank was founded in 1918. It operates over the whole of the Sadar Subdivision of Cuttack, except Banki and Dompura estates, and Kujang estate (population about 800,000). In each of these areas there is a Banking Union (a Central Bank without preference share-holders). At the end of 1928 there were the following affiliated societies

		Agricultural credit societies	266
I Credit	{	Grain gola societies (i. e. credit societies operating in kind)	4
		Non-agricultural credit society (for clerks etc. in Cuttack)	1
			1
			1
II. Producers	{	Bell and brass metal societies	2
		Weavers' societies	6
		Shoe-makers' society	1
		Press Society	1
III. Control.		Guarantee Unions	2

Of the "producer" societies only the Press is running really well, the metal workers' societies and most of the weavers' societies are in difficulties and the shoe-makers' society is under liquidation. The Bank is associated with no producers' selling societies, no ware-house societies and no purchase societies.

Control

The Bank is ultimately controlled by share-holders (mainly professional men of Cuttack town) and by its ordinary shareholders (i. e. the societies affiliated to the Bank). Each preference share-holder and each society (through its delegate) has one vote only regardless of the number of shares held. The administration is in the hands of the

board of directors of whom 10 are elected by the preference share-holders and 10 by the ordinary share-holders. The Honorary Secretary and the working committee of eight directors including the five office bearers exercise delegated powers. Of these eight, seven are representatives of the preference share-holders and the eighth, the delegate of the Press Society. Thus, as is perhaps not surprising, no rural delegate appears on the working committee.

Financial position.

Working capital is Rs. 5,36,361 made up as follows:—

	Non-agricultural in origin. Rs.	Agricultural in origin Rs.	Total. Rs.
Paid up share capital	9,570	44,194	53,764
Deposits Fixed	3,78,611	1,422	3,80,033
Savings Bank	83,477	4,479	87,956
Building Development } Bad Debt } Provident } Funds			7,863
Reserve Fund			6,745
			<u>5,36,361</u>

It is somewhat significant that non-agriculturists supply nine rupees for every one rupee that the agriculturists supply. Also that nearly all of the agriculturists' supply of money is that absolutely required from the societies before loans can be granted. Deposits are easily obtained and have frequently to be refused at present. The rates of interest are 4%, savings bank, 7%, one year fixed deposit, 7½% three years' fixed deposit, 6½% for depositors outside the local area. Under the instructions of the Registrar, the Bank should have placed certain money with the Provincial Bank, Patna. The sum according to those instructions and the sum actually so placed are shown below:—

	Ideal.	Actual.
In shares of Provincial Bank 8% dividend, 1/5 of paid up capital	10,700	5,200
In 2 years fixed deposit 6½% 1/2 of Reserve Fund	3,372	3,400
On Savings Bank account 3½% 1/4 of Savings Bank deposits	43,973	nil

But at end of 1928 the Central Bank had placed Rs. 15,000 on 1 year fixed deposit, 6% interest, with the Provincial Bank. Its liquid assets are :—

(i) Till money usually about Rs. 5,00/- on 26th August 1929	6,600
(ii) Savings Bank account with Imperial Bank	3,000
(iii) Cash credit account with Provincial Bank	35,000

The last two accounts are on 3½ % interest basis. The bank can overdraw on cash credit account with Provincial Bank up to 10,000/- at 7 % interest. The representatives of the Bank said they would prefer to have a cash credit account with the Imperial Bank, Cuttack Branch. At present the Bank has to refuse deposits, otherwise it would have a surplus beyond what it could profitably lend. It could get more working capital if it required it by borrowing from the Provincial Bank at 6 % (no limit of borrowing laid down). It is likely that the rate of interest on one year's deposit, which was reduced from 7½ to 7 % in 1927 will be further reduced in 1930. In Cuttack town there is a lot of money seeking investment. Mufassil savings are invested in land or in local *mahajani* and are not attracted to the Central Bank. Savings are not buried.

Loan business

The Central Bank had at the end of 1928 the following amount out.

Loans not overdue	...	Rs. 4,31,141
Loans overdue to existing societies.	...	Rs. 25, 853
Loans to liquidated societies	...	9, 617
Total	...	Rs. 4, 66, 611

So far no liquidation has caused actual loss to the Central Bank. The bank collected 59% of its dues as against the standard of 80% laid down by the R. C. S.

Rates of interest charged to societies are:—

1. For agricultural credit societies	...	...	...	12½%
2. For grain golas	...	...	...	9%
3. Producer Societies	...	...	...	10%

(2) and (3) get better terms because it is the policy to encourage them. Agricultural credit societies under a guarantee union pay 10½% because all other societies in the union make themselves responsible to some extent for each borrowing society. They can be called on to pay up to the extent of four times the face value of the ordinary shares they hold in the Central Bank. As a special case a loan for a definite improvement was granted to a village society on 9% only.

The village societies themselves lend to their individual members at 15% but those which are under a guarantee union at 12½%. The producers' societies do not lend to individual members.

Where there is a society the local *mahajan* lends cash at 18¼%. Where there is none he takes 25 to 37½%. Paddy is usually lent at 25%, whatever be the period of the loan, but the Honorary Secretary said in his own area (Salepur Thana) this had come down to 15 or even 10% for big loans, where there was a society. As against the Co-operative Societies rates given above, the bazar rate ranges from 12% to 37½% and the Kabuli money-lender's rate to ministerial officers, varies from 75% to 100% on loans between 25 to 300 rupees

Ten years is about the extreme limit of lending by societies to members. Hence "long term" means 7 to 10 years "medium term" 5 to 7 years and "short term" 5 years or less.

General information about Societies.

The rural co-operators here are mainly the middle class and poorer *vaiyats*. There are "untouchables" in most village societies. The societies are organised on a strictly local basis, and there is no attempt to group castes together. They do not have more than 50 members. Originally societies were too small.

Saving is encouraged by trying to make each member deposit something at each monthly-meeting, and some societies fine their members for failure. But up to now deposits have been small, and the older a society is the less is its savings. Every society is however

obliged to take shares in the Central Bank up to 10% of the amount it wishes to borrow, and the same rule applies for individuals and their primary societies. The Central Bank pays as a rule 6½% dividend to the societies, the societies 9% to the individual members. The members are beginning to understand what a share means.

Any member can resign on settling his account and his liability ceases after two years.

At the beginning there was a tendency to form societies so that one or two men should be able to get loans. That tendency has now practically disappeared.

Miscellaneous.

The representatives of the Central Bank were not hostile to the idea of licensed *mahajans*. The Post Office gives a rebate of 75% on money order charges at six monthly intervals. The Imperial Bank transmits money by Remittance Transfer Receipt between Cuttack and the Provincial Bank at Patna without charge.

Borrowing by members

The following figure for the borrowing of 1928 were collected from the books of the credit societies.

PURPOSE OF BORROWING	AMOUNT	
1. Cultivation	4,771	} Short term
2. Purchase of cattle	8,826	
3. Payment of rent	2,852	
4. Improvement of land	1,684	} Long or medium
5. Trade	15,363	} Short
6. House repairs	5,177	} Long or medium
7. Purchase of land	21,933	
8. Maintenance	1,271	} Short
9. Payment of debts	46,149	} Long or medium
10. Redemption of land	2,411	
11. Marriage expenses	7,991	} Short
12. Other purposes	4,132	
TOTAL	1.22.561	

The outstanding debts were Rs. 4,87,393 for 6,703 members, or Rs.73 per member. Seasonal borrowing (including items 1, 3 and 8) comes to Rs. 8,894; borrowing for improvements (including items 4 and 6) to Rs. 6,861; leaving Rs. 1,06,806 for "other needs" or 87% of the annual borrowing.

Assets and Liabilities of Societies

The bank has figures for the assets and liabilities of its member-societies taken from the *haisiyat* registers. The Honorary Secretary has promised to supply the Committee with the figure for 1927 as well as for 1922. When these are received it will be considered if all Central Banks should be asked to compile the same statement.

The Bank authorities admitted that neither the "borrowing purpose figure" nor the "assets and liabilities" supplied by the primary societies could be trusted implicitly but they were probably 75% correct. The "*haisiyat*" register is prepared at the annual meeting of the primary society. It is checked by inspecting clerks about 4 times a year, and by the manager and auditor of the Central Bank once a year. The Assistant Registrar of Co-operative Societies carries out a test audit in 5% of the Societies while the Assistant Auditor appointed by the Co-operative Federation does the same thing for 10% of the Societies. In spite of these precautions, the *haisiyat* register is to the extent indicated above inaccurate.

NOTE OF A VILLAGE ENQUIRY HELD AT KAIJANGA
ON THE 28TH AUGUST 1929

—:O:—

Present:—

MR. HUBBACK

MR. BATHEJA

RAI SAHEB LOKENATH MISRA

Village Chanduli.

This village is about 16 miles from Cuttack on an island in the bed of the Kathjori river and is therefore in the unprotected area.

The population is mainly composed of Khandaits and Kewats and the village has practically no high caste inhabitants. They grow paddy and occasionally *kulti*, also in the dry weather pumpkins and tobacco. They say that they all borrow money every year for expenses of the cultivation. The chief *mahajan* lives on the left bank of the river in the protected area about 1 mile from Chanduli. There are 4 *mahajans* from whom they borrow. All live close by. A few of the richer *raiya*t s lend a little money in the village. There is no Co-operative Society. All the *mahajans* are Oriyas either Brahmans or Khandaits. Interest both on cash and paddy loans is 25% but paddy interest is paid in full whenever the loan is repaid. For money loans only interest month by month is paid. Compound interest on paddy loan is not paid. The *mahajan* stated that the Court had recently refused to give compound interest on such loans some 2 or 3 years ago (this perhaps shews the influence of the Usurious Loans Act of 1918). Loans are taken in May and July and are paid back between January and March. Money loans are sometimes repaid between March and May. They wait till they get in their tobacco crops sometimes before repaying money loans. Small money loans are on handnotes or on bonds but those for Rs. 100/- or more on mortgages. Paddy loans are simply entered in the *mahajan's* account book. The entries are correctly made. The *mahajan* does not show his clients his books but his accounts are correct. They say that they can do the calculations themselves also the *mahajan* says he has no objection to showing his

books and whenever the instalment is paid the account is made up and signature or thumb impression is taken on the account book. (On the conclusion of the enquiry the Committee saw the account books of one *mahajan* who is also a contractor. He has a printed form of account book and appears to keep his accounts methodically, a page being allotted to each client's account).

Improvement Loans.

The *raiyats* have no chance of making improvement in their village. They do not even remove sand because it will probably come next year. There are 80 to 90 households in the village, 10 to 15 households are landless labourers. One landless labourer present said that he has lost his land through debt and sold it to another *raiyat* who now cultivates it himself. The money had been borrowed from one *mahajan*.

Other needs.

They borrow from the same *mahajan* for their other needs e. g. for marriage, first *shradh*, to maintain themselves when crops are bad and to replace cattle. The conditions are the same as for loans for expenses of cultivation. The loans are usually taken on condition of repayment within 1 year. If however they cannot pay they pay the interest and take another year's time. Some of the *raiyats* borrow in order to pay rent. About 6 or 7 households are not in debt. The *raiyats* estimate the total outstanding debts in Chanduli as 30 *bharans* of paddy worth Rs. 600/- and about Rs. 3,000/- to 4,000/- in cash. The *mahajan* estimates the total outstanding debt at about 10,000/-. About half the total outstanding debt is borrowed each year. The *raiyats* estimate that about half their debt is for cultivation purposes and the other half for other purposes. One labourer said he had a debt of Rs. 60/- owed to various people. His younger brother had gone to Calcutta to earn money. The *raiyats* said they do not as a rule go to Calcutta or Jamshedpur. From village Barods near by about one man from every household goes there and sends Rs. 10/- every month. There is a good deal of waste land which the *raiyats* said they could reclaim if they borrow money cheaply. (The river bed belongs to the zamindar and not to the State).

The *mahajans* confirm this statement and say the *raiyats* are good cultivators. They have never asked Government for land improvement loans for taking up this extra cultivation. They applied last year for agriculturists loan for reconstructing their houses which were burnt down but were told that it could not be granted. They have borrowed *takavi* (agriculturists loan) in bad years but at present have no *takavi* outstanding. They have no complaints to make. They got their money quickly and did not have to pay any *dasturi* nor were they unduly pressed to pay up. They got Rs 5/- for each acre of land held. They only apply for *takavi* from Government when the flood damage is very bad. 6¼ % interest is charged on *takavi* advances (see Loans Manual). Land at Chanduli sells at Rs 200/- an acre, best tobacco at Rs.1000/- an acre. They are in favour of a Land Mortgage Bank to help them to clear up their debts. They would like to have the instalments for payments spread over a period of from 15 to 25 years. The *mahajan* is in favour of the idea of a Land Mortgage Bank. The *mahajan* who was present said he had advanced about Rs 1000/- in this village in cash but nothing in grain. Out of Rs 1000/- about 300/- is secured on registered mortgages. He thought that would probably be the proportion for other *mahajans* too. There are very few cases of lands passing out of the hands of the cultivators to non-cultivating tenants who sublets them to the old tenants. The *mahajan* was asked to give some idea of the extent of his business and profits attained thereby. His figures however could not be reconciled and it appears that he does not keep his money-lending account separately from his contractor's account. The *raiyats* said that they had no complaints to make against their *mahajans*. They are not cheated by false measures. They very seldom contest a suit. The *mahajan*, however, said that about 50 % of the suits for large claims were contested in order to gain time. Small loans were never repudiated. The *mahajan* complained that the Courts awarded reduced cost instead of the full cost and they sometimes reduced the interest agreed upon. He does not want to extend his business by borrowing money himself. He would accept some control if he got better facilities for realisation and he could then reduce the rate of interest. He lends to *raiyats* at 25 % interest and very often has to let off his debtors with 18¼ % because they come and bother him

until he does so. He lends to small zamindars and occasionally to big zamindars at 12 %. He holds some Government paper as it is required as security in his contracting business. He has deposited in the Imperial Bank but does not take overdrafts from that Bank. He goes to Cuttack nearly every day.

Marketing.

The *raiyats* sell their *kulti* and tobacco to the *beparis* who come to their village. They sell their pumpkins in the local *hat*. They do not sell any rice as they have to buy rice for their own consumption. This is generally the position in the unprotected tracts. They buy their rice from the Kujang side. They put their own price on their *kulti* and tobacco. They can usually sell their tobacco when the price is high but sometimes they sell at the lower prices owing to their being in need of money. About half the *raiyats* take advances from the *beparis* but there is no agreement to sell at a fixed price or even to sell to the *bepari* from whom the advance is taken. The *bepari* gets interest at 25 % on the advance which is usually for 2 or 4 months. About 50 % of growers take such advances. There is very little money saved in the village. If any one has any savings he uses it for lending to others. They have all heard of the Post Office Savings Bank but none of them put any money in it. They buy some ornaments for their womenfolk. A man with 5 acres of land has Rs 50/- to Rs. 60/- worth of ornaments. They sometimes purchase land. The price of land has fallen of late.

Village Athanga

Village Athanga is about 13 miles from Cuttack on the Jagat-singpur road in the protected area. There are about 90 households of which about 30 are landless labourers. Except 4 or 5 households all borrow annually for the expenses of cultivation (This statement was definitely disproved when the people present were questioned about their debts. Probably only 50 % borrow for cultivation expenses). They borrow from the local *mahajans* and from the zamindar. There are 2 or 3 of the richer *raiyats*, who lend money in the village. There is no Co-operative Society in the village. The landless labourers have no debts as they live on daily wages. Interes

at 25 % is paid both on cash and paddy loans. In this village compound interest is paid on paddy loans. Both kind of loans are taken between May and July and repaid between January and March. Only one man in the village has a loan on a registered mortgage for Rs. 135/-. Paddy loans are merely noted in the *mahajan's* book. The zamindar grants receipts whenever the instalment is repaid. The *mahajans* do not show their books but the *raiya*s can see these books when they settle accounts on payment of instalment. They do not sign up the books when final payment is made. A little borrowing for improvements takes place mainly for converting high land into rice land. All the conditions of such loans are the same as for cultivation expenses. Time limit is for one year but the debt runs on.

Borrowing for other needs.

As a rule most of the *raiya*s borrow to pay their loans. They also borrow to replace cattle and for marriage and first *shradh*. The conditions are the same as for other loans. The *raiya*s think they could use more capital if they could get it at lower interest. They would then raise better crops. One man said that he could improve half an acre of land if he could get Rs. 60/- or 70/- and could then grow *sarad* paddy instead of *biali*. They have never taken *takavi* loans. They are in favour of a Land Mortgage Bank.

Marketing.

They have a ready market at Cuttack for their *pan* and usually take it there themselves though sometimes the *beparis* come to the village. They sometimes take advances from Cuttack *pan* buyers and if they do they have to sell at a fixed price to them. They do not sell any surplus paddy.

15 heads of households were present of whom 2 were landless labourers without any debt. Of the remaining 13, 4 are not in debt. The total outstanding debt as stated came to Rs 999/- or Rs 77/- a household excluding landless labourers and of this 10½ % had been borrowed for cultivation expenses, 1½ % for improvement and 88 % for other purposes. The zamindar who was present agreed with the *raiya*s that they were thoroughly representative of the village.

Savings.

Savings are used for lending to other *raiya*s. Some hoard in wooden safes, some invest in ornaments and some buy land. They know about the Post Office Savings Bank but do not invest there, the reason being that the savings are not permanent and they may want their money after a few months (clearly they do not know the terms on which the Savings Bank investment can be made.)

Bomburi village close to Athanga in the protected area.

There are 150 households of which some 56 are landless labourers. 18 heads of households were present but no landless labourer. 2 of these are not in debt. Total outstanding debt was stated to be Rs 2379/- or 132/- per household excluding landless labourers. Nearly all the debt was in cash which was explained by the fact that there is no big paddy lender in the village. 13% of the loans are for cultivation expenses. 10½% for improvement and 76½% for other needs. Savings are used for the purchase of land and for lending on usufructary mortgage. The price of land has fallen to Rs 150/-. It used to be Rs 200/- to 300/- but is now only Rs 150/-. They ascribe the fall to the increase of canal rate and the threatened increase of rent. There is no Co-operative Society in the village. The *raiya*s clearly do not know much about the Post Office Savings Bank.

NOTE OF INTERVIEW WITH BABU SUBANI SAHU, RICE DEALER OF
KENDRAPARA ON THE 29TH AUGUST 1929

Present:—

MR. HUBBACK

MR. BATHEJA

Babu Subani Sahu is a rice merchant of Kendrapara. He collects rice from Kanika, Chandbali and other places in the mufassil and sends it to Cuttack and Calcutta. He has godowns at various places such as Anantapur, Marshaghai, Chandbali etc. He deals in rice, paddy and *kulti*. He buys direct from the *raiya*s or from small *beparis* through his own agents. Sometimes the *raiya*s themselves go to his godowns and sell the produce. He pays advances or '*dadans*' though not in all cases. The advances are made in November and goods are delivered in February and March. The advance amounts to 25% of the value of goods and is made in consideration of an undertaking to deliver goods at a particular price and a fixed date. There are two sorts of contract for such advances. In the first sort a contract for delivery is made on the basis of a fixed price and if the terms of the contract are properly carried out, no interest is charged on the advance; in the second sort the contract is made on the basis of the prices prevalent in the market at the time of delivery. In this form interest varying from 12 to 18¼ % is charged on the advance. A lower rate is charged for bigger amounts. No interest is paid by *beparis* on advances. In case of repudiation of the advances or failure to carry out the terms of the agreement, he sues his client in the Courts.

He remits money for these advances or his purchases through his servants or the Post Office. He generally sells to the Nakhoda export merchants like Jannu Hasan in Cuttack or other commission agents in Calcutta. The rice dealers in Cuttack who buy from him undertake to pay him within a week of the delivery of goods. In case of his demanding cash earlier a discount of 0-4-0% is deducted from his bill. In Calcutta the commission agent who sells on his behalf charges him a commission of 0-12-0%. He has a running account with him and interest at 9% is charged on balances outstanding. The commission agents remit to him the proceeds of the sale by post or by hundis.

He borrows money to finance his business. He has about -Rs. 50,000/- to 60,000/- working capital sunk in the business, which he makes no attempt to increase by sinking his profits therein. He utilises profits in buying land, and whenever he requires more capital for his business he borrows in the market by either selling hundis of 60 or 91 days or opening a running account (*khata*) with a money-lender. The rate of interest paid by him on such borrowings is generally 9%. There is no fixed place or market where these hundis are bought and sold. The transactions are put through by hundi *dalals* who have no office of their own. They go from shop to shop in that part of the Cuttack town in which the shroffs and money-lenders mostly reside, which is called the Balu Bazar, receiving orders to buy and sell hundis. The value of Babu Subani Sahu's rice business amounts to about 2 or 3 lacs. He would like to extend his business if he could borrow more money at a lower rate of interest. He has no account with the Cuttack branch of the Imperial Bank nor does he know that he could borrow more money from it by pledging his produce. He does not attempt to raise money against his goods while they are in transit. He prefers to wait until the goods arrive, which takes about 15 days. He thus loses interest during the interval.

He is in touch with the market news about rice in Cuttack and Calcutta and advises his agents as regards the prices they are to offer. The *beparis* and cultivators manage to gather the market news from the agents of about 700 dealers like himself engaged in the business.

He manages to make about 3/2 to 6/4% profit on his annual turn over.

Asked for suggestions he said that his greatest difficulty was one of finance. If he could raise money at a lower rate of interest, he would be able to increase his business and make larger profits.

He had no other suggestions to make. He is a typical Oriya dealer carrying on his business on conservative lines. If he knew of the financial facilities available at present and adopted more up to date methods in his business, he could certainly earn much more than he does at present.

NOTE OF A VILLAGE ENQUIRY HELD ON THE 30TH AUGUST 1929 AT
KAMARPADA, 14 MILES FROM CUTTACK ON THE TIRTOL ROAD.

Present:—

MR. HUBBACK

MR. BATHEJA

Kamarpada belongs to the Tagore family of Bengal and the zamindar is not usually resident. It is in the protected area.

There are between 80 to 90 households, of which about 30 are of landless labourers, 15 households are of Brahmans, the others are mostly of Khandaits. The *raiya*s say that $\frac{3}{4}$ th of them borrow for cultivation expenses. They borrow in August. The people who do not borrow are the richer ones and those who have money, some of whom work as labourers in the villages and some go to Calcutta. They mostly grow paddy but some grow sugarcane and in the cold weather *mung* and potatoes. They borrow from village *mahajans* who are small men and from the zamindar and from the Co-operative Society. They occasionally borrow paddy from a *mahajan*, who lives in Sidheswarpur 2 miles away. The Co-operative Society has been in existence for some 10 years. They pay 25% both for paddy loans and for cash, though sometimes large paddy loans are granted on lower terms as low as 12 $\frac{1}{2}$ %. The zamindar charges the same rate as other *mahajans*. Co-operative Society charges 15 $\frac{5}{8}$ %. The *raiya*s who are not members of the Co-operative Society were asked why they did not join one. Some of them said that the Co-operative Society was a good thing but only those who are in need of money joined it. Another said they were mostly in the clutches of the *mahajan* and could not get enough money from the Co-operative Society to pay off all their debts and so they would not join. It was also said that some have mortgaged their lands to the *mahajan* and that prevents their joining the Co-operative Society. Lastly it was stated that the society takes from 15 to 20 days to give out the loan and that when money is wanted it is wanted more quickly than that. Loans

are paid back between the middle of December and the middle of February and some wait till April and pay after selling their *mung*. Compound interest is paid on paddy loans. (This is denied by some people). Paddy loans are merely written up in the account books. Large money loans i. e. Rs. 100/- or more are only given on mortgages.

Improvements.

The only improvements recently made have been the conversion of a small amount of high land into rice land and digging of a few wells for drinking water. It only costs Rs. 10/- to 15/- to dig such a well and a loan is not usually taken for this purpose. Borrowing for improvements is very rare.

Other Needs.

The *raiyats* borrow for paying water rates, rent to the zamindar, maintenance, marriages, first *shradh* and replacement of cattle. The loans are on the same conditions as those for cultivation expenses. A marriage usually costs Rs. 100/- and *shradh* 25/- to 50/-. It takes from 5 to 10 years to pay back the cost of a marriage but loans are not taken for a definite period of years with fixed instalments. They are payable on demand. No *takavi* has ever been taken in this village. If credit were cheaper, some *raiyats* say they would borrow more and spend something in repayment of their existing debt and the rest on improved crops, purchase of carts and trading. Others said they would spend more on marriages and *shradhs*. Others again said they would only borrow according to their needs i.e. would not borrow more than they do at present. They were generally in favour of a land mortgage bank to enable them to pay off their debts but they were strongly opposed to joint liability (i.e. a Co-operative land mortgage bank) and they said that it would be impossible to pay fixed instalments every year without question. They were in favour of instalments being spread over from 15 to 20 years with one instalment every year. One or two people said 10 years would be the right period. They said they were quite satisfied with some *mahajans* but not with others. The zamindar was a good *mahajan* who sometimes remitted loans. The zamindar's agent said that this was done when *raiyats* were very poor and could not pay. Some of

the *mahajans* are very strict. Some of the small *mahajans* demand payment for loans already repaid. They lend out on chits and keep no books and some even use different measures for lending paddy and for repayment of debt. The zamindar does not do all this. They go to other *mahajans* when they have run up too big a debt with the zamindar to get a further credit. The zamindar's agent said that he seldom refused to give a loan because he had not enough money to lend. The usual reason for a refusal was that the outstanding debt was too large.

Marketing.

The *raiya*s sell both paddy and rice. *Beparis* and local consumers come to their village but some *raiya*s take their surplus to Cuttack and sell there. They do not take any advance from *beparis*.

Savings

10 to 12 per cent of households have savings. They use them for lending, purchase of lands, trading in potatoes and buying ornaments. Nobody now buries their savings. This is quite obsolete. A man of 57 years of age said that he had heard that savings used to be buried but he had never seen it done.

About 10 to 12 members have voluntarily deposited a little money about 8 annas to Re. 1/- per head in the Co-operative Society. There is no system of enforcing regular deposits at monthly meetings by inflicting fines. They know about the Post Office Savings Bank but no one has deposited any money there.

Outstanding Indebtedness

29 households were represented. The total debt of these households was Rs. 2462/- of which 437/- was the value of paddy. Thus the average indebtedness is 85/- per household. The *raiya*s estimated that the landless labourers were in debt to the extent of Rs. 5/- a household. Rs. 195/- of this debt was said to be incurred for cultivation expenses, Rs. 2267/- for various needs. No outstanding debts have been taken for improvement.

Archhilli Village.

This village is adjacent to Kamarpada in the protected area.

There are 22 households and no landless labourers. 11 households were represented. Their total debt was Rs 2933/- of which 293/- was the value of paddy. Only Rs 427/- was said to be borrowed for cultivation expenses including maintenance; nothing for improvement; Rs 822/- for productive other needs, such as purchase of cattle, repair of houses, purchase of ornaments given at marriages; and 1684/- for unproductive other needs. The average indebtedness per household in this village is Rs 267/-. On being asked why their indebtedness was higher than in Kamarpada an Archhili man said that they were a less hard working lot and the zamindar's agent said that they were also more litigious.

The *raiya*s of Kalantira were also questioned as to their debts. There are about 100 houses in this village of which 15 are those of landless labourers. 9 *raiya*s were present. The total debt of these 9 was said to be Rs 518/- of which Rs 248/- represent the value of paddy. The whole of the paddy loan Rs 248/- was borrowed for cultivation expenses including maintenance. Rs 165/- borrowed for productive other needs and Rs. 105/- for unproductive other needs. Nothing was borrowed for improvements. 26 heads of household from Bastapada, Kotia, Dharnia, Paiksai and Nuagaon were present and were examined as to their indebtedness. These villages are in the unprotected area, north of Taldanda canal on either side of one of the branches of the Mahanadi. They contain 380 houses of which 82 are of landless labourers. The total debt of these 26 households was said to be 2323/- of which Rs 255/- was the value of paddy. Rs 610/- they borrowed for cultivation expenses including maintenance. 600/- for improvement (removal of sand), Rs. 645/- for productive other needs and Rs. 468/- for unproductive other needs. Some of the *raiya*s of these villages took *takavi* in 1925 or 1926 and had no complaints to make about it. They were in favour of a land mortgage bank if the liability was individual and realisation was not too strict in bad years. The average indebtedness in this group of villages was Rs. 89/- per household

An attempt was made to work out the annual borrowing of village Kamarpada. The zamindar who is the principal *mahajan* said he lent about Rs. 600/- in cash and about another Rs. 50/- in paddy each year. The Co-operative Society lent Rs. 110/-. No

figures could be obtained for the other *mahajans* and and it is unlikely that the annual borrowing of some Rs. 750/- would result in total indebtedness in the village of some Rs. 7500/-.

Working of Co-operative Societies

The members of the Co-operative societies at Archhili, Bastapada and Kotia who were present were asked some questions on this subject. They said that the rate of interest was unduly high. They admit that they all get money as they require it. They said that they had paid off their old debts and were not borrowing from the *mahajans* now. The *haisiyat* register is generally correct but a few people (say 5%) conceal their assets or their liabilities. When they borrow from the Co-operative Society for social ceremonies they say so. The reasons for borrowing are usually reported correctly, though sometimes the reasons are concealed.

Zamindar's Books.

These are kept in Bengali. A half page ledger account is kept for each customer and an abstract is written up in a book every year. The books are not shown to the customers and would probably be unintelligible to them being written in Bengali. Oriya registers are kept for the convenience of the *raiya*s and could be consulted by them if they desired to do so.

**Note of a village enquiry held at Balia bungalow on 2nd
September 1929.**

P R E S E N T :

Mr. Hubback.

Mr. Batheja.

Rai Saheb Lokenath Misra.

Balia Sason village is in the protected area. There are 500 households, 200 belonging to landless labourers ; 200 out of the remaining 300 households borrow for cultivation expenses. There is no co-operative society.

BORROWING.

For cultivation the raiyats generally borrow in paddy from the mahajans. Some borrow from the zamindars, the Tagores of Calcutta. There has been no borrowing from outside mahajans, except by a village mahajan, who has borrowed Rs. 15,000, half of which he has spent on buying land and the other half he uses in his money-lending business. This sum was borrowed from two Oriyas of Cuttack town. One of the village mahajans is a *guria* (confectioner), the rest are *khandaits* (cultivators) ; 25 per cent. is charged as interest on paddy loans. Some raiyats say there is no longer compound interest on paddy loans as there was ten years ago ; other raiyats say that they pay compound interest chiefly to the smaller mahajans ; $12\frac{1}{2}$ to $18\frac{1}{2}$ per cent. is charged on large loans on paddy. One mahajan said that some paddy loan cases went to court and compound interest was disallowed. He said that the mahajans had to go to court in 50 per cent. of the paddy loan cases and 60 per cent. money loan cases. This somewhat striking statement was endorsed by the raiyats. The zamindar has also to bring suits against one-fourth of his tenants. One of the raiyats said that since the Congress Sabha started there has been much more litigation ; 80 per cent. of the cases which go to court are contested. There are three touts in the village. Sometimes the fact of the loan is denied altogether ; more often the plea of payment is put in. Local trial of such cases would reduce the cost but the raiyats think the cases would increase. One raiyat said that in Cuttack the

mahajan with difficulty gets two or three witnesses. In the villages he would get five or six witnesses at once. Another raiyat said that the truth would come out better from local trial. The mahajan said that he had nearly always had to produce his books in court at the time of hearing. He had never lost any case. The raiyats, when asked why they continue to contest cases, although they never won them, said they always hoped they might win and added that in some cases the mahajan does not record their payments and therefore they contest the suit. Money interest is usually 25 per cent. for small loans, although in the bonds for loans below Rs. 100 $37\frac{1}{2}$ per cent. is written, above Rs. 100 $18\frac{3}{4}$ per cent. is charged, on sums over Rs. 500 $12\frac{1}{2}$ per cent. is charged. The mahajan said that he had borrowed his money at $7\frac{1}{2}$ to 9 per cent. Small money loans are taken either on hand-notes or on bonds. Mortgages are usually taken if the loan is over Rs. 50, but this depends on how good the personal credit of the borrower is. Mortgages are usually redeemed after six years. The village grows paddy, *mung* and potatoes.

IMPROVEMENTS AND OTHER NEEDS.

Very few improvements have been done in recent years, though some lands have been levelled to make paddy lands. It is usual to borrow for this purpose, but there is no distinction between this kind of borrowing and borrowing for annual cultivation expenses nor is there any distinction for borrowing for other needs. No takavi has been taken in this village. The needs for which borrowing is resorted to are the same as in other villages of this tract, except that a considerable amount of the borrowing is by small traders (*beparis*) who inhabit this village in considerable numbers.

LAND MORTGAGE BANKS.

The idea of a land mortgage bank was explained. The point was immediately raised whether they would be able to raise capital for trade from such bank. It was explained that that was not the intention. The main function of the bank would be to lend money to redeem old debts. The general opinion was in favour of a land mortgage bank but against any kind of co-operative organization for them. They wanted plain individual liability and disliked the idea of being obliged to undertake joint liability even up to the value of a certain number of shares as is the practice in Bombay (*vide* Royal Agricultural Commission Report). They were in favour of one kist every year for ten years.

CONTROL OF MAHAJANS.

The president of the panchayat and other mahajans thought that mahajans would agree to some form of control, including control of the rate of interest if they can borrow money themselves on better terms and could have better facilities for realizing debts. They believed that thereby the rate of interest would be lowered.

MARKETING.

Several *beparis* present were questioned about their trade. They said they bought in the neighbourhood of Balia Sason *mung* and potatoes. Some of them go into the Kujang area and elsewhere and buy rice. They buy at the Jagatsingpur *kāt* and also in the villages themselves and in Kujang. They sell their purchases at Biridi *kāt* and at Cuttack. They buy for cash and do not give advances. Trading capital of those present varied from about Rs. 50 to about Rs. 1,000. At Biridi they sell to consumers, but in Cuttack one of them sells to the big exporters of rice, the Muslim Nakhodas. They do not take any advance from their buyers. A *bepari* who sells in Cuttack said that he fixed his own price without the help of any middleman broker. He delivered his rice at the Nakhodas' godown in Chauliaganj, near the railway station. He gets no news about the market prices, except when he goes to Cuttack, and he knows nothing about Calcutta prices. Sometimes he gets a better price than he expects and sometimes a worse one. It would be an advantage to have market rates published in the villages. The Kujang raiyats keep their surplus paddy in heaps built up with straw until they sell it. The Balia raiyats said that they were not obliged to sell to any particular buyer owing to indebtedness. The mahajans do not generally trade in produce. The biggest mahajan trades in cloth.

CHEAPER CREDIT.

It was said by the raiyats that if they had cheaper credit they could use it for clearing off their old debts. They would not spend more on social ceremonies.

USE OF SAVINGS.

About 10 to 12 per cent. have got savings, which they invest in purchase of land. They said that the price of land was going up, but owing to increase of water-rate and rent it has now gone down. The price is Rs. 500 an acre. About ten years ago it was Rs. 250.

BURAPADA.

Figures were also obtained from a few residents of the neighbouring village Burapada in the protected area :—

One hundred and fifty households, 30 being of landless labourers; 20 households have no debt. The ten persons examined gave the following results :—

				Rs.
Total paddy debt	...	...	...	Nil
Total cash debt	...	...	...	960
Total debt secured by mortgage	...	...	...	Nil
Debt for cultivation expenses	...	...	...	80
„ improvement	...	...	...	Nil
„ other needs	...	...	...	{ * (a) 650
				{ (b) 230

NAWADHANA.

In the protected area—100 houses, 15 of landless labourers; ten households with no debts. The six people present gave the following figures :—

				Rs.
Value of paddy debt	...	...	...	80
Money debt	...	...	...	500
Debt secured by mortgage	...	...	...	200
Debt for cultivation purposes	...	...	...	20
„ improvement	...	...	...	100
„ other needs	...	...	...	{ * (a) 265
				{ (b) 195

CHASIKHAND.

One hundred and fifty houses, 45 landless labourers, all indebted. In the unprotected area no takavi outstanding. There is a co-operative society with 22 or 23 members. Paddy, *biri* and *kulti* are grown. No tobacco is grown because there is not enough silt—the village being near a *ghai* (breach in the embankment). Five people examined gave the following figures :—

				Rs.
Value of paddy debt	...	...	...	75
Money debt	...	...	...	330
Debt secured by mortgage	...	...	...	50
Debt for cultivation purposes	...	...	...	70
„ improvements	...	...	...	Nil
„ other purposes	...	...	...	{ * (a) 150
				{ (b) 185

* (a) represents loans for which there is something to show, e.g., for trade, house repairs, purchase of ornaments at marriages, education, etc.

(b) represents wholly unproductive expenditure met by loans.

BAGALPUR.

Three hundred households ; 100 landless labourers ; 25 not in debt. No takavi outstanding. No co-operative society.

The four people present gave the following figures :—

				Rs.
Value of paddy debt	...	...	...	70
Money debt	...	...	...	490
Debt secured by mortgage	...	...	...	120
Debt for cultivation purposes	...	...	...	210
„ improvements	...	...	...	Nil
„ other needs	...	...	...	{ * (a) 90
				{ (b) 260

These last two villages are on an island in the middle of Katjori and are therefore subject to flood from time to time. They remove the sand every year. No complaint against takavi administration.

* (a) represents loans for which there is something to show, e.g., for trade, house repairs, purchase of ornaments at marriages, education, etc.

(b) represents wholly unproductive expenditure met by loans.

**Note of interview with Mr. N. K. Roy, Deputy Registrar,
Co-operative Societies, Cuttack, on Tuesday, the 3rd
September 1929.**

P R E S E N T :

Mr. Hubback.

Mr. Batheja.

Rai Sahib Lokenath Misra.

Mr. N. K. Roy's jurisdiction extends over the whole of Orissa and Chota Nagpur Divisions, excepting the district of Palamau. Mr. Roy has obtained his experience mostly in the Chota Nagpur Division. He is of opinion that the Cuttack Central Co-operative Bank is an average bank while the Puri Central Bank is below the average. The main test of a good bank is punctual realisation of dues. Many co-operative banks do not satisfy this test and have got into difficulties owing to their having lent money recklessly. The assets behind these loans are adequate but a co-operative society is not expected to act like a mahajan and look at only the assets of a borrower but should study his paying capacity also. A co-operative society should, as far as possible, avoid selling up a member. From the point of view of punctual realisations, Balasore district and Kujang are bad, but while in Balasore the cause of arrears is bad business and overlending, in Kujang the cause is drought and flood. In advancing money societies should study the income of land more than its capital value. The two things do not always agree. The Brahmins of Puri district have valuable land but do not always get a good income out of it on account of want of personal attention. They therefore tend to lose their lands. It is generally the other cultivators who buy encumbered land.

The Cuttack Central Bank's figure of 59 per cent. for realisations is not bad. It however does not come up to the standard of 80 per cent. laid down by the Registrar of Co-operative Societies. The figure was worse in past years. It is not a sound position for a bank to have so many of its debts outstanding. The Registrar, Co-operative Societies, can supply figures of such overdue debts for all the banks in the province and for the province as a whole. He can also supply figures showing the progress in the reduction of debt for the last 5 years. Mr. Roy undertook to supply figures for his area. A list of the debts outstanding is given in the Registrar's annual report. The department has also got an abstract of the 'haisiyat' register of each society.

The haisiyat register is fairly accurate. It is about 90 per cent. correct. In the average society haisiyat register, land is undervalued rather than overvalued. The figures supplied under the column of " Purpose of loan " are, however, not so accurate. They are correct only up to 50 per cent. All sorts of objects are mixed up together. The members always take a little more money than they actually require. This is because there is generally a delay of 6 weeks to 2 months in getting a loan and they wish to have a reserve against unforeseen emergencies. The procedure adopted is not free from vexation and trouble. On loans above Rs. 100 a registered mortgage is taken to prevent a borrower from alienating his land. The members in self-protection insist on this more than the Registrar, Co-operative Societies, who wants it to be done in some cases only. Once the mahajan knows that the land is mortgaged to the co-operative society he will not touch it. Another formality is that three members of the society should come in person to the central bank to receive payment of the loan. This is a source of weakness to the co-operative movement. The department is trying to simplify the procedure of payment. It proposes to pay by cheque instead of through three persons to shorten the period in which a loan can be raised.

Fifty per cent. of the loans of a co-operative society are for debt redemption. It will be a retrograde step to start a land mortgage bank. It will result in the ruin of the villagers as it will make borrowing easier by removing the healthy influence of unlimited liability, local knowledge and moral pressure which is found in a true co-operative society. The central banks have more money than they can lend and money for debt redemption is advanced for 8 to 10 years. A co-operative society can meet all wants. Asked if the present favourable position of the bank would last long and whether there could not be a run on the central co-operative bank, Mr. Roy admitted that the future could not be foreseen and that a run on the banks was possible as most of the deposits in the central bank were held by outsiders. Mr. Roy preferred the existing provincial co-operative bank to take on land mortgage functions but could not explain how short term deposits could be reconciled with long term credit. He persisted in his view that a land mortgage bank would undermine the true co-operation spirit as it would be run mechanically. Asked whether some financial provision should not be made for people who could not be brought within the net of the co-operative movement, he said that he expected to have a co-operative society in every village and make every villager a member of the society by suitable propaganda. He said it

would take 20 years to carry out such a programme. He could not suggest what should be done in the interval until such a programme is carried out. He admitted that the villagers were averse to unlimited liability, but he thought that by a suitable organisation this aversion could be removed and even a village money-lender could be made to play a useful part in the co-operative movement. He admitted that there was a difference between the theory and practice of co-operation but he was optimistic that the gap between the two would be removed. He said that about 1 per cent. of the co-operative societies are liquidated every year. He did not believe that a land mortgage bank could do good to the cultivators but said it may do good to the zamindars in enabling them to borrow money at a lower rate of interest against the security of their lands.

Further examined, he said that it is the directors of the central banks who generally control the co-operative movement. Government is helpful, in so far that it makes effective provision for audit. Without such a provision the people would lose all confidence in co-operative societies and therefore it may be said that without Government audit the co-operative banks could not exist for a moment. There is a non-official agency for the audit of co-operative societies. The auditors employed by the Co-operative Federation are paid by Government and are nominally under the control of the Co-operative Federation. Government, while paying for them, prefers to use non-official agency for the purpose. Thus ultimately the Registrar, Co-operative Societies, controls the audit. Government however are thinking of taking away the power of the Federation over the auditors. There are special difficulties in the way of co-operative societies in the Chota Nagpur Division on account of tenancy laws. Under the Chota Nagpur Tenancy Act, the only permissible mortgage is one in which the mortgagee gets possession for a number of years, not exceeding seven, at the end of which period the debt is extinguished and the land returned to the mortgagor. Moreover, the raiyat's holding cannot be sold except to a member of the same tribe. This prevents the central bank from having any security against its advances, except crops and cattle, and seriously hampers the growth of the co-operative movement. No loans can be advanced for productive improvements in Chota Nagpur, though, unlike Orissa, there is great field for them there. There is ample scope for irrigation and for converting high land into terraced rice land. Owing to village fellow-feeling no villager of the same tribe will buy the land of another who is being sold up for debt by a co-operative society. The village mahajan lends on the same

security, i.e., crop and cattle, and suffers from the same disability, with this difference, that the mahajan is on the spot to collect his dues. The society does not take possession of land but uses its mortgages as a threat for ensuring payment. If it comes into possession of land it generally settles with the same raiyat on a half share basis, which the mahajan does not.

Reverting to the idea that a land mortgage bank, though subversive of the true principles of co-operation, might be welcomed as lending money on a lower rate of interest than an ordinary co-operative society, Mr. Roy expressed his conviction that a lower rate of interest would be impossible in the village as the distance and the cost of administration and collection would be great. There is no necessity for a rival organisation. If some people objected to unlimited liability it is because they were not trained. The new training institute of the co-operative department would impart the necessary training and produce the requisite type of co-operative organisers.

Referring to mahajans, Mr. Roy said that he knew from his experience in Chota Nagpur, specially in Ramgarh, that they resorted to bad practices and saw to it that the borrower remained their slave. Asked if they could be improved by a system of licensing and registration Mr. Roy said that he had not thought of the idea and promised to consider it in a memorandum which he would submit to the committee. He nevertheless expressed his preference for a properly organised co-operative society and mentioned the instances of Bala Nugaon in Kujang and Dhalapata in Khurda, 15 miles towards Banki side, where all villagers are members. He could not say whether this was the case in Germany, the home of co-operative credit. He expected societies here to reach the same development as in Germany i.e., starting as borrowing societies they would end as deposit societies. He could not suggest how these deposits were to be utilised but he presumed that they would be used for development. He firmly believed that there was no function which the co-operative society could not discharge with success.

The present defects of co-operation are the delay in getting long term credit. The former difficulty can be removed by giving a cash credit, say of Rs. 500 to Rs. 1,000, to a society and paying the borrower by means of a cheque issued by the society on the central bank in his favour.

Mr. Roy promised to supply statements giving (1) figures of overdue debts of every bank in his jurisdiction in 1923 and 1928, (2) totals of assets given in the haisiyat registers, (3) the objects of the loans advanced by societies.

Note of a village enquiry held at Bhatgaon five miles from Puri on the Jagannath Road on the 5th September 1929.

P R E S E N T :

Mr. Hubback,

Mr. Batheja,

Rai Sahib Lokenath Misra.

Bhatgaon contains 80 houses, of which 12 are those of landless labourers. The village is open to flood. Last year the villagers were allowed to close the *ghai* (breach in a small embankment), which protected them to some extent. This breach has opened again this year. The only crop grown is *dalua* paddy, a summer paddy which is reaped at the end of April. There are no cocoanut trees in the village, as it is not a Brahman village, and in this part of Orissa the old rule that no one except a Brahman should grow cocoanuts still holds good. The popular belief is that if any one else but a Brahman plants a cocoanut tree the head of the household dies within a year and the Brahmans of a neighbouring village assured the committee that the belief was well founded. The people of this village, Bhatgaon, are nearly all *Chasas*. Almost all of them borrow money in order to grow their crops. They borrow in October and pay back in May or June. There is no *mahajan* in the village itself. The principal borrowing is from *mahajans* living in neighbouring villages. There is a little borrowing from the Puri Joint Stock Bank, from lawyers in Puri and a fair amount from a contractor for whom several of the raiyats cart bricks to Puri. All these persons are either Oriyas or Bengalis residing in Puri town.

The rates of interest are 25 per cent. for paddy, however soon it is paid back, on which compound interest accumulates, and for money 25 to 18 $\frac{3}{4}$ per cent. The money interest rate depends on the credit of the borrower and on the size of the loan. Bonds are taken for paddy loans in this village. For money loans bonds or hand-notes are taken if the sum is below Rs. 50, and mortgages are ordinarily taken for sums over Rs. 50. Each loan is treated as a separate transaction. There is no co-operative society in this village. The raiyats say "As we are starving how can we start a Bank?" No one has ever

suggested to them that they should start a society. (It should be noted that at the time of our visit the raiyats were very anxious to convince the Collector, who accompanied us, that unless the breach of the embankment was repaired they would all be ruined.)

Many of the raiyats possess carts which are used mainly for carting bricks from the numerous brickfields into Puri town. Their income from carts is about as important as their income from agriculture. No improvement has recently been made in this village except the closing of the breach already mentioned which has been done by means of a general subscription, every one in the village paying Rs. 10 *plus* the rent payable for any land that they have. Borrowing for this purpose as well as for any other occasional need is effected on precisely the same conditions as borrowing for cost of cultivation, except that it takes two or three years to clear off loans other than those taken for cultivation. Bonds usually provide for repayment after six months or one year but sometimes after two years. Bonds never show regular instalments. The raiyats say that they have never taken *takavi* and think that there are a thousand difficulties about getting *takavi*. As the *mahajans* are people of their own village or neighbourhood they can be easily approached. For *takavi* they will have to go to the officials who are difficult to approach.

The agent of the contractor said that he has most advanced money to the raiyats who carted bricks for him. These advances are noted in a running account in his account books. No interest is taken on them but a man who takes an advance is obliged to carry bricks for his creditor in preference to any one else and has to carry at a fixed rate. At present the rate is Rs. 4-8-0 per thousand bricks against a market rate of Rs. 5. There have been no cases of cartmen failing to carry on their agreement. The raiyats said that they were satisfied with their *mahajans'* accounts although they cannot fully test them. One man however said he had been badly cheated by his *mahajan*, a Sub-Inspector of Police. The general testimony seems to be that the other *mahajans* have treated them fairly.

When asked whether they would like a Bank which would lend money on lower interest to clear up their debts, they said they were very much against joint liability. They thought eight to ten years should be the period for redemption. They said, however, that there would have been very little debt in the village if they had not had to pay for closing the breach in the embankment. If it were now repaired they could all pay off

their debts within two years by their earnings as cartmen. They very seldom sell any of the rice they grow. They said they had no savings whatever. If they had cheaper credit they would improve their lands and not spend more on social ceremonies.

Fifteen raiyats were present. They said that their total indebtedness is Rs. 1,043 of which Rs. 33 is paddy loan, Rs. 240 of this debt is secured by mortgage. Rs. 142 has been borrowed for cultivation expenses. Rs. 315 for improvement, i.e., the closing of the breach. Rs. 30 has been spent for "other needs" for which there is something to show and Rs. 556 for "other needs" for which there is nothing to show. These figures relate to people who have got land and their indebtedness per household is 69 rupees. Five persons without land were also present of whom one said he owed Rs. 150 borrowed on personal security. He has a cart and bullock worth Rs. 100; another cartman said he owed Rs. 50; the other three are labourers pure and simple and owe Rs. 18, Rs. 15, and Rs. 10, respectively. The indebtedness of these labourers is clearly not typical of the district since in the first place the cartmen have got some assets while the labourers have a fair certainty of employment owing to their proximity to Puri. Further each of them has been obliged to subscribe Rs. 10 to the closing of the breach to protect his house.

Harikrishnapur.—Thirteen residents of this village were present. The whole village contains 500 houses, Brahmans 175. There are about 200 families of landless labourers including cartmen. There are two co-operative societies in the village, with membership of 20 and 12. Only Brahmans are members of these societies. The members of these societies were asked what were the advantages and disadvantages of their membership of the society. They said that they get a longer period for repaying their loans and a lower rate of interest, viz., Rs. 15-10-0 per cent. On the other hand there were delays in getting money. They said that they were not repaying according to the kists fixed and so the societies were deteriorating. At the same time they had paid off all their debts to *mahajans* and their debts were on the whole less than they had been when the societies were formed. *Mahajans* lend usually at 25 per cent. They have not reduced their rates owing to the starting of the co-operative societies. There are practically no improvements in this village. The principal crop is *saradh* paddy although cocoanut is also very important. Non-Brahmans have no fully grown cocoanut trees, though some have planted them in the last five years. Some of the raiyats are *beparis* and

buy cocoanuts from other raiyats. One who was present explained the method of marketing. He purchased cocoanuts for cash and takes them to Sakhigopal, about eight miles further away from Puri on the Jagannath road. There he sells to another Oriya *bepari*, though there are also Marwaris, who buy in the Sakhigopal market. He seldom takes any advance from his buyer. The price is fixed by the big buyers at Sakhigopal. His own profit is annas 4 on each 100 cocoanuts (a "hundred" of cocoanuts is a trade term and really means 288 cocoanuts). A "hundred" is at present worth about Rs. 12. The price he gets from his buyer in Sakhigopal covers his cartage expenses as well as giving him annas 4 as profit. He said that he had no means of knowing whether a fair price was being offered for cocoanuts except that he asked the other exporters besides the one with whom he usually deals. His business capital is Rs. 300. An attempt to find out what his profit amounted to failed. He sometimes gets small advances which carry no interest.

Thirteen households of Harikrishnapur have borrowed Rs. 1,425, all in cash giving Rs. 109 debt for household. Rs. 240 of this is secured by mortgage over and above what is secured in the co-operative societies. Nothing of this has been borrowed for cultivation expenses, Rs. 100 for improvement, Rs. 900 for "other needs" without anything to show for it and Rs. 425 for "other needs" with something to show for it. One raiyat of this village who is a retired school pandit has got a savings bank account. Others invest their money in land which on the whole gives a better return. The price of land is now decreasing. Five years ago it used to be Rs. 250 to Rs. 300 an acre. Now it is only Rs. 150 to Rs. 200.

Villages Chandanpur, Balbadrapur and Narsinghpur.—All these are within three miles of Bhatgaon. Chandanpur has 400 houses with 20 landless labourers. Narsinghpur 400 houses with 150 landless labourers. Balbadrapur has 150 houses with 20 landless labourers. Balbadrapur and Narsinghpur have got co-operative societies. Only seven men from these three villages appeared before us. The chief crop other than rice is *pan*. The best *pan* is sold to a buyer from Calcutta, the rest is sent to Puri for sale. All transactions are for cash. The Calcutta merchant sends off the *pan* to Calcutta one night and the next day he gets a letter saying what the Calcutta price is and they have to take that price. The price varies from Rs. 3 to Rs. 8 per *anga* (four thousand leaves). They have no means of knowing whether the Calcutta price is a fair one. It would be an advantage if Government could arrange to telegraph the prices to Puri. The

Calcutta merchant has servants who collect the *pan* from the houses of the raiyats. He gives no advances but pays the next day after the *pan* has been collected. He gets money to pay for the *pan* by insured post.

The total indebtedness of the seven people of this village who appeared before us was Rs. 2,815 of which Rs. 15 is secured by mortgage. One of the seven men has a debt of Rs. 2,000 mainly incurred on land improvement Rs. 400 and on education of his children Rs. 1,200. Nothing has been borrowed for cultivation expenses. Rs. 400 for improvement. Rs. 865 for "other needs" with nothing to show for it, and Rs. 1,550 for "other needs" of a more or less productive character. It is somewhat remarkable that one man should be able to borrow Rs. 2,000 without any form of mortgage. The average debt per household is Rs. 402.

The profits of the *pan* cultivation are substantial and are utilised in buying houses, land, ornaments, and a portion is invested in a newly opened post office.

**Note of interview with the Secretary of the Puri Bank,
Mr. Bhudev Charan Banerji, on the 6th September
1929.**

P R E S E N T :

Mr. Hubback.

Mr. Batheja.

Rai Sahib Lokenath Misra.

The Puri Bank is a joint stock bank at Puri carrying on the usual business of a loan office—accepting deposits and lending out money against landed security. Unlike the Cuttack Bank, it also accepts current account deposits withdrawable by cheque. Like all loan offices, it has a small paid up capital in relation to its total deposits. It has an authorised capital of Rs. 50,000 divided into 1,000 shares of Rs. 50 each, of which 28,000 is issued and fully paid up. It has a reserve account of Rs. 50,919 out of which a dividend of 9 per cent. was declared, in the year 1928-29, as none could be declared from the profit and loss account. The bank has been 20 years in existence and its directors and office bearers are generally Bengali gentlemen of the 'bhadralog' class engaged in various professions. As most of them are vakils, the bank is known to the raiyats with whom it has large dealings as the "Vakil bank". In addition to lending money on the security of landed property, the bank collects debts on behalf of clients in Calcutta from the local traders and also does some remittance business and collects cheques for its customers on other banks. The bank pays $3\frac{1}{2}$ per cent. interest on its current account calculated on the minimum between the 1st and 10th of each month, provided this does not exceed the minimum balance in the remaining portion of the month. When it does exceed, interest is calculated on the minimum balance of the succeeding period. It pays 7 per cent. interest on fixed deposits. Till recently its rate was $7\frac{1}{2}$ per cent. Even the reduced rate is found so attractive that it draws deposits to the bank from places as far as Cuttack, Calcutta and the mofassil towns of Bengal. The bank finds it difficult to invest all its funds on a remunerative basis and is therefore compelled to refuse some of these deposits. In the last year and in the current year, many deposits were offered to the bank as they had been withdrawn from another local

bank, which had lost some confidence with the public. These deposits, the secretary said, were generally refused. Asked, if instead of refusing deposits, it was not a better method to discourage them by lowering the rate of interest on them, the secretary said, the question of lowering the rate of interest on fixed deposit to 6 per cent. was under the consideration of the directors.

The depositors and shareholders of the bank are mostly drawn from the Bengali bhadralog class. More than 50 per cent. of the deposits comes from outside Bihar and Orissa, i.e., Bengal. Very few merchants have accounts with the bank, and those who have are generally borrowers from the bank for their trading purposes. The bank has got one Marwari, one Oriya, one Muslim and one or two brassware merchants as its customers. It is obvious that the bank is not a commercial bank in the strict sense of the term. It is primarily a land bank for advancing money to the landholders and the raiyats, some of whom come from Bhatgaon village, which the sub-committee visited. It therefore charges rates of interest on its advances which are not much below those charged by village *mahajans*. The lending operations of the bank extend over the whole of the Puri district. Asked how the bank had come to be known to the raiyats over such a wide area, the secretary said, that no special propaganda work was conducted but the Vakils of Puri, who are shareholders and customers of the bank, generally refer their raiyati clients to the bank whenever they require accommodation.

The total loans outstanding are about Rs. 2,00,000, of which 50 per cent. has been lent to cultivators. About Rs. 1,03,490 has been lent on mortgage and other securities and Rs. 97,597 against hand notes and simple bonds. Out of this as much as Rs. 29,598 is due by directors without any security against Rs. 4,600 subscribed by them to the capital of the bank, Rs. 401 is due by the officers of the bank individually and Rs. 1,326 jointly with others, against a total monthly salary bill of Rs. 287 and Rs. 4,218 is doubtful of realization. Against liabilities of all kinds, the bank maintains a reserve of Rs. 50,000 partly in cash, and partly in deposits with other banks like the Central Bank of India, Calcutta branch and the Puri Central Co-operative Bank.

The cash in hand is Rs. 50,865. About Rs. 23,000 in current account and Rs. 7,727 in fixed deposit account is held with other banks. The Puri Central Co-operative Bank pays this bank $4\frac{1}{2}$ per cent. interest on its savings bank account. This bank, on the other hand, keeps a current account for the Puri Central

Bank, and pays $3\frac{1}{2}$ per cent. on the balance in this account. There has never been any run on the bank. The bank does not hold its reserve in the shape of easily realizable securities yielding interest like Government bonds, as other joint stock banks do. It has invested only Rs. 2,000 in $3\frac{1}{2}$ per cent. promissory notes, and Rs. 1,070 in shares of other joint stock companies. Asked why some of the reserves of the bank could not be held in this remunerative form, the secretary replied that the question was under consideration.

The main security of the bank consists in the mortgage of lands. Some money has also been advanced against jewellery. About half of its total loans are on simple hand notes or on the personal credit of parties. The landed security is not easily realizable, as is evident from the fact that the bank has been saddled with large landed property worth about Rs. 30,000 as a result of the foreclosing of its mortgages. Even now the bank holds Court decrees to the value of Rs. 72,884 out of which Rs. 5,828 is doubtful of realization. The tariff of rates of interest charged on the various kinds of advances is as follows :—

	On simple bond.	On mortgage deed.
1	2	3
Up to Rs. 500	22 $\frac{1}{2}$	18 $\frac{1}{2}$
Rs. 501 to 1,100	21 per cent.	18 $\frac{1}{2}$
Rs. 1,101 to 5,000	18 „	18 per cent.
Rs. 5,000 to 10,000	16 „	16 „

A discount of 10 per cent. on the interest charged is made if regular monthly payments are made. No mortgage is taken for amounts less than Rs. 100 and the maximum of unsecured loan varies from Rs. 5,000 to Rs. 10,000.

The reason for the large amounts of debt for which the bank has been compelled to foreclose its mortgages, as given by the secretary, is that the borrowers are either unwilling or

unable to pay. The secretary complained of the difficulty of realizing the debts of the bank and said that though in making advances against the security of lands a sufficient margin was kept, this margin was quickly swallowed by the cost of litigation, the accumulation of interest due to delay in starting legal proceedings and the extortionate demand of the zamindars for mutation fees. He complained that the zamindar in calculating his *chauth* (one-fourth of the purchase price as authorized by the Crissa Tenancy Act) fixes his own price of the land and sometimes his *chauth* exceeds its entire value. Suits are generally contested and Courts take a long time, as much as two or three years, to decide them. Thus the 25 to 50 per cent. margin on which loans are generally advanced is easily swallowed up. The period of the loans is generally one year and extensions are granted wherever necessary. The report of the bank for the year 1928-29 complains that nearly 2 lakhs of rupees of the bank has been locked up and is not earning anything. The bank possesses landed property worth about Rs. 30,000 of which Rs. 20,000 is in Puri town and Rs. 10,000 in the mofassil. Some rent is realized on the town property while the mofassil land is let out to cultivators on a rent of half the produce. The bank has special tahsildars for collecting these mofassil dues, but owing to the scattered nature of the holdings and the difficulty of supervising these operations from the town, the net return on the capital locked up is not very great. As the secretary put it, it is practically nil, or about 0-4-0 per cent. per year. The gross return does not exceed 2-1 per cent. Thus its land investment is a source of loss to the bank and the directors are trying their best to dispose of it even at a loss. Out of the 2 lakhs locked up, to which the directors refer in their report, Rs. 70,000 is interest overdue, Rs. 30,000 is invested in land and Rs. 16,000 is the cash reserve of the bank which earns no interest. Warned by the experience of past years, the bank has taken to refusing loans recently but at the same time it has not lowered its rate of interest on its fixed deposits. The result is the embarrassing surplus in the shape of heavy cash and bank balances about which the directors complained in their report. The bank can only remedy this state of affairs by investing in self-liquidating hundis or short dated securities or by lowering the rate of interest, which it pays on its fixed deposits. The bank has either no conception of the needs of the situation or is taking too much time to take action on these lines. In the opinion of the sub-committee, the difficulty of the bank is fundamental in so far that while on its deposit side it functions as a commercial bank, on its loan side it operates as a land mortgage bank.

In other words, the bank accepts short term deposits while it gives out long term loans. There has been no run on the bank so far, as the secretary assured us, but should such a run take place, as has been the case with a similarly organized bank in the same town, the frozen assets of the bank will be of little use for meeting its liabilities.

The bank finances to some extent local trade and industry also; 50 per cent. of its borrowers belong to this class. They are contractors, match manufacturers, cloth merchants, grocers, etc., belonging mostly to the Oriya community. This class of customers has generally floating accounts with the bank for which 12 per cent. interest is charged on daily balances. Sometimes security is given and sometimes no security is required. This advance is of the nature of a cash credit. For instance, a local merchant has received a cash credit of Rs. 5,000 against the security of his house and a Marwari cloth merchant and a Bengali match manufacturer have received advances of Rs. 5,000 each without security. The raiyati borrowers of the bank generally give a bond in which the purpose of the loan is indicated, though this entry is not required by law in cases of simple bonds, the information is useful to the bank in case legal proceedings become necessary. These entries show that the raiyats borrow money from the bank for all purposes, mostly for household expenses.

The bank does not transact any hundi business. More cheques are issued by its customers after the repeal of the stamp duty on them. A statement on this question was promised. (It has not been received so far.)

The main difficulties of the bank, according to the secretary, are the unwillingness or the inability of the borrowers to pay their debts, the trouble and expense of realizing landed security, the delay and cost of litigation and the difficulty of disposing of foreclosed land without loss. He would welcome facilities in disposing of suits and recovering the dues of the bank. When his opinion on the proposed land mortgagage bank was invited, the secretary said, that the idea of such a bank was good but it could succeed only with prompt realizations.

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Note of interview with Mr. Krishna Mohan Mahanti, Secretary of the Jagannath Bank, on the 6th September 1929.

P R E S E N T :

Mr. Hubback.

Mr. Batheja.

Rai Sahib Lokenath Misra.

The Jagannath Bank was started as a private bank in 1919 with a view to provide facilities for financing the traders of Puri town, though the objects for which the Company was started, as given in the memorandum of association, are fairly comprehensive. In a private bank, the directors can appoint their own auditors and are not bound to publish its balance sheet. The number of shareholders does not exceed 50 and they are mostly Oriya gentlemen of the town. One of the members of our Committee, a local Mahanth and a local pleader, are the present directors of the Bank; and therefore it may be said that the bank is an instance of Oriya enterprise. Before the present directors took office, the bank had advanced money somewhat carelessly to some coal and grain merchants and to a contractor. These have either failed or are in such an embarrassed condition that they are unable to pay their debts to the bank. This has resulted in considerable loss to the bank and the news of the loss was responsible some time back for something like a run on the bank. Some deposits have been withdrawn and the bank has had generally a difficult time in the last 18 months. The present directors are trying their best to meet the situation created by the ex-directors and report that confidence in the bank is slowly reviving. This run explains the fact that at present the bank lends at a lower rate of interest and pays a higher rate on its deposits than the neighbouring Puri Bank. The bank transacts the same class of business as the Puri Bank, i.e., it accepts fixed deposits and deposits in current account and lends on security of land, etc. It is however more of a traders' bank than the Puri Bank and that perhaps explains why its losses have been greater. It also collects Calcutta bills on the local traders and charges a flat rate of 0-8-0 per cent. for this service. The procedure adopted is generally as follows :—

The Calcutta merchants, who supply goods to traders in Puri, to whom they are not prepared to give credit, send the bill

along with the railway receipt to the bank for collection. The railway receipt is not surrendered until the bill is paid to the bank. The collection charges are paid by the Puri customer. The proceeds are remitted by the Jagannath Bank to the Calcutta merchants by a cheque drawn by it on another bank in Calcutta with which it has an account.

No hundi business is done by the bank.

The nominal capital of the bank is Rs. 60,000 of which Rs. 5,570 is paid up. The reserve fund of Rs. 15,040 and the reserve liability of shareholders are the only other assets of the bank.

The bank pays 8 per cent. on fixed deposit for three years, $7\frac{1}{2}$ per cent. on fixed deposits for one year, and 6 per cent. on fixed deposits for six months. $3\frac{1}{4}$ per cent. interest is paid on current accounts. The bank advances money against security up to 50 per cent. of its value. 12 to 15 per cent. is charged for overdrafts from customers who have running account with it. For loans (which are separate transactions) below Rs. 500, 15 to 18 per cent. is charged, while the rate for sums above Rs. 500 is 15 per cent. 25 per cent. of the borrowers of the bank are raiyats. Some of them have borrowed from the bank with a view to lend to other raiyats at a higher rate of interest than the bank has charged them.

The depositors of the bank are generally pandas, zamindars, etc., who are mostly Oriyas. Most of the deposits are accounted for by the deposits of its present directors. The borrowers are also mostly Oriya traders and contractors and some Kutchis. The loan business of the bank at present is not so important as its overdraft business. The directors do not owe anything to the bank. On the other hand they are utilizing their private resources to help the bank through its present difficulties. Each of the two important directors has deposited Rs. 10,000 with the bank. There are 27 shareholders with a reserve liability, which the directors are proposing to call up with a view to strengthening the position of the bank.

The bank has not got any landed property. Its office is located in a hired building. Being mostly concerned with the traders, the bank has not got much land in its hand and it is not its policy to retain it, if it comes into their possession as a result of court decrees. The bank sells it at a loss rather than undertake the trouble and expense of managing it. The bank lends on the security of ornaments also. It has no difficulty in ascertaining

their value as it can easily get goldsmiths to do so. The return of the identical ornaments pawned is ensured by sealing them in a parcel and delivering the parcel with the seals intact when it is redeemed. The manager was asked how he had received his banking education. He replied that he had not undergone any special course of instruction but he was a money-lender himself and belonged to a money-lending family and that he had received some instructions in practical banking from his late uncle. Asked what facilities the bank would like to have, the secretary and the directors present replied, that they would welcome some legal facilities for the collection of their debts. They would also have appreciated some assistance from the Imperial Bank of India when the bank was in difficulties but they had made no attempt to approach it for the purpose. They feared that the Imperial Bank in their circumstances would have refused to come to their rescue.

The secretary has supplied the following statement showing the number of cheques drawn on and cashed by the bank during the last four years :—

1. From 1st July 1925 to end of June 1926	...	1,202
2. From 1st July 1926 to end of June 1927	...	1,234
3. From 1st July 1927 to end of June 1928	...	904
4. From 1st July 1928 to end of June 1929	...	365

The statement shows a progressive decrease in the number of cheques cashed from 1927 to 1929, but no valid inference can be drawn from these figures about the growth of the cheque habit amongst the customers of the bank as the bank was in difficulty in these two years and customers withdraw their deposits from it as a consequence.

Note of a village enquiry held at Sakhigopal, 13 miles from Puri on Jagannath road on September 7th, 1929.

P R E S E N T :

Mr. Hubback.

Mr. Batheja.

Rai Saheb Lokenath Misra.

There was some misunderstanding about the arrangements for this enquiry and only some 25 raiyats turned up. The opportunity was however taken to make a special enquiry into the cocoanut business of which Sakhigopal is the principal centre in Orissa. The principal merchant is an Oriya Brahman and so are the other smaller merchants, except one Marwari. About 2 lakhs a year is the turnover, of which this merchant accounts for about 1 lakh. He generally buys on a purely cash basis but about $\frac{1}{4}$ th of this buying is covered by advances. These advances however do not create any obligation on the part of the sellers, except that they pay interest on the advance at the rate of Rs. 12 to Rs. 15 per cent. The cocoanuts are sold from 1 to 6 months after purchase, those taken by the Central Provinces requiring the longer period as they are wanted after the milk is completely dried. The cocoanuts are put on rail at Sakhigopal station, and a telegram is sent to the buyer as soon as the consignment is placed on rail quoting the wagon number. The buyer then sends an intimation to draw money on a particular merchant in Bombay or Calcutta. The Sakhigopal seller writes a hundi (of which the form is attached) and sells it to a Puri merchant. He usually gets a premium for a hundi drawn on Calcutta but for Bombay hundis a discount from 1 anna to 4 annas per cent. is usually charged. This indicates that in Puri usually the number of persons wishing to remit to Calcutta is greater than those who have to receive but comparatively few wish to remit to Bombay. The Nakhoda merchants and the Bhatia silver merchants in Cuttack are the only people anxious to buy Bombay hundis. There is no regular hundi market with dalals in Puri as there is in Cuttack but there are three or four hundi merchants. His customers find it convenient to remit money by hundis as it costs them only registration fees to remit a hundi of Rs. 2,000 as against about $2\frac{1}{2}$ annas per cent. on remittance by insured registered post. The railway receipt

is sent to the buyer as soon as the hundi has been cashed, though for old customers the railway receipt is generally released earlier. The principal merchant said that once in two or three years he found he wanted to borrow money, which he did from Puri mahajans, otherwise he traded on his own capital. The Puri mahajans charged him interest from 9 to 12 per cent. He did not borrow against his cocoanuts in stock, as there would be a good deal of inconvenience about taking in fresh consignments and sending off those ready for railing. Perhaps the difficulty is not insuperable. For buying he had his own agents who bought direct from the producer and also employed dalals, to whom he paid Re. 1 to Re. 1-8 for every Rs. 100 worth of cocoanuts supplied. His area of operations extends from Puri to Delang—a distance of about 15 miles. He gets no news of the Central Provinces prices. He fixes his own price, though he gets some news by correspondence from Ondal of the Calcutta price and from Godavari in Madras, to which place he reports the Sakhigopal prices. No local newspaper publishes cocoanut prices but the *Asha* newspaper of Ganjam gives Berhampur and Cuttack prices for some commodities. He cannot suggest any banking facility except a lower rate of interest. He wants a railway godown for storage of cocoanuts.

VILLAGES.

Men of Sriramchandarpur, Jaipur, Birramchandrapur, Birgobindpur, Bishwanathpur, Nuagaon, Somashwarpur and Konjia were present. They said that they were fairly representative of these villages but the impression given was that the Brahmans preponderated. The villages represented must contain some 4,000 to 5,000 households. They said that there were nine co-operative societies in these eight villages of which 8 have none but Brahman members, while one society consists entirely of the low caste Bauris. They borrowed from village mahajans or from mahajans living within two or three miles. The paddy loan interest is 25 per cent. Compound interest is charged and the full interest is paid, however soon the loan may be repaid. For money, interest runs from Rs. 18-12 to Rs. 37-8 per cent.; Rs. 37-8 per cent. is actually paid on small loans. The co-operative society lends at 15½ per cent.

Mortgages are as a rule required for money loans of over Rs. 100. Improvements are confined to a little levelling for

which borrowing is not as a rule necessary. No takavi is taken though the villages are sometimes liable to flood.

A LAND MORTGAGE BANK.

One man said it would be a bad thing and would encourage more borrowing. Others were in favour of it. They thought that a period of 4 to 5 years would be about right. It would be a great advantage to have lower interest but it would be a great disadvantage if kists were strictly enforced. As it is they get reasonable time to pay from their village mahajan and sometimes get remission of interest.

CO-OPERATIVE SOCIETIES.

The general feeling of those present was that co-operative societies are not as good as mahajans because of the joint liability. One of the Sriramchandrapur societies is about to be liquidated. Some of the members have cleared off their own debt and others have not and yet those that have cleared up are held liable. Some members started this society for their own purpose and brought others into the net. They misled the honorary organiser and concealed the fact that they had been refused membership of a society already existing in their village.

ATTITUDE TOWARDS MAHAJANS.

One man said that he was quite satisfied with the mahajan's rate of interest; $37\frac{1}{2}$ per cent. was seldom charged. Others said that they wanted interest to be brought down to 9 and $12\frac{1}{2}$ per cent. They were not at present getting enough money from the mahajans and they were obliged to sell their lands. They wanted more money for social ceremonies, for buying land and for trade and a little more for educating their children. If they got money for these purposes they could pay it back by the sale of their land. The non-Brahmans said that a land mortgage bank would be of no use to their class. They could never pay regularly. Some one suggested that they should be educated to do so.

INDEBTEDNESS.

Twenty-two persons stated their indebtedness which totals to Rs. 5,375 all in money. Of this Rs. 2,100 was secured by mortgages in addition to money borrowed from the co-operative societies. None of it has been borrowed for cultivation purposes

and none for improvement; Rs. 1,725 has been borrowed for "other needs" for which there is something to show while Rs. 3,650 is wholly unproductive.

LICENSED MONEY-LENDERS.

The principal money-lender and three or four others were questioned on this scheme. They said that their difficulty was that there was delay in getting a final decree and execution also caused further delay. They would readily accept control in return for (1) certificate procedure, (2) finance from Government. If they could borrow from Government at 6 per cent. they would be able to lend at 9 to 12 per cent. They would be ready to keep separate books for work on Government account and allow them to be inspected. Even at present their accounts are inspected by the Income-tax authorities. If such a plan were brought in, it would be an advantage if Government could lend money and they could open a running account at the Post Office. The mahajan could then issue cheques on it to borrowers and accept payment from them through the Post Office. The mahajan was much in favour of this as he said it would be good evidence of payment on both sides. They had no suggestions to make for other banking facilities. They deal very little with time (meadi) hundis and there is now no stamp duty for darshani hundis. The chief mahajan said that he invested his savings in his business first and then in purchase of land. He does not purchase ordinary raiyati land but purchases tenures and zamindaris, particularly rent-free or quit rent interests. There is a good deal of land in this part of the Puri district passing from the hands of cultivating raiyats into the hands of non-cultivators, the old raiyats often becoming under-raiyats. This is specially true in the flooded area. One mahajan who was also a sub-proprietor said that in the last five years 10 per cent. of his raiyats (50 in all) have thus become under-raiyats. He had himself purchased 15 holdings and the other mahajans the rest. This land becomes *nijhas*. The chief mahajan said that when he bought land he expects to get $6\frac{1}{2}$ per cent. from it *plus* fruits from trees, fishing, etc. On the whole he usually gets about 12 per cent. This was why he did not invest in Government securities.

MISCELLANEOUS.

The people of the villages said it would be a great advantage if a land mortgage bank were established and lower interest charged and the people were educated to pay regularly. They were however not able to explain why they could not be educated to pay

regularly by the co-operative societies which already exist. In Sriramchandrapur, where there is a member of the Legislative Assembly and a member of the Legislative Council, the society is doing very well. It is very difficult to avoid spending a good deal of money on social ceremonies. Everybody has to invite all the people of his caste in the village. A man with five acres of land spends Rs. 200 on a marriage and richer men up to Rs. 1,000. Paddy land is now worth Rs. 300 to Rs. 500 while orchards are worth Rs. 1,000. Ten years ago paddy land was worth only Rs. 200 an acre. The price of land has been rising but is coming down a little lately owing to increase of rent. The mahajans keep their books all right and there is very little litigation with them. The main difficulty in this part appears to be the destruction of cocoanuts by monkeys and the only remedy suggested is that they should be caught and taken somewhere else. The people said they would be well off if they could get rid of the monkey trouble and joint liability in the co-operative societies. They did not however suggest any remedy for the latter trouble.

SPECIMEN OF REMITTANCE HUNDI.

Sidha Sree Calcutta Bunder Bhai Thakur Das Agaram jee jog likhee Sakhigopal se. Behari ota Basudev ota Aj mitee Apka upar Do Hajar Rupeyaka Hundi kiya Rakha Satyabadi Sahu Gadadhar Sahu Puriwala pass nagdi le lia hai. Hundi Pahunchte than thikana Sahajog Karke Company Kaldar than ku than upar mutabak Ekhajar rupeyaka Dona pura Darsani Turanta Dena.

Date

Signature

(On back of the Hundi.)

Pansa Rupeyaka chauna Pura.

(Rs. 2,000.)

Address:—

Thakurdas Ajaram Jee,
Lower Chitpur Road.

Note on the Puri Central Co-operative Bank, September 9th.

P R E S E N T :

Mr. Hubback.

Mr. Batheja.

Rai Sahib Lokenath Misra.

This bank was started in 1918. At the end of 1928, the affiliated societies were as follows :—

Agricultural credit	...	...	...	132
Fishermen's „	...	...	...	2
Industrial „	...	...	...	11
Industrial Credit Society, Limited	...	...	...	1
				<hr/>
		Total	...	146

The bank operates in Puri Sadr subdivision, excluding Nimapara, Balipatna and Kakatpur thanas. The population of this area is 341,920. The rural population is about 300,000. There were 2,133 members of agricultural credit societies at the end of 1928. The total number of members of all affiliated societies was 2,641. Some little difficulty was experienced in getting at the facts about this bank, because the annual report was prepared in January 1929, but was not placed before a general meeting till August 1929. In the meantime there was an audit held in March-April 1929, in the course of which certain figures had to be altered, but the alteration was not made in the annual report. Further there was no general meeting at all in 1929.

The working capital of the bank according to the annual report figures fell from Rs. 3,56,163 at the end of 1927 to

Rs. 3,37,463 at the end of 1928. The latter figure is made up mainly of the following items :—

			Rs.
Paid-up share capital (preference)	...	...	8,760
" " (ordinary)	...	...	21,824
Fixed deposits	...	...	2,49,123
Savings bank deposits	...	...	31,654
Reserved fund	...	...	10,988
Provident fund	...	...	2,828
Education fund	...	...	229
Bad debt fund	...	...	10,930
		Total	3,36,336

The bank officials were not able to show where the odd Rs. 127 came from.

Fixed deposits fell seriously between 1927 and 1928 by Rs. 17,000. It was explained that Rs. 35,000 was withdrawn by one depositor, who wanted his money, but he has told us it was not because he distrusted the bank. It is represented that it is an advantage to reduce fixed deposits at $7\frac{1}{2}$ or 7 per cent. because the bank can borrow from the Provincial Co-operative Bank at 6 per cent. [The lending rate of the Provincial Bank should be definitely ascertained.] The fixed deposit rate was recently reduced from $7\frac{1}{2}$ to 7 per cent. The bank is still refusing deposits from outside Puri district, but accepts all Puri deposits offered.

The bank had no loans against it outstanding at the end of 1928, but has since borrowed Rs. 60,000 from the Provincial Co-operative Bank and has repaid Rs. 30,000.

OUTSTANDING.

The total of loans to affiliated societies was Rs. 3,05,566. About one-third of this was due from industrial societies and the Delang Stores Society now in liquidation. The Delang Stores Society, dealing in grain, yarn and oilman's stores, owes Rs. 31,328 and the bank will probably lose Rs. 16,000 of this. It has so far provided Rs. 12,000 as "bad debt fund" against this loss. The Belkati Bell-metal Society has drawn Rs. 50,294 on cash credit. It is practically without assets, except the skill of its

members, and is at present working at a monthly loss of Rs. 177; to avoid loss it will have to increase its sales by about 80 per cent. The other societies of a special type are in a more satisfactory condition.

The position of the agricultural credit societies is somewhat obscured by the fact that the kists for repayment were completely revised in 1928, thereby converting loans to societies, which were presumably granted in the first instance as short-term loans, into medium or long-term loans. The percentages of realization are consequently quite meaningless. A disquieting feature is, however, the fact that on the basis of the new kists, there was an arrear of Rs. 4,759 out of a total demand of Rs. 16,525 for 1928. This is somewhat palliated by the fact that the better class of societies paid up Rs. 11,780 in advance of the kists fixed; so that the total collection for the year of *principal* was Rs. 23,546.

(The fresh loans granted were Rs. 22,645 in 1927 and Rs. 23,874 in 1928 to *all* societies.) The interest position is that against Rs. 23,938 due in 1928 only Rs. 18,886 was realized *plus* Rs. 1,484 paid in advance. It has to be observed further that the new kists fix the following amounts of principal to be repaid :—

				Rs.
Amount due in 1929	...	...	...	19,115
Ditto 1930	...	...	...	25,749
Ditto 1931	...	...	...	28,097
Ditto 1932 and subsequent years	...	...	...	1,46,229

It is, of course, not the aim of the Central Bank to get in all its loans to affiliated societies, since then its function would be gone. But it is a somewhat serious situation for a bank, which is not intended to lend on long term to have assets locked up in agricultural societies, which it does not expect to recover in full under seven years, especially when a large part of its total assets are sunk in special societies with even less rosy prospects of recovery. It may here be remarked that the Delang Stores was started with limited liability for purchase and sale and its operations have not been limited to its own shareholders. It seems to have been a joint stock trading company, pure and simple, and it is open to question whether the credit of the affiliated societies, which forms the support of the Central Bank, should have been used on such a venture.

Some of these defects were pointed out by the audit of last April, but they are obscured by the mass of detail of the audit report, which is still lying with the bank authorities. It would increase confidence in the efficiency of the audit, if the really important criticisms were extracted and dealt with promptly. It may further be noted that the Registrar himself inspected in May and made most of the criticisms which have been made in the course of this note, and the bank authorities have taken the rather unusual step of persuading the Collector to take up the post of Chairman.

The present management, it appears, are not really responsible for the tangle into which the affairs of the bank have got. This springs from action taken 5 or 6 years back, and it is to be hoped that they will be able to restore it to health. It may be suggested that a regular annual general meeting and a report, which, even if it omits the usual platitudes and compliments, does disclose the true facts, are absolute essentials for sound working. The bank authorities were asked to express their views on certain general matters. They thought that it would take at least 40 years to get the bank's area covered with societies, including half the heads of households as members, and it would be necessary to have paid organizers and to free the societies from the cost of audit to secure that. The most important difficulty at the moment was the securing of collateral security from individuals. Unless a bond pledging land is renewed, whenever a fresh loan is granted, it is ineffective, as directly the old loan is discharged, the member can pledge his land to the mahajans. [The point is one on which a note from the Registrar would be useful, as it is not quite clear why as long as unlimited joint liability is the rule any collateral security is necessary.]

The directors and the secretary expressed their opinion on the proposed land mortgage bank. They were of the decided view that a central co-operative bank could not give long-term credit without endangering its existence and could not therefore discharge the functions of a true land mortgage bank. The land mortgage bank in their opinion would not touch people with scattered holdings.

They saw no practical objection to the scheme of licensed or registered mahajans, as explained to them, though they felt that it would be a serious rival to the co-operative movement. They however agreed that one could supplement the other and that there was room for both in the present circumstances of the country.

Note of an interview with Puri merchants and indigenous bankers held at Puri on the 10th September.

P R E S E N T.

Mr. Hubback.

Mr. Batheja.

Rai Saheb Lokenath Misra.

The following gentlemen attended :—

The Mahanth of Emarmath	...	...	Indigenous banker.
Rai Saheb S. C. Ghosh	...	...	Ditto.
Babu Jagannath Misra	...	...	Ditto.
Krishnachandra Gochika	...	...	Ditto.
Babu Gadadhar Sahu	...	Importing and exporting merchants.	

Babu Gadadhar Sahu imports salt, sugar and spices and exports paddy and rice.

I M P O R T S.

His salt comes from Ganjam as a rule, though he sometimes buys locally from the Nakhoda merchants when his supply runs short. He gets about 13 wagons a year, the whole supply for Puri district being about 200 wagons. He buys from commission agents at Nuapada in Ganjam district, and they buy from the Government godown. The Government price is Rs. 2-8-0 for two maunds. He pays Rs. 3-1-0 for the two maund bag including the cost of the bag. The commission agents get 6 pice per bag. The price is paid by the commission agents by cheque on Berhampore or Madras and they get a discount of $1\frac{1}{2}$ per cent. from Government, who do not want large accumulations of cash at Nuapada. (This seems a very high discount.) He pays his commission agents by notes sent by insured post. If he does not pay within 15 days of receipt of the railway receipt 12 annas per cent. per month is charged as interest. He sells to small *beparis* at Puri and also to some mufassal *beparis*. He gives eight days' credit if they pay an extra one anna a bag. After eight days one per cent. per month interest is charged, but he often has to remit this. He claims this in Court, but the

court only allows interest from the date of the last transaction on the account and then only $\frac{1}{2}$ per cent. per month on the balance at that date. This method of calculating the interest has been adopted by the Court only for the last two or three years. (Presumably this is a result of the Usurious Loans Act. It seems unfair, if the importer has himself to pay 12 annas per cent. per month to his sellers.) The *beparis*, to whom he sells sell to consumers. He deals only in foreign (Java) sugar, and buys that in Calcutta from commission agents, who take 12 annas per cent. as commission. He gets a separate bill for each consignment. The commission is taken only on the price not on the railway charges. Interest at 12 annas per cent. per month runs from the day that he receives intimation that the purchase has been made, but if he sends money by telegraphic transfer he pays no interest. If he is even two days late he has to pay interest. The big importers settle the price through a *dalal* with the commission agents, who telegraph the price to the mufassal buyers. If these like the price they telegraph to buy. He thinks it would be much more trouble to buy direct from the importers. He sells sugar to the same people as he sells salt, and generally in the same manner. But he gives 36 days' credit for sugar and charges 8 annas a bag for this credit. Generally his profit on cash sales is 4 annas a bag (present price Rs. 26 a bag) The bag contains 2 maunds 28 seers 10 chitaks. Salt is sold on the standard maund. The sugar comes from Java in these bags; hence the difference. (The curious thing is that the sugar maund is identical with the Cuttack maund.)

He remits to Calcutta either by post or by hundi. He has a special arrangement with a Sakhigopal cocoanut merchant to take all his Calcutta and Bombay hundis at par. Ordinarily Calcutta hundis are at a premium and Bombay hundis at a discount. He reckons that three times the amount of money received in Puri from Calcutta in a year is remitted to Calcutta from Puri. Puri town takes 12,000 bags of sugar every year. He buys spices from Calcutta direct or sometimes through Cuttack. The processes of marketing are the same as those for sugar, except that interest begins to run 30 days after receipt of the railway receipt.

EXPORTS.

He buys rice for export purely as a commission agent charging a commission of 12 annas per cent. Eight days' grace is given and then interest at 12 annas per cent. per month is

charged. These are the standard commission terms all over India, except that very big firms do large business on a 10 annas per cent. rate. He buys only after getting an order and after the price has been fixed. He then buys with the help of a *dandia* (broker). The *dandia* charges 6 pies per rupee. The *beparis* are usually producers themselves. He buys from them on cash terms without any advance. He gets his orders from Gaya, Patna and Ranchi; also from Madras (while the steamer service from Puri is running) as well as from Murshidabad in Bengal. He does business on paddy on precisely the same terms except that the *dandia* gets only 3 pies per rupee for that business. He also exports *palang* oil, which is manufactured by telis in the mufassal. For this business the *dandia* gets two annas on each Cuttack maund. The oil goes to Calcutta, Chakradharpur and to Barakar in the coal fields and is used for making soap (It is proposed to start a soap factory at Puri.)

Fifty per cent. of his clients in Orissa, (i.e., the small *beparis* who take salt and sugar) are habitually late in making payment. Only 5 per cent. of his outside clients default. He finances his own business and does not borrow. He could get larger credit from his Calcutta business connections if he wished to do so. He has recently reduced the proportion of his business on which he gives credit. The local Oriya cannot, in his opinion, flourish in business because the Nakhoda people compete with a very large capital behind them. But lately the Nakhoda men have been losing money.

It would be an advantage to have a munsif, who knew more about business matters. There is no organisation for settling disputes but many disputes are settled by arbitrators, mostly between Puri merchants, but sometimes between them and mufassal traders. The Bihar Chamber of Commerce is not known here.

The Mahanth of Emarmath has left off lending on personal security or on landed property for the last 10 years. He mainly lends on pledged ornaments but does a little business on hand notes with particularly trustworthy people. He lends from Rs. 20,000 to Rs. 25,000 every year on ornaments at 9 per cent. He gave up lending on landed property because in 95 per cent. of the cases he had to go to Court to recover. The money that used to be so employed is now invested in Government paper, deposited with the Imperial Bank, against which he can draw up to 75 per cent. of the value for his various needs. He had

a considerable sum in the Puri Central Co-operative Bank on deposit, which he withdrew lately, not because he had lost faith in it, but because he wanted the money for other business.

His clients for money lending are shop-keepers, local householders, Temple pandas, and so on. He has no mufassal clients for this ornament business, which is falling off owing to there being many mahajans and banks now. He consults a goldsmith as to the value of the ornaments pledged. Asked about the possibility of starting pawn shops in the mufassal, he said that, though there was not a goldsmith in every village, there would be one at each thana headquarters or every big village.

He sometimes refuses good business for lack of ready money. His money lending business used to be as much as 1 to 1½ lakhs a year.

He lends paddy in his own zamindary to his tenants and occasionally to outsiders, particularly in Brahmagiri and Nimapara thanas (both areas liable to flood). He charges 25 per cent. and the loan is usually for 7 months. Paddy interest is usually in arrear but he does not charge compound interest. The price of paddy is usually about 16 seers to the rupee when it is borrowed and 24 seers to the rupee when it is paid back wet. (If this is really so the business is clearly very unprofitable, as indeed it is said to be by most money lenders. The point should be cleared up by a reference to Gazette prices and to the Agricultural Department.) The arrears of interest are due to the fact that the borrowers are really in need and can not pay up.

Rai Saheb S. C. Ghosh said that money lending did not flourish mainly because borrowers had no fluid security against which money lenders could lend. The only security was land and that involved much trouble and vexation. It would be a great advantage to money lenders on landed property, if a copy of the record-of-rights was kept at the Sub-Registrar's office, every transaction recorded in it and all registered mortgages entered therein. He complained even a search for 12 years did not help the money lender. (This point will be followed up, but the Chairman was inclined to think that the carrying out of the suggestion would involve great expense and that adequate indexing would be sufficient to enable the money lenders to ascertain the facts promptly.)

Babu Jagannath Misra suggested the extension of the principle of equitable mortgages, already in force in Calcutta, whereby a mortgage is established merely by deposit of title

deeds; in the case of raiyati interests the raiyat's copy of his khatian would be the title deed. (This point also wants following up.) He said that one-quarter of his business was land mortgage business. He had not fully considered the question of a land mortgage bank to clear off old debt. He put forward the objection that a man whose original debt was Rs. 200 at $18\frac{3}{4}$ per cent. might have allowed interest to accumulate to another Rs. 200. It would be no advantage to him to borrow to pay this off unless he could get the new loan at about 9 per cent. (But as a matter of fact in such cases the money lender would probably insist on a new bond for Rs. 400 before long.) The money lenders thought there was scope for a land mortgage bank, but did not think it workable on co-operative principles.

Asked about the possibility of licensing mahajans, the Mahanth of Emar Math said he thought this could be done if the mahajans were allowed a profit of 3 per cent. The other money lenders, however, said the mahajans would expect 6 per cent. profit.

**Note of an interview with Puri merchants held at Puri on the
11th September.**

PRESENT :

Mr. Hubback.

Mr. Batheja.

The following gentlemen attended :—

Mr. S. G. Mustafa ... General retail merchant.

Mr. P. L. Shaw of Messrs. General retail and wine
R. N. Shaw & Co. merchant.

Mr. L. A. Noronha ... Exporter of fish.

Mr. Mustafa, who is a Delhi Muslim, said most of his customers live in Puri town, but he also supplies some of the Feudatory States and zamindars living in Puri district. He buys his goods from Bombay, Calcutta, Madras, Delhi and the Punjab. He sends the money due to his suppliers through the Jagannath Bank. They send to the Jagannath Bank, the railway receipt with a request to collect from Mr. Mustafa, who gets intimation both from the Bank and the supplier. On this he draws a cheque on his current account with the Jagannath Bank, which arranges the payment. The Bank charges 8 annas per cent. on this business. Suppliers with whom he has dealt for some time send him the railway receipt direct and he then remits direct to them by registered and insured post. He has no account with any Calcutta bank or bank in any other town.

The Jagannath Bank has given him a cash credit up to a limit of Rs. 5,000 and charges 1 per cent per month on the daily balance. He has not lately had a favourable balance but when he did he got 6 annas per cent. per month on it.

His selling is mainly on a credit basis. All customers ultimately pay in cash except two who give him cheques on the Jagannath Bank. It would be an advantage to him if the cheque habit was extended by paying Government officers of some standing by cheque so as to induce them to open a banking account. He does not sell to smaller traders but only to consumers. He has no present need for more capital, but he could extend his business, if he could get more capital at a lower rate

of interest than is possible at present. He has no special prices for cash customers. He does not charge interest on overdue payments unless he has to take the debtors into Court, when he claims 25 per cent. but only gets $12\frac{1}{2}$ per cent. He has only one or two Court cases a year. He used to have a capital of Rs. 15,000 in the business but has recently lost some of it by rice trading.

Mr. Shaw, who is a Bengali from Calcutta, said he does precisely the same kind of business, and also works through the Jagannath Bank. His capital is about Rs. 10,000. His business in Puri is an offshoot (but no longer a branch) of that of the Calcutta firm Messrs. R. N. Shaw and Company, who are very old established wine and general merchants. He has, however, no banking account in Calcutta. He has no present need for more capital but could probably get it from the parent Calcutta firm, if there was a good opening for it in Puri. He allows old customers 60 days' credit before interest is charged.

Mr. Noronha, who came originally from Goa (Portuguese India) and has been in Puri since 1917, is one of the two merchants in Puri who deal in sea fish. He buys straight from the Nulias (Telegu fishermen) who catch fish within about three miles from the shore. He sends most of his purchases to Calcutta, but sells some fish direct to "bhadralog" purchasers in Puri. The fish from Calcutta are packed in ice and sent by the Puri Express. He has a partner in Calcutta who sells the fish either at the New Market or at the Howrah auction. He gets the money required for paying the fishermen by insured post from Calcutta, and pays cash. He sometimes makes small advances for repairs of boats and nets, etc., but does not charge any interest on them. He has no banking account in Calcutta. The other fish merchant sends most of his fish to Kharagpur. There is no cold storage on the Puri Express. If there were the business could be expanded to ten times its present size. But owing to rough weather and other causes very little fish is caught from May to August and export is closed for that period. He sells about Rs. 6,000 worth of fresh fish every year. Besides this he sells about Rs. 2,500 worth of dried fish. This business he does as a commission agent and gets a 5 per cent. profit. A private company of Telegu merchants, who deal in fish all over Madras, send him intimation from time to time that they can take dried fish at such and such a price. Then, as soon as there is a big catch, he borrows money at 12 per cent. from the local money-lenders and buys up their stock from the fishermen. He also informs the Telegu merchants, who send

down somebody to take over the stock, which is paid for in cash at Puri. He seldom has his loans running for more than a month.

CO-OPERATIVE SOCIETIES.

Mr. Noronha has recently taken over the supervision of the fishermen's co-operative societies as well as the shoemakers' societies in Puri. In the former there are 247 working members, who owe Rs. 15,000 to the Central Bank. These are many fishermen outside the societies. These were very bad before Mr. Noronha took them over. Most of the loans taken were spent on drink and the members have no assets except their boats and nets. Things are now a bit better, and repayments are being made fairly regularly. The two shoemakers' societies have also improved somewhat. There are 28 members, owing Rs. 4,400 in all. Only five households are outside the societies, being afraid of the joint liability. Mr. Noronha has started a store of leather, purchased at favourable rates from Calcutta or Madras, which belongs to the two societies. (Both the fishermen and the shoemakers speak Telegu and not Oriya, and Mr. Noronha knows Telegu and has apparently thereby gained their confidence.) When the fishermen's societies were started some ten years ago, the Co-operative Central Bank declined to ask Mr. Noronha to help as it was thought that his interests as a fish merchant would be adverse to those of the fishermen. Mr. Noronha has nothing to do with the bell-metal workers' societies or with the society of Khandras (Oriya fresh water fishermen). The latter is in a very bad way. He thinks that a good society could be organized among the Gokas, who are also Oriya fresh water fishermen, but of lower caste than the Khandras. Mr. Noronha thought that only under adequate supervision could co-operative societies succeed. He could not say whether such honorary supervision would be forthcoming in a large measure.

Mr. Gopaldaswamy, shipping agent of the Coromandel Company, Limited, called on the Chairman later in the day. He looks after the shipping of exports from Puri by sea. Vessels come during the open season October to April, and are loaded from the beach in open boats. There is practically no import trade by sea. He sends the freight money collected in Puri to his head office in Calcutta by supply bills through the Puri Government Treasury, which charges two annas per cent. for sums up to Rs. 10,000 and one anna per cent. for larger sums.

Note of interview with the Manager of the Chota Nagpur Banking Association, Babu Panchu Gopal Ray and its Director, Babu Akhauri Sen, on 18th September 1929.

The Chota Nagpur Banking Association is a joint stock limited concern started in 1883. Its head office is at Hazaribagh and it has branches at Ranchi, Purulia, Dhanbad, Giridih and Daltonganj—all in Chota Nagpur. Its directors are all Bengalis and its managing director is a retired manager of encumbered estates. The bank does the ordinary business of a loan association on orthodox lines, i.e., lends largely against landed security but it also discharges many functions of a true bank. It opens current accounts withdrawable by cheques and advances against the security of land, fixed deposit receipts and ornaments, and also does some remittance business against hundis or bills of exchange. The nature of business varies with each branch. At Dhanbad big amounts are advanced to colliery proprietors. At Hazaribagh and Daltonganj loans are mostly made to big zamindars. In Ranchi most of the money is lent against fixed deposit receipts and jewellery, while the cashing of cheques of tourists on other banks in India is an important activity of this branch. In Purulia loans are generally small and are made against jewellery and fixed deposit receipts. In Giridih the bank finances coal dealers, as distinguished from coal mine owners, against the security of hundis. It would appear in some branches the deposits are larger than the loans and the resulting surplus is remitted, under the orders of the head office, to other branches where the demand for accommodation is greater than the deposits received. The Ranchi branch is a notable instance of a branch with a surplus of deposits over loans and this surplus is generally remitted to the branches where it is needed. The bank, through its various branches, does a mixed sort of business. It gives long term loans to zamindars and proprietors of collieries and it also collects the bills of Calcutta merchants and local traders for goods received. The biggest amount lent to a colliery proprietor is in the shape of an overdraft of 5 lakhs, which, owing to the depression in the coal industry, he is unable to pay at once and so is paying by instalments. The Ranchi manager has no recent knowledge of the working of other branches and therefore his information

about the bank as a whole is not quite complete. As far as is known to him, the biggest amount advanced to a zamindar is about Rs. 30,000. The highest amount advanced to a zamindar in Ranchi is Rs. 20,000.

The minimum rate of interest charged is 9 per cent. in the case of large amounts. It was formerly 12 per cent. The maximum rate, usually on small loans, is 18 per cent. The schedule of rates paid by the bank for its deposits is as follows :—

	Percentage.		
	Rs.	a.	p.
1. Floating deposits, payable on demand ...	0	4	0 per month.
2. Fixed deposits, payable on six months' notice	0	6	9 „ „
3. Payable on twelve months' notice ...	0	8	0 „ „
4. Payable on two years' notice ...	0	8	8 „ „
5. Payable on three years' notice ...	0	9	4 „ „
Savings bank deposits ...	4	0	0 per annum.

The rate charged by the bank for cashing cheques and collecting railway receipts in Ranchi on behalf of Calcutta clients is Re. 1 for the first Rs. 100 and 8 annas per cent. for subsequent hundreds. For Calcutta and other places, where the Chota Nagpur Banking Association has its branches, or in the case of cheques on banks which are members of a clearing house, the rate however is 4 annas per cent. This business is the most important source of revenue to the Ranchi branch as there is a large tourist traffic and there are large imports from Calcutta to meet the special demands of this traffic. The Ranchi branch of the bank does not advance to local industries or to the lorry traffic business which is important in Ranchi. Nor are advances made to the local cinemas. There is no objection in principle to advances to such concerns if the security is good.

The balance sheet of the Association showed that the bank has a total working capital of 43½ lakhs against an authorised capital of one lakh, of which Rs. 58,270 only is issued, subscribed and paid up. The bank has attracted Rs. 35,17,956 as deposits, of which Rs. 23,32,000 are in fixed account, Rs. 11,76,000 in current accounts and only Rs. 1,383 are in savings bank account, while about Rs. 8,000 represents the security money of the employees. The bank has a total reserve of Rs. 5,53,000, of which about four lakhs is for bad and doubtful debts, Rs. 90,000 is reserved for equalisation of dividends and for emergent charges and about Rs. 58,000 represents the general reserve

against liabilities. The bank has land and house properties worth Rs. 57,000 which has come into its possession as a result of its lending operations ; Rs. 53,000 represents the value of its business premises. The book debts are about 30½ lakhs, of which 16 lakhs are loans and about 13 lakhs are overdrafts and of these about eight lakhs are against securities and five lakhs are without any other security, except the personal security of the borrowers. Of this total of book debt about Rs. 80,000 is bad and doubtful. The liquid resources in the possession of the bank on 31st September 1927 were Rs. 1,33,000 worth of cheques and hundis, Rs. 53,000 Government promissory notes, Rs. 1,71,000 held in current account with other banks and Rs. 3,21,000 in cash held at the head office and the various branches. This represents about 14 per cent. of its total working capital of 43½ lakhs, which is rather small for a commercial bank ; but the bank's position is not weak, because most of its deposits are fixed deposits, so that there can be no heavy sudden pressure on the bank for immediate payment. For a business of its size, the bank has a very small subscribed capital. There is no reserve liability whatsoever. The manager himself is of opinion that it would improve the position of the bank enormously if the capital were raised to 5 lakhs. In case of difficulty, the Imperial Bank of India would not come to its rescue, as under the Act, the Imperial Bank cannot deal with other banks having less than 5 lakhs subscribed capital. The Central Bank of India has the same difficulty in dealing with this bank. The bank has declared a dividend of 20 per cent. for the last 10 years and though its shares are not quoted on the Calcutta Stock Market, in private sales, its shares of Rs. 10 fetch a price of Rs. 30. The bank is audited by a chartered auditor and inspected by a Government inspector with a view to see that the forms prescribed by Government are properly filled up.

The bank does not refuse deposits. Unlike the Cuttack and Puri banks, it accepts as many as are forthcoming at the rates published by it. Most of the deposits are at 1 year's notice and earn an interest of 6 per cent.; 3 per cent. interest is paid on current accounts, calculated on the minimum balance between the 10th and the last day of the month. The depositors of the Ranchi branch belong to the professional classes and are mostly missionaries. The bank is not embarrassed with the problem of a surplus which it cannot lay out to advantage. This is possibly due to the fact that the bank does mixed business and does not confine itself to land securities. The collieries and the big zamindars absorb a large portion of its resources. The

maximum period of the loans to zamindars is 3 years. Before advancing money against landed security, the title of the property to be mortgaged is investigated by making a search for 12 years in the Registration Office. This is not regarded as inconvenient by the bank, as all charges incidental to the search are paid by the borrower. Babu Akhauri Sen, a local director, who does this work for the bank, said that it takes him about one week to search these registration records and he is helped by a solicitor. The search fee is Re. 1 for the first year and 8 annas for each subsequent year. The solicitor is paid Rs. 5 for a document bearing stamp of Rs. 5, Rs. 7-8 for Rs. 10 stamp and Rs. 10 for a stamp of Rs. 20. In no case is the fee to exceed Rs. 50.

The main difficulty according to the manager in starting a land mortgage bank in this area is the difficulty of enforcing the claims of the bank in the teeth of the various legal enactments which have been framed for this area. Indebted estates may be taken over by Government under the Encumbered Estates Act and, when that is done, the interest charges may be reduced. The title of many lands is extremely doubtful, as the Maharaja of Chota Nagpur, the chief zamindar, exercises very frequently his right to resume lands let to tenure-holders under certain conditions. He can resume on the failure of male issue. In examining the title-deeds of borrowers, care is taken to ascertain whether he is likely to have a male issue. This is naturally difficult. If the title to land is open to suspicion, the land security against an advance becomes unsubstantial; and therefore the debts of the land mortgage bank under these circumstances cannot be fully secure. The manager expressed his opinion that the cheque habit had grown and he promised to supply the usual statistics in support of his statement (not received so far).

The bank has no other relation with Ranchi Central Co-operative Bank, except that the latter is its customer and keeps its balance in current account with it. Recently the Central Co-operative Bank raised an overdraft of Rs. 20,000 from it at 9 per cent. rate of interest to meet an emergency. Asked whether he had any difficulties and whether he wanted any facilities in his business, the manager said that he had no suggestions to make.

Discussing the business of the Dhanbad and Giridih banks in advancing money against hundis to coal merchants and colliery proprietors, the manager explained the detailed procedure which is followed in such cases. When doing, this he specially had in

mind the practice of the Central Bank of India in Jharia in financing colliery proprietors. Most of them have their headquarters in Calcutta. These headquarters arrange accommodation for these collieries at Jharia by depositing their title-deeds with the Calcutta branch of the Central Bank of India as security. The Jharia agents of these proprietors put themselves in funds by drawing 90 days hundis in favour of the Jharia branch of the Central Bank of India payable in Calcutta. These hundis are collected by the Calcutta branch from their principals after the due date. The form of this hundi runs as follows :—

Place for stamp.

(Rupees)

Three months after date please pay to the order of the Chota Nagpur Banking Association (the payee) a sum of Rs..... only for value received in cash (or in railway receipt).

Signature of drawer.

Issued to (drawee).

Address of the drawee.

Such a hundi on reaching the place where it is payable, is at once shown to the drawee. He accepts it by signing his name on it. The acceptance has no effect on the period within which the hundi is payable, but it has the effect of making the accepting party legally liable for the debt. In the case of hundis where no period is mentioned but instead the words "at sight" are inserted the hundi becomes payable one day after it is shown to the drawee. Where the words "after sight" are inserted and a fixed period is also indicated, for instance, "3 months after sight" the period begins to run after the hundi has been shown. Three days' grace is allowed unless the words "without grace" have been added. The bank manager supplied the Committee with some forms of hundis on bills received by him which run as follows :—

No.

Rs.

At sight of this Sola of Exchange pay to the order of the Chota Nagpur Banking Association, Ltd., Ranchi, the sum of Rs.

Rupees only.

Value received—One Railway Receipt.

To,

Ranchi.

No.

Exchange for Rs.

Thirty days after sight of first of Exchange (second of the same tenor and date being unpaid) to the order of the Chota Nagpur, Ltd.—

The sum of Rs. only.

Value received against bill no. for 1 case of aluminium articles despatched by rail.

The Aluminium Manufacturing Company, Ltd.

To,

Ranchi.

Note on the Chota Nagpur Central Christian Co-operative Bank, Ranchi.

This bank was visited on September 18th.

P R E S E N T :

Mr. Hubback.

Mr. Hodge.

The Chairman of the Bank, the Rev. J. Lakra, and the Honorary Secretary, Mr. Tirkey, attended as well as the Assistant Registrar of the Co-operative Department, Maulavi A. S. Khan.

This bank is the successor of the German Mission Co-operative Society, which was started in 1910, and operated until 1921 as a single society, similar to the Roman Catholic Co-operative Society, which is still in operation, i.e., it had no primary societies affiliated to it but comprised a very large number of members scattered over a large area. The removal of the German missionaries at the outbreak of war disorganized the society, and it was ultimately reconstituted as a central bank with affiliated primary societies in 1921. (Strictly speaking it is not a central bank but a banking union, as it has no preference share-holders.) Its field of operations is the whole of Ranchi district and a portion of Singhbhum and Palamau districts, and it has members actually living in the Feudatory States of Gangpur and Jashpur, though the societies to which these members belong are located in British India.

The primary societies, of which there are 192, all agricultural credit societies, are grouped under guarantee unions. Until recently these worked as branch offices of the bank, money to be paid to the primary societies or recovered therefrom passing through the office of the guarantee union. This system has now

been abandoned and the guarantee unions now, as elsewhere in Bihar and Orissa, merely provide a fuller security for loans to the individual societies grouped under them and advise on the requisitions for loans.

Another special point about this bank is that it has recently lost several societies in the Gumla subdivision of the Ranchi district. An ordinary central bank was started there, and the existing societies affiliated to the Christian Co-operative Bank were asked to transfer to the new bank. This they refused to do, but were obliged under orders of the Registrar to go into voluntary liquidation. It is now intended to reorganize them and affiliate them to the Gumla Central Bank. The Christian bank is managed by 20 directors, all of whom are aboriginals, except one Bengali trader and two German missionaries. The primary societies, although they include among their members a number of non-Christians as well as Christians of other denominations than the Lutherans, are managed in the main by the Lutheran pastors and church workers. The denominational feeling, which was very strong, has to some extent broken down, though the Assistant Registrar was not prepared to accept the views of the Chairman and Secretary of the bank that it was now unimportant. He considered that the Gumla trouble was largely denominational. All agreed that the objection to admission of non-aboriginals is still very strong and the Bank authorities ascribed the Gumla trouble to the fear that the new central bank there will be controlled by that element.

WORKING OF SOCIETIES.

The 192 societies comprise 4,941 members with a working capital of Rs. 3,13,618. Of this Rs. 1,09,996 is reserve fund (Rs. 22,415 invested in shares of the central bank or deposited therein), Rs. 61,757 paid-up share capital, Rs. 20,703 deposits by members, and Rs. 10,730 deposits by non-members, the balance being outstanding borrowings from the central bank. The reserve fund, representing Rs. 20 per member and the paid-up share capital and deposits, representing another Rs. 16 per member, indicate some considerable advance in thrift. At the same time it must be remarked that in 1928, against Rs. 29,076 down for collection during the year, and Rs. 46,736 overdue from previous years, only Rs. 24,815 or less than 33 per cent. was collected. This is particularly unsatisfactory since the kists were leniently revised in 1927.

PURPOSE OF LOANS.

The loans taken by members from their societies during the year are classified as follows :—

				Rs.
Cultivation expenses	...	...	...	893
Purchase of cattle	...	...	...	7,630
Payment of rent	...	...	...	569
Purchase of seeds	...	...	...	190
Maintenance	...	...	..	885
Improvement of lands	...	...	...	7,592
Irrigation wells	...	...	...	215
Irrigation embankments	...	...	...	562
House repairs	...	...	...	1,096
School fees	...	...	...	1,074
Trade	...	...	...	3,332
Purchase of land	...	...	..	7,988
Redemption of land	...	...	...	124
Payment of debts	...	...	...	10,446
Litigation	...	...	...	207
Social ceremonies	...	...	...	437
Other purposes	...	...	...	3,147
				<hr/>
			Total	46,487
				<hr/>

The very low amount required for social ceremonies as compared with the Hindu areas investigated in Orissa, the large expenditure on cattle (members' cattle increased by 153 in the year), the considerable expenditure on improvements, as well as the noticeable amount taken for clearance of debt are all indications of sound borrowing. Figures for total indebtedness were not readily available, but it was estimated that this would be from 3 to 4 times the annual borrowing or say 11 to 2 lakhs or Rs. 30 to Rs. 40 per member, a much lower fig

than Orissa investigations would suggest. The actual indebtedness of the societies to the central bank is Rs. 1,11,587, but the societies have their own money to lend to their members as well.

WORKING OF THE CENTRAL BANK.

The working capital at the close of 1928 stood as follows :—

	Rs.
Loan from provincial bank	65,500
Cash credit with provincial bank (admissible Rs. 7,500), actual	6,332
Loan (land improvement) from Government ...	1,500
Paid-up share capital	18,827
Deposits	34,880
Reserve fund	1,560
Other funds	5,160
Provident fund	842
Total	1,34,591

The loans outstanding with the societies were Rs. 1,14,587 and Rs. 3,600 was invested in the provincial bank shares earning a dividend of 8 per cent.

The deposits may be roughly classified as follows :—

	Rs.	
Fixed (5 years) at 8 per cent. ...	8,000	from non-members.
Fixed (1 to 2 years) at 6½ per cent. ...	9,000	ditto.
Savings bank at 3½ per cent from individuals	Nil.	
Savings bank at Rs. 4-11 per cent. from societies	18,000	from members.

Loans are made by the central bank to the societies at 12 per cent. and by the societies to their members at Rs. 17-10 per cent. At one time the rate was 12 per cent. It was raised to Rs. 18-12 for one year and then reduced to Rs. 15-10.

The kists were revised in 1927 and recoveries of overdues from societies spread over 2 to 10 years in the following manner:—

				Rs.
Recoverable by 31st December 1929	...	...	...	15,310
„ an 1930	...	...	...	13,967
„ in 1931	...	...	...	12,807
during 1932-38	...	...	...	72,503
			Total	1,14,587

In spite of this lenient revision of kists, the collections were only 53 per cent. of the current and arrear demand, and Rs. 8,000 of this was uncollected due from 59 defaulting societies. An interesting point in the balance sheet is the land improvement loan of Rs. 1,500 from Government. This is borrowed at 6½ per cent., but as it is recoverable from a central bank and not from an individual or collection of individuals, it might be possible for Government to lend at a lower rate, say 5½ per cent. This would enable the bank to lend for this purposes at 7 per cent. instead of the present rate of 8 per cent. and so make improvements more possible. There is undoubtedly more scope for land improvements in Chota Nagpur than in most of Orissa, but loans made direct to the land-holders are difficult, since the Tenancy Act practically prohibits the pledging of the land itself. The solution seems to be a liberal use of the Land Improvements Loans Act through the medium of central banks, who would be required to examine the feasibility and economy of the schemes with the help of the Agricultural Department. The present position of the bank is not too healthy, especially as it is not yet able to pay regularly its instalments to the principal creditor, the Provincial Bank. This is mainly due to bad collection from the societies, and these in turn are slack in collecting from members. The reason offered is bad crops, but it is doubtful whether the crops have been really bad throughout the whole area covered by the bank, year after year. Another danger seems to be the approach to long-term credit, which the recent revision of kists has brought about. At present there is a set-off against this in the shape of five-year deposits; but these carry the heavy interest of 8 per cent. and thereby contribute to the high rate of interest charged on members. — The audit report reveals some of book-keeping and several long-standing discrepancies which should be finally cleared up, if necessary b

authorized write-off. There were two embezzlements mentioned in the 1928 report, of which the most serious seems to have arisen from the abandoned practice of allowing the guarantee unions to work as branches of the bank. The financial position of the bank prevents at present any rapid widening of its scope, although there is a very great demand for new societies. At the same time the bank has inherited rather special difficulties and these cannot be overcome at once. It has evidently done and is still doing very good work, and is capable of much more, if carefully managed. A particularly interesting feature is the considerable number of societies that are now working almost entirely on their own capital. This has been brought about largely by the practice of carrying all profits to reserve fund. As a consequence, the primary societies have a reserve fund of Rs. 1,10,000 among them, while the central bank has only a reserve fund of Rs. 1,560.

**Note on a visit to the Ranchi Central Co-operative Bank,
Ltd., on the 19th September 1929.**

PRESENT :

Mr. Hubback.

Mr. Batheja.

Mr. Hodge.

Rai Bahadur R. K. Jalan.

The honorary secretaries Rai Bahadur Radha Gobinda Chaudhuri and Rai Sahib Amarendra Nath Banerji were present together with a number of the directors and some of the paid staff. This Bank was founded in June 1910 and is now well housed in a building in Ranchi town to which is attached the store and sale room of the Weavers' Co-operative Stores, Ltd. The Directors comprise 13 gentlemen of Ranchi town, most of whom are Bengalis, two Muhammadans, who represent the Doranda ministerial societies, one Muhammadan weaver and one Oraon, who holds a post in the Government education service. There are also 13 honorary supervisors, who assist in the inspection of societies, all of whom are members of the Ranchi bar. The Central Bank operates in the Sadr subdivision of Ranchi district. There are 198 societies affiliated to this Central Bank, of which 187 are ordinary agricultural credit societies, one is a limited society working a grain *gola*, one is a limited society for working the Weavers' Co-operative Stores, and one a limited society for ministerial officers' co-operative credit. There are three societies with unlimited liability for mehtars, goalas and chamars, as well as three other ministerial officers' societies.

WORKING OF SOCIETIES.

The working capital of the purely agricultural societies is Rs. 2,37,000; and a membership of 5,292; the non-agricultural societies have a working capital of Rs. 1,33,000 and a

membership of 1,615. Hence nearly one-fourth of the members of the societies affiliated to this bank are non-agriculturists, and rather more than one-third of the working capital of all the affiliated societies is held by the non-agriculturists. The Bank lends to the societies at 12 per cent. and the societies lend to members at $18\frac{3}{4}$ per cent. Societies grant a rebate to the members who pay regularly. Wherever land is mortgaged to the societies on the system by which both capital and interest are extinguished by the usufruct of a term of years, the rate of interest is reduced to $12\frac{1}{2}$ per cent. The ordinary rate of interest for lending to members appears very high but the Banking Committee were assured that in villages, where there are no societies, the rate of interest is not less than $37\frac{1}{2}$ per cent. The ordinary mahajans in the area covered by the bank are Hindus of the trading class, locally known as Sahus, though a considerable amount of lending is carried by Kabulis, locally known as Moghals who charge even higher rates of interest. Some of the societies do mixed business, 14 societies have grain lending branches and one is a registered grain *gola* which raised its capital by donations in kind. The societies charge 25 per cent. on grain loans for eating purposes and 50 per cent. for seed loans. The grain loan is given out in June when the price of paddy is Rs. 3-8-0 per maund and repaid in January when the price is Rs. 2-8-0. The directors admitted that under these circumstances grain lending must be carried on at a loss. To the agricultural societies Rs. 1,95,000 is owing from their members, of which Rs. 58,000 are overdue arrears and the remainder loans not yet due. The average indebtedness of members of the societies is therefore Rs. 37 but it was stated that a number of members still have debts to outsiders. The arrears from members of the societies rose in 1928 by Rs. 8,000. Over finance is a cause of this rise but it is said that the crops were not good in portions of the area served by the Central Bank. Realization in the Chota Nagpur district is rendered somewhat difficult by the fact that land cannot be permanently alienated. It can only be mortgaged on a mortgage for the interest of which a usufruct is taken for a period of 5 years (known in Ranchi district as *zarpeshgi*) or if the usufruct extinguishes both interest and principal for 7 years to individuals and for 15 years to co-operative credit societies (known as *bhuga bandhu*). The agricultural societies have built up a reserve fund of Rs. 35,000 but they have only succeeded in attracting deposits from their members to the extent of Rs. 7,500. In the year 1928 and in the 5 years

from 1923 to 1927 it appears Rs. 63,532 and Rs. 1,00,637 respectively were advanced by the agricultural societies to their members for the following purposes:—

	1923-27.	1928.
	Rs.	Rs.
Cultivation expenses	2,234	3,841
Purchase of cattle	17,535	12,158
Rent	1,628	1,412
Land improvement	933	1,194
Digging wells		1,669
Trade	10,972	7,186
House repairs	1,273	700
Purchase of land	2,648	5,857
Maintenance	150	966
Payment of debts	47,515	25,176
Social ceremonies	497	1,932
Litigation	60	276
Other purposes	15,192	1,161
Total ...	1,00,637	63,532

The figure "purchase of land" requires explanation, since the raiyati right in land, strictly speaking, cannot be purchased. The sum, the Committee is informed, represents the fees payable to the superior landlord for taking up new land. The other noticeable point is the low amount for social ceremonies. The extent to which the objects for loans is locally tested by the honorary and paid staff of this Central Bank gives ground for the belief that these figures are probably not far from the truth. The inspecting clerk is present at meetings of the societies when loans are sanctioned. The manager inquires into 50 per cent. and the managing director into 35 per cent. of the cases. Nevertheless these interesting figures about the purpose of the loans are vitiated by the fact that loans taken to redeem debts incurred within the preceding 6 or 9 months for buying cattle and meeting other needs, are treated as loans for debt redemption. This explains why this item under that head is disproportionately high and other items are comparatively small.

Of the non-agricultural societies those for ministerial and other middle class members are fairly successful. Two *goala* (milkmen) societies and a society for the municipal sweepers are in a bad way, and the chamar society is not very flourishing. The Weavers' Co-operative Stores, Ltd., is in an extremely bad position. Some of its directors are also directors of the

Central Bank. This society has for its objects not only the supply of yarn and looms of improved patterns to the weavers, but also the sale of the finished product. It has done in the past and probably still could do good work on the first object, as well as on the general education of the rural weavers. But as a sale society it has been for some years a bad failure. It extended its business during and immediately after the War but a slump occurred when that stimulus was withdrawn and it now holds a considerable stock, which must be disposed of at a loss. In fact the excess of the society's liabilities over assets are such that some Rs. 40,000 must be raised to put it on its feet again. The plan is that Government will provide Rs. 10,000, the Co-operative movement in other parts of the province Rs. 10,000. Rs. 10,000 must be raised as further share capital and the Central Bank must write off Rs. 10,000 as a bad debt. It may be remarked that this society is responsible for Rs. 5,000, out of the total increase of Rs. 8,000 in the arrears between 1927 and 1928 due from members of non-agricultural societies. The weavers, whom the society has been formed to benefit, are not actually aboriginals of Ranchi district but have lived for many generations in the village among the aboriginals as well as in the non-aboriginal villages. The society may therefore be regarded as mainly one for the rural classes.

WORKING OF THE CENTRAL BANK.

The Central Bank itself had a working capital at the end of 1928 of Rs. 1,88,000 of which Rs. 20,000 is paid up share capital, Rs. 1,42,000 deposits of individuals and societies, reserve fund Rs. 5,500 undistributed profits Rs. 10,700 and the rest small items. The societies (mainly on savings bank account, or as reserve funds) held Rs. 28,000 of the deposit. Rs. 1,16,000 is held as deposits from individuals of which Rs. 84,000 is held on one year's notice and the remainder on shorter notice. It is a peculiarity of this bank that no deposit is accepted from anyone who is not a shareholder of the Central Bank. This gives certain degree of extra security to the bank specially as only 60 per cent. of the subscribed capital has been paid up. Against deposits of something like 1½ lakh, none of which have a longer period than one year, Rs. 1,54,000 is out on loans to the societies and a considerable amount of this is on loans for periods of 5, 10 or even 15 years. Though the present position of the Bank in this respect may be reasonably safe, it obviously could not be engaged in further long term business without the complete rearrangement of its present financial position. The

agricultural societies are now in arrears to the extent of Rs. 11,500 in their payments to the Central Bank, a sum which has increased by Rs. 1,000 in the course of 1928 and is about one half of the total of the loans given in that year. Non-agricultural societies are now in arrears of Rs. 5,000 but it is probable that their kists have been revised.

GENERAL REMARKS.

The working of this Central Bank and the village societies, as illustrated in the report of 1928, suggest the following comments. The Bank is entirely controlled by individual depositors, who are also necessarily share-holders. This is rendered possible by the fact that the Bank was registered before the last amendment of the Co-operative Societies Act, which requires equal representation of the individual share-holders and of the affiliated societies. It is no doubt somewhat difficult to secure suitable representatives from the rural societies though the Christian Central Bank appears to be able to do so. For the present the vast majority of rural societies' books are, in practice, kept by the inspecting clerks of the Central Bank, which indicates that the standard of business efficiency in the rural societies is much lower than it is elsewhere in the province. The Bank appears to devote a somewhat disproportionate amount both of the time of the honorary and paid workers and of the working capital of the Bank to non-agricultural societies, most of which are located in Ranchi town. These societies are not on the whole very successful and the Weavers' Stores Society in particular has seriously shaken the financial position of the Bank. This is very much what the Committee has already found in one of the two other Central Banks that have been inspected up to date.

The directors expressed their opinion that a system of licensed mahajans or registered mahajans would be practicable and would not endanger the co-operative movement. They also felt that cheap credit would not be misused. Land mortgage banks would be useful to zamindars and tenure-holders, but they felt that it would be easier to organize co-operative societies than start branches of a Land mortgage bank in Chota Nagpur where land cannot be sold for payment of debts.

**Note of a village enquiry held at Murho on
20th September 1929.**

PRESENT :

Mr. Hubback.

Mr. Batheja.

Mr. Hodge.

Rai Bahadur Jalan.

The Right Reverend the Bishop of Chota Nagpur, Rev. Mr. Hall, M. Abdus Samad Khan, Assistant Registrar of Co-operative Societies, and Babu Tara Prasanno Ghose were also present and assisted in the enquiry to a very considerable extent. The village is 27 miles from Ranchi on the Chaibassa road. Some 70 raiyats attended, of whom nearly all were Mundas and the enquiry was, thanks to the assistance of the Bishop, held very considerably in the Mundari language. Murho itself has a fairly considerable *hât* and has a lac factory. One of the mission stations of the S. P. G. Mission is situated there. The raiyats who attended came from a number of villages, within 2 or 3 miles.

LOANS FOR CULTIVATION.

The raiyats borrow for seed but not every year. Some raiyats borrow every year. They do not borrow as a rule for other cultivation expenses as they seldom employ hired labour. Except those who belong to the Co-operative Society they borrow from Moghals, of whom some have been settled in the village by the zamindars. Besides the Kabulis, there are Nagas, who lend money. They go round the village and come to Murho on *hât* days. These Nagas are in appearance Hindu religious men and are said to come from Saran district. The Mundas themselves give small loans to one another without interest, but they have not enough money to lend largely amongst themselves. If ever a Munda has a lot of money, he buries it. Very occasionally the Mundas lend on interest. The Nagas and Kabulis lend on such interest that they get 12 annas or Re. 1 on each rupee at the end of 6 months. There are a few Baniyas who sometimes lend money. They write down the

loan in a book, noting when it is to be paid and charge 3 to 4 per cent. per mensem. The Nagas and Kabulis realize their loans without going to the courts, forcibly seizing cattle or breaking into the house. The Kabulis also use the *lathi* for realization. The Baniyas sometimes go to court. No one actually present before the Committee admitted that they had taken a loan from the Kabulis or the Nagas, but they all agreed that other people took such loans for cultivation purposes. There is a little borrowing in kind from Telis, who live in villages but not in each and every village. The rate of paddy loans is ordinarily 50 per cent., but this year it was a 100 per cent. because the crops were bad. A number of raiyats have had to borrow for maintenance this year. The Telis advance money against interest in their books and take thumb impressions. The Kabulis and Nagas usually insist on sureties for the loan. One man who took a loan recently died and the Kabuli is trying to realize from his sureties. There is in Murho itself a co-operative society with 46 members. These get loans from the Khunti Central Bank through the society at $18\frac{3}{4}$ per cent.

LOANS FOR IMPROVEMENTS.

Since there has been a bank the members have taken some loans for improvements. Others go to the mahajans for this purpose. Those who do usually have to take a further loan from someone else. They take such loans in the hope of making enough out of the improvement to pay, but as a rule they do not do so. In the end in such cases some of the borrowers' land has to be made over in *zarpeshgi* usually to a non-aboriginal. A *zarpeshgi* means that the land is handed over to the creditor, who realizes his interest out of usufruct of it, but the capital is not written off. Mundas do not as a rule take lands from one another on *zarpeshgi* because there is so much fighting over it. Other raiyats, however, said that nearly every Munda in Murho has given some of his land in *zarpeshgi* and half of this amount has gone to other Mundas and half to non-aboriginals. A man who gives his land in *zarpeshgi* can get it back as soon as the loan is paid in full, but the *zarpeshgidar* usually keeps hold of the land until the end of the term, which is 5 years. The Kabulis and Nagas never try to get hold of the land. Only Telis do so. Many mortgage deeds are not registered.

The raiyats know that they can get money for improvement from the bank and recognise that it would be a great

advantage to borrow for this purpose but they are afraid that they would not be able to pay off the interest. One raiyat said that there was no scope for improvement in this part, but others dispute this and it appears that wells can be dug in many places and water running off the high land utilised by the means of *bandhs* to a greater extent than it is at present.

OTHER NEEDS.

A marriage among the Mundas costs about Rs. 100 for an ordinary man, but they do not borrow so long as they have food in the house for marriage feasts. A little is borrowed for school fees but not much.

LAND MORTGAGE BANK.

A land mortgage bank to clear off the existing loans might be of advantage. They can only pay one kist after the rice harvest but they could pay the interest and the capital if it was a long-term loan. One man present said, he had taken Rs. 200 from the Co-operative Society on a 10 years' term in order to redeem some land which was under *zarpushgi*. He gave his society the mortgage of the land.

WORKING OF THE CO-OPERATIVE SOCIETY.

The members say that the Co-operative Society has done a great deal of good. The people who are not members do not join because they do not know the benefits. Two or three of the members have completely released themselves from debt. If the rate of interest could be reduced more people would join. Some said that the old mission bank used to charge less interest than the Co-operative Society, i.e., Rs. 12-4-0 per cent.

MARKETING.

The raiyats sell their surplus paddy in the bazar. They do not sell to the mahajans. They sell to consumers and to women who husk paddy. The *beparis* buy rice and paddy in the bazar. The producers get cash and nobody ever takes an advance. The mahajans meet in the morning of the *hât* day and settle the prices. They suppressed one man who tried to break the ring. Until the price is fixed, no one will buy paddy. There is a *hât* about every 10 miles in this part of the country. In Murho one *hât* is managed by a Bania and another *hât* is managed by the Committee of Mundas. (It appears that this is a result of missionary influence.) As a

rule the raiyats cannot wait to get a better price after the harvest is in. It appears that in one village near Murho a society was started for selling rice but it failed. The reason of its failure is stated to be that some people became greedy and the others were swallowed up, and the moral was that the Mundas cannot manage this business. The raiyats said that they were not pleased about the mahajans fixing prices but what could they do, they cannot combine. It would be useless for them to have the Ranchi or Khunti prices put up in the bazar.

One of the local Banias, who was present, was examined. He does some trade in lac besides other business. The lac comes in twice a year in *Kartik* and in *Baisakh*. *Kartiki* lac has already been brought in though it is too early. This is due to the failure of the rice crops last year. It is bought for cash now but that of *Baisakh* is bought for rice. The local lac factory gives rupees to bazar agents, called *paikars* and the mahajans lend money for this purpose. These commission agents get from 8 annas to Re. 1 per maund. The *paikars* get only Rs. 99 for every Rs. 100 they take as advance from lac factories. This seems to be a survival from war times when a discount of Re. 1 was charged on currency notes of Rs. 100.

RICE TRADING.

Rice is usually brought into this part of Ranchi district from April to October. The Ranchi rate governs the Murho rate. The Banias borrow money in Ranchi at 9 per cent. from mahajans there. He does a fair amount of business as a shop-keeper and sells frequently on credit. In 20 years' experience he has never had to file a suit. He has had some bad debts but treats this as part of the ordinary course of business. The other Banias sometimes file suits.

FINANCE OF LOCAL MONEY-LENDING.

One of these Banias finances the Naga money-lenders and he thinks he lends to them at 12 per cent. A pleader of the Khunti bar who is a director of the Khunti Central Bank, finances the local Kabulis probably on the same terms.

SAVINGS, ETC.

The raiyats bury any savings they have got. They are mostly afraid to put them in the co-operative bank through their

society as deposit for fear someone would deceive them. They said they have very little savings. Some of them were persuaded by one of the missionaries to put a little in deposit in the Co-operative Bank. If they had cheaper credit they would not take larger loans. They only take loans when they really want to have the money.

INDEBTEDNESS.

Thirty-seven persons present stated their indebtedness and of those 15 are not in debt at all. The total amount of indebtedness is Rs. 3,598, of which Rs. 143 is paddy loan. This represent Rs. 98 per household. It is somewhat swelled by three cases of indebtedness of Rs. 700, Rs. 600 and Rs. 400 taken by the more enterprising members of those present, for commercial purposes which have not been altogether successful. Rs. 335 is secured by mortgages, besides Rs. 1,021 borrowed from the Central Bank, which is also secured. Rs. 909 has been borrowed for cultivation expenses or for maintenance. Rs. 200 has been borrowed for improvements and of the balance Rs. 1,485 has been borrowed for purposes for which some return has been gained and Rs. 984 for unremunerative purposes.

**Note of interview with traders and the Postmaster at Ranchi
on the 21st September 1929.**

P R E S E N T :

Mr. Hubback.

Mr. Batheja.

Mr. Hodge.

Rai Bahadur Jalan.

The following gentlemen attended and gave the Committee the benefit of their views :—

1. Rai Bahadur Thakur Das, distiller and lac manufacturer.
2. Mr. Puran Chandra Mukharji, the Postmaster of Ranchi.
3. Babu Ganga Prasad, indigenous banker, son of Babu Ganpat Rai, proprietor of the firm of Chuni Lal Ganpat Rai.
4. Babu Ratan Lal, banker and general merchant, proprietor of the firm of Ratan Lal Suraj Mal.

Rai Bahadur Thakur Das has a distillery in Mankati in Monghyr district and a lac factory at Ranchi. He buys his lac sometimes directly through his agents, sometimes through *raikars*, who go to the hâts in the various parts of Ranchi district and buy the lac on a commission basis. The commission varies from annas 8 to annas 12 per maund. The price of a maund of new lac is about Rs. 32 while that of a maund of dry lac varies from Rs. 60 to Rs. 70. There are about 100 hâts in the Ranchi district, where lac is sold and Rai Bahadur Thakur Das has about seven or eight agents in the chief centres to buy lac for him. He generally buys with a view to manufacture and does not sell to others. He sells the finished product, that is ordinarily shellac, through brokers in Calcutta. There are about 16 such brokers engaged in the lac trade in Calcutta and their functions are fairly comprehensive. They not only perform the ordinary work of brokers but they also finance the sellers by making advances against goods. They also undertake some risk by shouldering the burden of the fluctuations in prices. These risks are very great as it is well known that the price of shellac ranges between very wide limits. As soon as

the lac is railed to Calcutta the broker takes delivery of it, stores it in his own godown and makes advances to the consigning party. He undertakes to sell to the exporting firms in Calcutta at a fixed price and if in the meanwhile the price varies the risk is his. This lac business at most of its stages is financed by these brokers but the manufacturer requires accommodation from the local bankers, when they have to buy raw lac from the hâts. This accommodation is somewhat difficult to get, as highly speculative character of the lac business makes money lenders reluctant to advance to people engaged in it. Rai Bahadur Thakur Das confessed that lac merchants are generally speculators but there is also another reason which makes the local bankers, who are mostly Jains or Vaishnavites, reluctant to advance money to those engaged in the business. The process of lac manufacture involves the destruction of a large number of insects and orthodox Hindu bankers are unwilling to help in this process. Babu Ratan Chand, who is a Jain, said that it was against his religion to advance money for such a purpose. Babu Ganga Prasad, though not a Jain, has also a similar prejudice against the business but his main reason is that it is risky. The only lac manufacturer, to whom he advances money, is Rai Bahadur Thakur Das, either for friendship's sake or because he has, apart from his lac business, his distillery at Monghyr as a security. Rai Bahadur Thakur Das complained that he had to pay as much as 18 per cent. on the advances which he receives from the local bankers in spite of his substantial security. He said that no other merchant was getting this accommodation for less and that 18 per cent. was the minimum charge made by the bankers. He thought this high rate of interest to be a serious handicap to the prosperity of the industry, whose total value in Bihar alone was greater than the value of the entire coal business of India. Incidentally he made an interesting suggestion that the lac industry could be organized as a cottage industry. The chief difficulty of the industry according to him is the large portion of the profits which is taken away by the *paikars* who act as middlemen between the factory buyer and the village producer. They are also responsible for the adulteration which is very common in the lac industry. The equipment required for producing seed lac out of raw lac in the cottages consist only of a few implements and two stones, the cost of which is not very great. Thus, according to the Rai Bahadur, the industry can easily be carried on on a cottage basis and if the middlemen could be eliminated it would be a profitable supplementary industry for the rural areas besides supplying

a valuable manure from the refuse. Rai Bahadur Thakur Das promised to supply a paper developing these views of his in greater detail. Asked whether it was not open to the factories to eliminate the *paikars*, who were responsible for adulteration and thus give a fair price to the village producer, he said that the factories could not do so as it is too troublesome and expensive for them to buy direct from the hâts. The *paikars* in the present circumstances are performing an essential function, but the elimination can be brought about more easily by the villagers if they could be induced to take up lac manufacture as a cottage industry. The *paikars* receive short period advances from the lac manufacturers, which are returned immediately after the lac has been brought. The price of lac is not fixed by any previous arrangement between the buyers as the Committee was told in the Murho village but is settled as a result of competition amongst them and depends upon the rates prevailing in Calcutta. If the villagers do not get a fair price, that is because the middlemen, namely the *paikars*, intervene. The money for lac purchase is not remitted through the post office or any other remittance agency but is sent direct to the centres and distributed amongst the *paikars*. The Rai Bahadur does not fear that the Indian monopoly of shellac will ever be assailed by the invention of a cheaper synthetic lac. He manufactures four to five lakhs worth of lac every year. This calculation is made on the basis of the Calcutta price. He spends about $4\frac{1}{2}$ lakhs every year in buying raw material.

His own capital is not enough for financing his business. As a matter of fact none of the lac manufacturers depend on their own resources. All of them borrow from the Marwaris in Ranchi town on pronotes and hundis. The Ranchi business alone in lac is worth 70 to 80 lakhs a year. Pronotes on demand are drawn up in the following form :—

“ I promise to pay on demand to.....a sum of Rs.....with interest at the rate of.....for value received in cash.”

There are no brokers in Ranchi for putting through this kind of business but there are in other places. Though the pronote is legally payable on demand, in actual practise it is not so. There is a verbal agreement about the date of payment. The rate of interest charged by bankers in Ranchi varies from 9 and 24 per cent. but is seldom less than 12. The Rai Bahadur pays 18 per cent. and according to him no man engaged in the lac business pays less. Besides pronotes accommodation is also raised by drawing hundis on brokers in Calcutta in favour

of the local banker who advances the money temporarily. Hundis are of two kinds—darshani hundi and mudati hundi. The form of a darshani hundi is as follows:—

“Śri Sidh Calcutta Subhasthane sripati Bhai.....(payer or drawee) ke likhe Ranchi se (drawer) jai gopal. Age aj din apke upar hundi kiya kita ek rupea.....ankun.....ke nimaka duna pura dena ehan par rakhe (name of the payee) miti so pahunche dam sahjog rupeya chalan company thekana lagaya dam chaukas kar dena.”

Miti anū Sambath (Date and Year)

(On the reverse) name and address of the payer.

The sight hundi is transferable and it may go through the hands of a number of parties before it ultimately reaches the drawee. The hundi on reaching Calcutta is generally presented for acceptance by the party on whom it is drawn. The acceptance makes the party legally liable for payment. In Ranchi a discount of about annas 12 is paid for cashing every hundi of Rs. 100. The exchange rate between Ranchi and Calcutta fluctuates from day to day. It is sometimes at a premium because Ranchi, being an importing centre, has generally more payments to make than it has to receive. In any case the premium never exceeds annas 2 to annas 3 per cent. During the lac season however, the rate of exchange is at a discount of annas 12 per cent. This very high rate is paid, because firstly the demand for accommodation is concentrated in a very limited period and secondly this rate covers the payment for risk and interest for the period for which the bill remains unpaid in Calcutta. This period sometimes exceeds a week, so that the lac exporter, when he draws bill on Calcutta in favour of the local banker, puts himself really in funds for the period until his bill is paid. The banker therefore in charging annas 12 per cent. charges for remittance *plus* interest; and since in the lac season everybody is anxious to borrow for financing the purchase of raw lac, the rate naturally becomes high. The bankers who finance the lac merchants are sometimes so hard put to it to find the accommodation required that they have to import money from Calcutta, which is a somewhat costly operation. This explains why the very much cheaper agency of the post office is not utilized in getting payments from Calcutta for the lac delivered. The postal operation will take about six days while the merchants want the money immediately and for immediate payment it is thought worth while to pay annas 12 per cent. discount to the local financier.

There are two lac seasons of about three months each. During these seasons there is regular famine of money.

Incidentally Rai Bahadur Thakur Das and the bankers present explained the form of mudati hundis which are however rarely used as dealers do not wish to pay the stamp duty of annas 1-6 per hundred which is levied on them by Government. It is exactly the same as the darshani hundi except for this difference that in place of the words "so pahunche dam." the words "falane miti se itne din piche" are inserted. In this hundi acceptance makes no difference to the period of payment. Interest is taken in advance.

Rai Bahadur Thakur Das suggested that means should be devised for financing adequately the lucrative lac trade. He is always short of money, not because the security which he can offer is not sound but because there is not enough money in the local money market. Therefore he is compelled to pay a higher rate of interest. (Babu Ganga Ram did not seem to agree and said that the Rai Bahadur sometimes did not pay his bills in time.) According to him (Thakur Das) the bankers in Ranchi have not enough money to finance his business alone for even one month. He would welcome Government advancing money for this purpose.

Seth Ganga Prasad.—He is the son of Babu Ganpat Rai of the firm of Chunilal Ganpat Rai, which does considerable banking business in the town. He lends money against hundis and other forms of security whenever it is profitable to him. He also often cashes the cheques of Colonel Douglas, a gentleman engaged in the tea business, who has to pay coolies in his tea gardens in small change. For this he charges a commission of Re. 1 per cent. He collects small change from places as far as Daltonganj, Gumla and other places in Chota Nagpur and for importing this small change into Ranchi he incurs a certain amount of expense. His problem is just the opposite of that of Cuttack merchants, who being embarrassed with a superfluity of small change have to pay commission to the Imperial Bank for converting it into notes or rupees. Besides this business, he advances money on pronotes and occasionally on mortgages. He does not lend against ornaments. Sometimes he lends for a fairly long period, the period depending upon the credit of the borrowing party. His rate of interest for these advances varies from 9 to 16 per cent. He rarely goes to court for the recovery of his debts. He prefers to compromise with his clients rather than incur the trouble and expense of bringing law suits. In no case do the courts, according to his experience, allow more than 18 per cent. interest on debts; but the other incidental charges bring down the return obtained from a court decree even below

6 per cent. He sometimes cannot realize the decreed amount and has to forego the interest and in some cases even a portion of the principal. About 15 to 20 out of 100 decrees of his remain unrealized. He sometimes lends money to taxi drivers but in that case the taxi is transferred in his name by way of security. He does not need any additional money for expanding his business. He has enough capital of his own. He declined to give an idea of his business but it was gathered from other gentlemen present that it is worth about 10 lakhs. He has no intention of borrowing but he said that he, if he wanted, could borrow in Calcutta at the rate of Rs. 6-12-0 per cent.

Seth Ratan Lal.—He does import and export business both on commission as well as on an independent basis. He imports spices, sugar, oil, dhan, rice, tobacco and cloth. He also imports petrol as an agent of the Asiatic Petroleum Company. He exports gingelly, rice, dhan, imli, etc., mostly on the *arhat* or commission basis. When he imports from a commission agent he pays a commission of annas 8 to 12 per cent. Sometimes he does business directly through the agency of his own shop at Calcutta. He has various ways of remitting money to Calcutta, namely, by hundi, cheques, notes and by special messenger. His clients also adopt all these methods of sending money to him. He is an influential merchant and has general credit in various places and orders goods and pays for them in any way, which is most convenient to him. He has current accounts with two or three banks in Calcutta, including the Imperial Bank of India. It is his experience that the Imperial Bank rate and the Sharaffi rate for advancing money do not always agree. He said that while the bank rate at the time of speaking was 5 per cent. the Sharaffi rate was $3\frac{3}{4}$ per cent. Asked whether the starting of a branch of the Imperial Bank at Ranchi would do any good, Seth Ratan Lal said it would be convenient for remittance operations. Seth Ganga Prasad was, however, of opinion that it would not serve any useful purpose.

INTERVIEW WITH MR. PURAN CHANDRA MUKHARJI, THE POSTMASTER.

Mr. Puran Chandra Mukharji, the postmaster of Ranchi, has put in seven years' service in Chota Nagpur and in all 20 years' service in Bihar and Orissa. He was also postmaster for sometime at Cuttack. According to him, the difference between the people of Chota Nagpur and the people of Orissa is that the former are comparatively illiterate and therefore do not open many savings bank accounts. He explained the district postal organization. Below the head

office there are sub-post offices and under each sub-post office there are branch post offices, which are of two kinds departmental and extra-departmental. Extra-departmental post offices are not managed by a whole-time officer. The sub-offices can transact all kinds of postal business, for instance, savings bank deposits, sale of cash certificate, remittance by money order, etc. Only their accounts are made up and consolidated at the head offices. A branch office can receive deposits in savings bank account but it cannot pay out without sending a requisition to the sub-office, under which it is placed. This results in some delay in withdrawing deposits on the part of those who have got accounts with branch offices, but the postmaster assured the Committee that this delay is not serious as there is frequent postal communication between a sub-office and the branch offices. At the most the delay cannot exceed two days. There are 13 sub-offices in the Ranchi district and 43 in the Cuttack district. The reason why postal savings banks are not popular, according to the postmaster, is that the interest of $3\frac{1}{8}$ per cent. paid on such accounts is too low. The villagers can get much higher rate of interest by lending to each other. Vexation, delay or corruption is not the cause of their lack of popularity. The offices are frequently inspected by inspectors and corruption can easily be detected. In the Ranchi district, the Ranchi head office had Rs. 7,25,977 in savings bank deposits accounts in the year 1927-28 and Rs. 7,01,920 in the year 1928-29, on which Rs. 19,373 and Rs. 19,043 respectively, was paid as interest. The Ranchi head office has generally a surplus and withdrawals are generally less than deposits. The surplus amounts to about Rs. 40,000 to Rs. 50,000 a month. The Cuttack head office, on the other hand, has generally a deficit, as large sums of money are paid out in the shape of money orders sent by Oriya coolies working in Calcutta. The depositors at the post offices in the Ranchi district are generally educated employees, contractors, chaprassis etc. They generally belong to the middle class and are neither rich nor poor. No traders ever keep accounts with them. Christian Mundas and Christian Oraons have some accounts but non-Christian aboriginals have generally none. They generally prefer to bury their savings underground, if the reports of the postmaster's subordinates are to be believed. He has no personal knowledge of any example of burying but he has heard that aboriginals bury their savings in the Ranchi and Santal Parganas districts.

There is not much sale of cash certificates through his office. After the year 1923 when the price of a ten-rupee

cash certificate was reduced to Rs. 7-8 the cash certificates became popular. The price was raised to Rs. 7-12 in 1926 and to Rs. 8 in 1927. This has resulted in some loss of popularity. Their sale is reviving somewhat since orders were issued on 1st August 1929 reducing the price again to Rs. 7-12. The Ranchi head office has an annual surplus of about Rs. 1,20,000, while the Cuttack office has a deficit of about 4 lakhs. This surplus is placed at the disposal of the Accountant-General of Posts and Telegraphs.

**Note of a village enquiry held at Sosai on
23rd September 1929.**

PRESENT :

Mr. Hubback.

Mr. Batheja.

Sosai lies a little off the Ranchi-Lohardaga road 17 miles from Ranchi, and is not far from Mandar, where there is a police-station and Roman Catholic mission station. Father Bleses of that mission assisted with the enquiry, as well as Mr. D. M. Panna, Deputy Collector. The inhabitants of Sosai and neighbouring villages are mainly Oraons, but they speak Hindi with facility.

BORROWING.

Most raiyats borrow, but nobody borrows every year. About 3 per cent. of the households do not borrow at all. In a bad year like last year nearly every one had to borrow.

They borrow from Hindus of the Sunri caste living in a neighbouring village and also from some landlords. Kabulis do not come to this part at all. Nagas come sometimes, but Oraons do not borrow from them because of their *zulum*.

As a rule 100 per cent. is charged on paddy loans, though sometimes 75 per cent. or in a good year 50 per cent. In a very bad year the mahajans want some *urid* (pulse) or other crop besides twice the amount of paddy borrowed. For money loans the usual rate is 1 anna per rupee per mensem, but sometimes 2 annas is charged. The mahajans also take an extra 1 anna per rupee, when the debt is finally paid up. If the debtor does not pay up at the due date something is charged as penal interest. Oraons take land from one another on *zarpehgi*, giving loans. They also lend without interest to one another for a month or two, but charge 1 anna per rupee per mensem if the loan is not then repaid.

CATHOLIC CO-OPERATIVE SOCIETY.

The Catholic Co-operative Chota Nagpur Credit Society operates in this part of the district. It is a single co-operative society operating over the whole of Chota Nagpur, divided up into sections corresponding to the areas under the charge of the

grain, not required for this purpose, is stored in the house for future use. There have been very few deposits from this area in the Catholic Co-operative Society. There were some savings of labour corps men who went to France which were soon dissipated in next year's expenses, litigation or buying land.

LAND MORTGAGE BANK.

The raiyats said they would be glad to get rid of their debts, if they could do so by paying Rs. 15 every year for 10 years to clear off Rs. 100. They said at present they had to pay at least Rs. 30 every year in interest alone. They expressed themselves ready to let their lands be sold up, if they did not pay, as the lands were now liable to be sold for rent but very seldom were so sold. The kist for such payments should be one every year in April—June, so that they could pay by selling their surplus late after harvest or by their Calcutta earnings.

LANDLORDS.

A number of landlords attended the enquiry. These are tenure-holders under the Maharaja of Chota Nagpur, holding 7 or 8 villages, now mostly reduced to one, by litigation or other causes. They borrow from a Naga Mahanth at 4 to 6 per cent. per mensem on mortgage without possession. They would welcome a land mortgage bank with interest of 10 per cent. and could pay back by instalments spread over 20 years. One kist in July or August and another in December or January would suit them. They were all well provided with male heirs and so there was no fear of resumption by the Maharaja.

INDEBTEDNESS.

In Sosai itself the raiyats present (35 heads of householders) admitted debts to the amount of Rs. 3,696 or Rs. 106 on the average. Of this Rs. 267 was the money value of paddy debts, while Rs. 2,698 of the total debt was covered by mortgages. Rs. 930 was borrowed for seasonal needs, nothing for improvements, and only Rs. 50 for remunerative other needs, leaving Rs. 2,716 unremunerative debt. Five of the 35 raiyats were free from debt. From other villagers, within 6 miles of Sosai, 127 raiyats collected. Their debts came up to Rs. 20,414 including Rs. 833 in paddy, i.e., Rs. 161 on the average. Probably the higher average is due to the much higher interest payable by non-Catholics. Details of the objects of these loans were not taken, but it was ascertained that Rs. 10,838 was covered by mortgage. Twenty raiyats out of 127 were completely free from debt.

Note of interview with Mr. B. C. Roy, Contractor and Consulting Engineer, on 24th September 1929.

P R E S E N T :

Mr. Hubback.

Mr. Batheja.

Mr. B. C. Roy is a Public Works Department contractor and consulting engineer and carries on his business under the name of B. C. Roy & Co. He also does some banking business and lends money to contractors and other persons. He is a Bengali of Dacca and was at one time an officer in the Bihar and Orissa Public Works Department. He takes up contracts mostly of buildings for the Public Works Department and the Indian Lac Research Institute. He is also selling hardware and coal-tar, the latter as an agent of the Bengal Iron Company. He generally pays 2 per cent. earnest money before taking up a contract. The Public Works Department rule is to take earnest money varying from 1 to 10 per cent. of the value of the contract depending upon the position and reputation of the contractor. As the contract is being carried out, on account bills are made out but are not paid in full. Generally 5 per cent. of the amount is held back. In the case of urgent work which is to be finished quickly Mr. Roy has to provide about 30 per cent. of the total value of the contract for meeting the expenses of his business. For non-urgent work about 10 to 15 per cent. suffices if on account bills are paid monthly.

Mr. Roy finances his business with his own capital. Not only does he not borrow from others, but he advances loans to other contractors. He also does remittance business by giving cheques on the Calcutta branch of the Imperial Bank of India, with which he has a current account; to people in Ranchi who need them for remitting money to Calcutta. For this he charges 2 annas to 3 annas per cent. He keeps his current accounts in Calcutta for unforeseen emergencies of his business. He lends money to other contractors on rates varying from 18 to 24 per cent. He does not borrow, but if he wants to borrow, he could easily raise money against house property up to 75 per cent. of its value and he would have to pay 12 per cent. for it. Interest

would be lower if the margin is greater. In his earlier days he used to raise money from banks in Calcutta at 12 per cent. after satisfying them that he had taken up a Government contract. A bank thus can finance contractors who are in need of money but arrangements have to be made with the Executive Engineer giving out the contract, that bills on account are to be paid direct to the bank in satisfaction of its claim. This is done in Calcutta in the case of special works when the Executive Engineer is interested in the completion of a work by a particular contractor to the extent of securing for him financial facilities by entering into such an arrangement with the bank. It will be interesting for the committee to enquire whether similar facilities cannot be provided for contractors by the Public Works Department in Bihar and Orissa.

Mr. Roy finds great difficulty in realising his advances to contractors. He does not go to court, as it is troublesome and expensive, but tries to arrive at a compromise by reducing the rate of interest or giving other facilities to his debtors.

He sells coal-tar at his own risk. He is not the commission agent of the suppliers—the Bengal Iron Company. He imports hardware, generally from the Tata Iron and Steel Company, and sells it on his own account. He does not remit money direct for his imports, but the Chota Nagpur Banking Association collects the bills drawn on him in the course of business. Most of the merchants in Ranchi are in need of money and they are unable to take delivery of their goods at the railway station because of their inability to find the necessary finance. They therefore pay heavy demurrage charges to the railway, which, according to Mr. Roy, amount to about Rs. 1,500 to Rs. 1,600 per month. Mr. Roy has an idea of starting a godown near the railway station, where goods could be stored for the period until the consignees can find the necessary money, and meanwhile advancing loans against railway receipts. Mr. Roy expects that this business would be lucrative.

Mr. Roy confirmed the impression which the committee had derived from other traders, that there is a regular famine of money in the Ranchi district, twice a year, when lac is being exported from the Ranchi district. Each season lasts about 2 months, May to June and October to November, and during these months the general rate of interest varies from 36 to 48 per cent. This rate is, however, paid for short periods only, as the time for which accommodation is required does not exceed 5 to 15 days.

The total contract business of Mr. Roy is worth about 2 lakhs a year. In the Ranchi district, the Public Works Department gives out contracts worth about 8 to 9 lakhs a year, the district board about 3 lakhs a year and the municipality 1 lakh a year, so that the total contract business of the Ranchi district is about 15 lakhs a year. There is obviously a great need for some suitable agency to finance this business.

**Note of a village enquiry held at Munrhu on the
25th September 1929.**

PRESENT :

Mr. Hubback.

Mr. Batheja.

Munrhu is about 15 miles south-west of Ranchi, a little way off the Ranchi-Karra road. The raiyats of the village and of neighbouring villages are mainly Mundas, but speak Hindi fairly well. There is a church of the Catholic mission, but it is not the headquarters of the missionary, Father Grignard, who lives at Karra. Father Grignard and Mr. Panna assisted at the enquiry.

BORROWING.

Four or five households out of 64 do not borrow at all. The Mundas borrow from one another without interest up to 2 or 3 months. Thereafter 50 per cent. is taken on paddy loans and 1 per cent. per mensem on money loans. These are all small loans. They borrow for larger amounts from Sahus in Lodna village, a mile or two away, where the bazar is. They usually borrow between June and August and repay between December and February. If this is done for each rupee Rs. 1-8-0 is paid back, but if the debt is left over for the next December-February Rs. 2-4-0 must be paid. The Sahus do not oppress their debtors, but go to Court if they cannot realize otherwise. Nagas and Moghals come to these villages, and Munda raiyats borrow from Moghals sometimes, when they can no longer get money from the Sahus. The interest runs up to 100 or even 150 per cent. per annum. One man said he took Rs. 12 from a Moghal at 0-1-3 on the rupee per mensem. In three years the debt has grown to Rs. 40 although he has paid back Rs. 12. Another took Rs. 20 four years ago, and has paid Rs. 10 or Rs. 12 after each harvest, but now owes Rs. 70.

THE CATHOLIC CO-OPERATIVE SOCIETY.

Father Grignard managed this until a few years ago. It is registered as a single society, but is in effect 500 primary societies with 16,000 members. Technically there is joint unlimited liability for the whole 16,000 members, but actually the liability is restricted to the members living in the same village. If any member fails to pay up his dues, loans are stopped for all members living in the same village. They usually pay up for the defaulter and realize the sum from him later on.

The society works entirely on its own capital and has never had to borrow from the Provincial Bank. It raised capital in the first instance by a levy of Rs. 3-8-0 from every Catholic household, of which Rs. 3 is treated as share capital. It was agreed that there should be no interest on this for eight years from the inception of the society in 1909. Thereafter 6 per cent. per annum interest is given, but in fact this is all paid into funds for village schools and studentships for promising boys. Another source of capital was deposits collected in Belgium on which $4\frac{1}{2}$ per cent. was paid. This, however, was entirely repaid at the beginning of the War. Only about one-half of the members actually take loans. Apart from credit business the society attempted to run stores, but these failed. They, however, enabled some aboriginals to learn the principles of store-keeping and some of them are now running private business with success. The rate of interest paid to the society by members for loans is $9\frac{3}{8}$ per cent. per annum, whereas in the Ranchi Central Bank the rate used to be $15\frac{5}{8}$ per cent. and has recently been raised to $18\frac{3}{4}$ per cent. Loans for less than Rs. 20 are merely entered in the mahajan's books. *Zarpeshgi* is usually taken if the loan is for Rs. 50 or more. As a rule the land is given back to the borrower on half produce. There is some borrowing for paying rent, which is Rs. 3 per acre for paddy land. A marriage costs Rs. 150 for an ordinary raiyat and a burial Rs. 40. Seventy per cent. of the raiyats have to borrow for a marriage.

MARKETING.

There is practically no selling of paddy, just enough to get cash to pay the rent and to buy a few necessaries and petty luxuries. Lac is collected and sold in the local bazars, usually direct to the agents of the lac factories. The *paikars* do not often come to this part for buying lac. There is, however, some competition between buyers. No advances are given.

Mahua is mostly collected for eating, not for sale. There is no great sale for it, now that the outstill system has been stopped and all country liquor manufactured at the Ranchi distillery.

IMPROVEMENTS.

A little conversion of jungle or upland into paddy fields is being done. For this loans are taken, if the raiyat's family cannot supply enough labour. Wells for drinking water are made, costing Rs. 250 to Rs. 300 each. No irrigation wells have been made.

SAVINGS.

Savings are usually invested in land. One man went to Ranchi and put money in a bank. In a good year 10 to 12 households out of 64 have savings. A few people still bury their savings. The members of the Catholic Co-operative Society, 29 in all, have Rs. 84 in original shares and Rs. 35 in subsequent deposits, or about Rs. 4 each.

INDEBTEDNESS.

In village Munrhu itself 41 raiyats had stated their indebtedness before the enquiry. These owed Rs. 4,435 in all, or an average of Rs. 108. Of this Rs. 4,095 is owed to the Sahu mahajans and Rs. 440 to the Catholic society. Several members of that society owe considerable sums to the mahajans. Six raiyats out of the 41 are free from debt. Fifty-one raiyats of other villages gave details of their debts during the enquiry. These owed Rs. 15,116, an average of Rs. 296. All but Rs. 60 is money debt. The total is swelled by one debt of Rs. 3,000, one of Rs. 2,000 and two of Rs. 1,000, but even without these the average incidence is Rs. 173, a marked contrast to the debt of Munrhu, where a good proportion of the raiyats belong to the Catholic society. The great bulk of this debt is secured by mortgage, Rs. 10,359 being covered by mortgage with outsiders, while Rs. 3,233 is borrowed from the Ranchi Central Bank, involving a lien on the land. Thus only Rs. 1,523 or barely 10 per cent. is unsecured. The results of the enquiry certainly suggest that the high rate of interest is largely responsible for the heavy indebtedness and that it would be of little use to clear off existing debts, unless arrangements for granting necessary loans on easier terms could be made simultaneously. It appears that about 20 years ago after the conclusion of the last survey and settlement operations Government

arranged for the repayment of debts in this area. Three men appeared at the enquiry, who said their fathers had been thus relieved of debt. Two of them are now in debt again to a small extent and have given their land in *zarpehgi*. The other is free from debt. The raiyats expressed themselves against a land mortgage bank if it meant that their lands could be sold up, if they did not pay their kists regularly. Otherwise they were in favour and wanted 10 to 20 years for repayment. A kist in January was proposed, while a few thought a second kist in May would be a good thing. It was suggested that land of defaulters could be managed by the Encumbered Estates staff.

Father Grignard was of opinion that long-term loans would spoil the villagers. They will not admit, but if given loans on easy terms, they would use them to some extent for drinking. He thought that if they did not drink they would have enough to get on.

**Note of a village enquiry held at Ramgarh on
27th September 1929.**

PRESENT:

Mr. Hubback.

Mr. Batheja.

Ramgarh is 28 miles north of Ranchi, on the Hazaribagh road, and is in the Hazaribagh district. The population is fixed, though in one neighbouring village a large proportion of Mundas is found. Ramgarh itself has a fairly considerable bazar, while the new coalfields of the Karanpura valley, to which railway connections have recently been opened, lie within a few miles. Mr. Tuckey, the Deputy Commissioner of Hazaribagh, assisted at the enquiry as well as the circle officer and tahsildar of the Ramgarh Court of Wards Estate.

Nearly every raiyat has to borrow every year for cultivation expenses and maintenance. Even those who work in the local mines or on the railway have to take loans. Generally money is borrowed but sometimes paddy. The principal mahajans are Muslims coming from Gaya district. They are called *Saudagars* (merchants) and live at Ramgarh but go back to Rafiaganj in Gaya district every year. They come to Ramgarh to lend money during June-July and again to collect from January to April. The loans are usually for 9 or 10 months. The rate of interest for money loans is ordinarily anna per rupee per mensem. Kabulis, who come occasionally, charge 2 annas per rupee or even 3 annas and take one month's interest in advance. People only go to the Kabulis as a last resort. The Kabulis do not come to sell cloth as well. Paddy borrowed either from other raiyats or from a local zamindar, or eating paddy 50 per cent. is charged, and for seed paddy 30 per cent. Only the poorer people habitually borrow seed paddy. There is a co-operative society in Ramgarh of 15 members. Loans are given at interest of 18 $\frac{3}{4}$ per cent. The members are heavily in arrears owing to failure of crops.

Loans up to Rs. 20 are merely entered in the mahajans' books. Above Rs. 20 a hand note is taken but there is no definite limit above which a mortgage of land is required, and is usually mortgaged in *bhugat bandhu* for 7 years, and on plain usufructuary mortgage (called here *rahan*, not

zarpeshgi as in Ranchi). If a loan on *rahan* is not paid off after 5 years, the *rahan* is renewed. The Registration office ordinarily does not decline to register the renewal.

The Gaya mahajans do not put down false entries in their accounts. The raiyats can usually pay off ordinary loans after 9 or 10 months. If they do not 25 per cent. is added and the next year compound interest is taken on that addition.

IMPROVEMENTS.

The chief forms of improvement here are:—

- (1) Stopping up a stream in a valley and turning the bed of the valley into a succession of paddy fields.
- (2) Carving out new terraced paddy fields from the upland, which surrounds the paddy area.

The former is expensive, the latter not. Mr. Tuckey explained that there was some difficulty in granting loans under the Land Improvement Loans Act in this area because all members of a joint family did not apply, and an undivided share of a joint holding was not good security. There is a little borrowing from mahajans for improvement, old land being mortgaged either in *bhugat bandhu* or *rahan*. Mahajans will not lend against new lands. If a loan is not repaid within 5 or 7 years, a fresh *patta* is taken. Government can sell up a man for default in payment of *takari* or land improvement loans. The Co-operative Society and the mahajans cannot. Mahajans will give Rs. 250 to Rs. 300 on *rahan* for 1st class paddy land. Rs. 50 an acre is reckoned as the annual profit for such land. The mahajan usually sublets on half produce to the raiyat who borrows. Third class paddy land is reckoned to give an annual profit of Rs. 10 an acre.

OTHER BORROWING.

This is mostly for social ceremonies. Mundas spend Rs. 50 to Rs. 100 in cash on a marriage, besides other expenses in kind.

MARKETING.

Though paddy is the main crop, it is not generally sold as there is no great surplus. The rent is paid on the proceeds of the upland crop or by selling goats or *mahua* flowers. Lac proceeds usually go to provide food after the rice harvest is exhausted. It is important here. A local man, who called himself a *paikar*, said he borrowed money in Ranchi or Jhalda

at 1 per cent. per mensem to buy lac, and also paid Re. 0-12-6 commission on every Rs. 100 worth of his lac that they sold to brokers in Ranchi or Jhalda. Another man said he sometimes paid as much as one pice per rupee a day for finance. He buys from raiyats and sells to lac manufacturers, whose agents come round to buy. Sometimes he takes the lac in by cart to Ranchi to sell there. He occasionally advances money to raiyats, who promise to sell him lac the next week, but they are not bound to do so. He does not often send lac by rail because it melts on the way. Some raiyats take out the stick by hand pounding and sell the lac themselves after extraction. *Mahua* is largely used as food for men and beasts. What is sold all goes to the Ranchi distillery. The proprietor sends out money to Ramgarh to buy *mahua*.

SHOPKEEPERS.

Some of the Ramgarh shopkeepers gave evidence. Their business was general, but cloth predominated. They buy from Ranchi merchants on credit with a running account, on which debit balances carry 1 per cent. per mensem interest. They send in money to reduce the balance as they sell their stock, selling only to *beparis*, who retail in the bazar and villages. They buy *hundis* from two contractors at the collieries, a Punjabi and a Kutchi, who draw *hundis* on Calcutta and sell them at par. These *hundis* are also negotiable in Ranchi. When these are not available several shopkeepers collect currency notes and send them by registered insured post. They sell to the *beparis* on credit for 1½ to 2 months without interest. The *beparis* are mostly outsiders. They do not do any export business. The lac business is too risky for them. They do not trade on their own capital but on capital borrowed at 1 per cent. or 1½ per cent. a month. They get payment from their customers, about 60 per cent. cash, about 30 per cent. payment at the end of the period of credit and about 10 per cent. realised through court process.

MONEY-LENDERS.

A few *saudagars* also appeared. They said that they had been doing business in Ramgarh for two or three generations. They confirmed the account given by the raiyats of their terms or their loans are as low as 2 annas and never exceed 30 to 40 rupees. They do not take any document below Rs. 20. They collect a good deal of their debts by house-to-house visitations. They give fresh loans even if the debtor has failed to

pay up his previous loan. The raiyats here usually pay up if they are able. They themselves borrow money for their working capital from rural mahajans in Gaya paying $1\frac{1}{2}$ to 2 per cent. per mensem for this money.

INDEBTEDNESS.

The tahsildar had already collected figures for Ramgarh, Nausarai and *Pochu* villages. For Ramgarh 273 persons reported their debts which came to Rs. 7,802 in all, an average of Rs. 28. This very low average is no doubt due to the presence of a number of well-to-do shopkeepers, etc. But individual indebtedness is also low. No less than 182 persons out of 273 have no debt. Rs. 3,666 has been borrowed from village mahajans, Rs. 1,689 from the co-operative society and Rs. 2,447 from other creditors, largely friendly loans without interest. Nausarai is in much the same case. Forty persons showing an indebtedness of Rs. 1,350, an average of Rs. 34. Of this Rs. 500 is land improvement loans from Government, Rs. 605 borrowed from village mahajans and Rs. 245 from other creditors. Nine persons out of 40 are free from debt. Pochra, where many of the inhabitants are Mundas, shows indebtedness of Rs. 3,461 among 77 persons, an average of Rs. 45. Rs. 2,938 is due to the village mahajans and Rs. 473 to other creditors. Only three persons are wholly free from debt.

Fourteen men from Rohta village came to the enquiry and their indebtedness was recorded at Rs. 671, an average of Rs. 48. One was free from debt. Rs. 340 of the debt was covered by mortgage. These figures confirm one another and indicate that indebtedness in this area is markedly lower than in the villages of Ranchi district. It is probable that the opening of the railway and the coalfields has a good deal to do with this. Wages in the neighbourhood have increased considerably as a result of these developments but there are no savings as a result since most of the increase has disappeared in drink and improving the standard of living.

**Note of a village enquiry held at Gargaon and Bero on
3rd October 1929.**

PRESENT :

Mr. Hubback.

Mr. Batheja.

The Revd. Mr. Lakra, president of the Chota Nagpur Improvement Society and Rai Sahib Bandi Ram Oraon assisted at the enquiry.

Gargaon was visited first, a village 17 miles west of Ranchi. The inhabitants are about half Oraons and half Biharis with a few Muslims. About one-quarter of the population are traders having no land. In such households some members are traders (beparis) and some work as labourers. About half the households borrow every year. The principal money-lenders are Sahus of the village, but there is some borrowing from Nagas, who come from Palamau district, and from Chik Baraiks of Ranchi district. The Nagas do not dress like Sunyasis here. Kabulis do not come, but some people borrow from them in Ranchi or at Bero, the thana headquarters 4 miles away.

There is a co-operative society in the village, mainly of Muslims, with some members from among the Rajputs, Telis and Banias. No Oraons belong to this society. The members of the society did not know in what class the society had been placed at last audit. The accounts are kept by a honorary worker, who lives at Itki about 3 miles away. The village is a centre of work for the Chota Nagpur Improvement Society, which has in places started a voluntary fund for village improvement including loans at low rates of interest. But no such fund has as yet been started here.

Paddy loans are usually given at 50 per cent interest; money loans at one anna per rupee a month. Paddy loans go up to 100 per cent. interest in bad years, and money loans when urgently required, as for example for a railway fare to Calcutta, may bear interest of two or even four annas per rupee a month. These are usually paid back in 2 or 3 months, but 3 months' interest is usually charged, even if the money is paid back after 15 days. There is a special system called *Charra* by which for a loan of Rs. 5 the principal plus five *rats* of paddy, worth Rs. 10, has to be paid back at harvest time.

Small loans are merely entered in the mahajans' books, but handnotes are occasionally taken even for loans of Rs. 5.

The period of the loan is stated in the handnote and full interest for that period has to be paid, even if the loan is repaid earlier. Zarpeshgi leases are sometimes required even for loans of Rs. 20 but generally a higher limit prevails. The deed is renewed after five years if the principal is not repaid. A small amount of land in the village has been transferred to the mahajan by concealed sale. The money-lenders act fairly as a rule, but there has been one case of a larger debt being entered in a zarpeshgi deed than was actually given.

There has recently been one case of sale for arrears of rent. The land was sold up, while the tenant was in Calcutta. The Sahu mahajans cultivate the land that they have got hold of by means of servants.

There has been a little conversion of the lower up-lands into third class paddy land, as well as a little improvement by putting up embankments across small streams. The first kind of improvement was stated to require very little borrowing but some raiyats dissented from this view.

The borrowing arrangements for improvements as well as for occasional needs such as social ceremonies do not differ from those for seasonal needs.

The village took some takavi in 1919, most people getting Rs. 5 or Rs. 10. They had one to three years for repayment. There was no complaint about its distribution or recovery.

The raiyats think they would not suffer from cheaper credit, but they were not in favour of co-operative societies with unlimited liability in which the members are drawn from all classes. The Rai Sahib said that pure Oraon societies work better than mixed societies consisting of all classes. In the existing society several members have paid off a good deal of debt. They get loans from the Ranchi Central Bank in three or four days after application. For three months the society neither borrows from the Central Bank nor lends to its members. Some of the members still borrow from the mahajans as the co-operative society has not enough money.

MARKETING.

The raiyats sell paddy, *urid* and other crops occasionally but only when they have real need of money; otherwise surplus crops are stored in the houses. It was generally held that there is a certain amount of trickery among purchasers, e.g., by manipulating scales, (called *danaimar*) and using

special measures. There were also complaints of forced sales at low prices from people on their way to the bazar. The police do not help much in such cases. The raiyats are not compelled to sell to a mahajan who has lent them money. Oraons cannot successfully engage in mahajani business as Oraons do not know how to carry on litigation for recovering debts. For this reason Oraons do not pay their debts to Oraons. A committee made up of both buyers and sellers to look after the markets would be a good thing.

INDEBTEDNESS.

Debt statements were taken from 48 persons who gave a total debt of Rs. 7,634, only Rs. 83 of which was paddy loan. The average is Rs. 159 per household. No less than Rs. 6,018 is secured debt, including Rs. 565 owed to the co-operative society. Eight households were wholly free from debt.

The Committee moved on to Bero, about 4 miles further west and met the raiyats of Ghaghra, Karanji and Bero villages. They said that seven out of eight households borrow every year to raise their crop. Only a man with 12 to 16 acres of paddy land plus the upland that goes with it could raise his crop without borrowing. The rate of rent is about Rs. 2-8-0 per acre of paddy land, which carries some upland with it. Ghaghra raiyats borrow from Muslims, who live in the village. They came there forty years or more ago. Bero and Karanji raiyats borrow from local Sahus. Kabulis come to sell cloth and to lend money. Nagas and Chik Baraiks also lend money. Paddy is usually lent on 50 per cent. interest at harvest; money on one anna to two annas per rupee a month. The *Charra* system here usually means repayment of the capital plus half a maund of paddy for each rupee lent. Loans are taken between April and June and repaid between December and February. Loans of Rs. 10 require handnotes, and sometimes even loans of Rs. 5. A registered bond or a zarpushgi is taken for loans of Rs. 50 or more. From three to five years is the period given for registered bond. Sureties are seldom required. Sureties do not as a rule pay up on default of the principal. Compound interest is not charged during the currency of the loan, but if a new bond is taken then the outstanding interest is added to the principal and interest is then charged on the total.

There are some improvements in Karanji and Ghaghra, but none in Bero. Loans are taken for these. A neighbouring village, Jamtoli, has taken an improvement loan from Government. There is a good opportunity for such a loan to repair an embankment in Ghaghra. The raiyats do not always have to

borrow for social ceremonies. The ordinary Hindu spends Rs. 400 to Rs. 500 on a marriage. Oraons spend about Rs. 100, but Mundas a little more. For loans taken for marriages, repayment by instalments is sometimes arranged.

From these three villages 29 persons stated their indebtedness which amounted to Rs. 2,206 including Rs. 112 paddy loan. This gives an average of Rs. 76. Six persons were wholly free from debt. Rs. 1,674 is secured, including Rs. 481 borrowed from a co-operative society. In Karanji one man stated that he had paid Rs. 100 to the Zamindar for land, which he had got by concealed sale from another raiyat for Rs. 55. Another had to pay Rs. 50 as *salami* to the Zamindar to retain possession of land, which belonged to his father-in-law who died without male heirs. About 46 per cent. of the debt is for seasonal needs, 24 per cent. for remunerative occasional expenditure, and 30 per cent. for unremunerative expenditure.

**Note of interview with lac manufacturers at Jhalda on the
4th October 1929.**

PRESENT :

Mr. Hubback.

Mr. Batheja.

Rai Bahadur Charu Chandra Mukherji, Deputy Commissioner of Manbhum and Mr. C. N. De, Subdivisional Officer of Purulia, were also present and assisted the Sub-Committee in its enquiry. The former had made excellent arrangements in advance and had collected the leading representatives of the lac industries at Jhalda, which facilitated very much its work.

The following gentlemen attended to discuss:—

- (1) Mr. Arakiel, Manager of A. M. Aratoon's lac factory.
- (2) Mr. G. C. Devthian, Manager of Messrs. M. C. Gregory, lac manufacturers.
- (3) Mr. H. J. Apcar, Managing partner of Messrs. H. J. Apcar, lac manufacturers.
- (4) Rai Bahadur Udhav Chandra Singh, Zamindar of Jhalda, known locally as the Raja of Jhalda.
- (5) Babu Uma Charan Paul, Manager of Messrs. Mahadeo Prasad, Kashi Prasad, lac manufacturers.
- (6) Mr. Narendra Nath Chaudhry, Municipal Chairman and honorary magistrate of Jhalda and contractor.

The first three gentlemen are Armenians and represent Armenian enterprise in the lac industry. Mr. Aratoon has the largest lac factory in Jhalda. He has another at Murho and he is generally regarded as the leading lac manufacturer in Chota Nagpur. This firm not only buys raw lac and manufactures it into shellac but ships the manufactured product direct to London and New York from Calcutta.

The lac industry is carried on in Jhalda and its neighbourhood by three classes of persons :—(i) the large manufacturers like Messrs. Aratoon & Co. and other big firms who generally have their own offices in Calcutta, (ii) proprietors of small size factories who have no such connection in Calcutta, and (iii) small manufacturers, who carry on the industry only during the season on a cottage basis. The last class engage in this business only for a short period of the year when there are prospects of profit in it. When the price of shellac in the Calcutta market is high in a particular year nearly every cottage is converted into a factory. This is rendered possible by the fact that the lac industry requires very few implements and the process of converting raw lac into shellac does not require more than a fortnight; so that all that the temporary manufacturer, who wishes to take advantage of the high price in a particular year, has to do, is to bring the simple implements required to his cottage and encroach upon the road and additional space is necessary. The large scale concerns are seriously handicapped by this irregular and fitful competition on the part of cottage workers as they have to keep their establishment year in and year out and have to pay for the specialised equipment and machinery. They can only hope to withstand this competition by better business organisation, improved technique and better trade connections. Their difficulties are the same as those of a regular line of steamers competing with tramps on the high seas. These peculiar conditions of the industry have an important bearing on the question of its finance. It is well known that the price of shellac fluctuates within very wide limits and the industry is consequently exposed to great risk and uncertainty. A favourable season, which itself depends upon the uncertainty of the weather, is liable to be spoiled by the activities of the interloping manufacturers. The price of shellac varies from Rs. 15 to Rs. 90 per maund at the present day. During war-time it went up to Rs. 200 or Rs. 225. The present price is Rs. 50. Within the last two or three days the price has fallen by Rs. 10. The industry has been in a depressed condition for the last three years and in this year business is particularly slack. These extensive fluctuations in prices are due largely to fluctuations in supply. Forward selling does not tend to stabilise prices but on the other hand accentuates the fluctuations. The Calcutta shellac market is a highly speculative market and influences in turn the London and New York markets.

The fluctuations in the supply of lac depend upon the character of the crop. Sometimes on account of the vicissitudes of the weather the lac insects are destroyed and the cultivators are put to some difficulty in providing new broods for the next season. There are two kinds of lac insects and there are two seasons for each of them so that there are in all four crops. The two kinds of insects are known as *Kusum Jaithwa* and *Kartiki Baisakhi*. The *Kartiki* lac is inoculated in June and is harvested from October to January. The *Baisakhi* lac is inoculated in November or December and harvested from April to June. The *Kusumi* lac is inoculated in February and harvested from June to July. The *Jaithwa* lac is inoculated in July and harvested from October to November. The winter crops, that is the *Baisakhi* and *Kusumi* are better than the *Kartiki* and the *Jaithwa* crops, as regards the quality of lac obtained and fetch Rs. 2 more per maund. The brood obtained from each kind of insect in one season is utilised for the next and if the crop fails the brood ceases to be available for the next season and cultivators have to import it from places outside where the crop has been better. It is on these occasions that the lac cultivators' need for finance arises. They borrow money for about six months at 25 per cent. from the village *mahajan* or zamindar for this purpose. The lac manufacturers suggested that some means should be devised for financing the purchase of broods, when the lac crop in a particular season fails. No *takari* loans have been granted so far and it is a question for consideration whether this should not be done as in the case of failure of other crops. The Legal Remembrancer has been asked to advise whether there is any legal bar to the issue of loans under the Agriculturists' Loans Act for this purpose.

The cultivators sell their crop to *beparis* called *paikars* in the village *hâts*. In Ranchi district these *paikars* seem to work on a commission basis, but in Jhalda and other areas the manufacturers informed the Sub-Committee that they work independently. They undertake the risk of the business and are not merely commission agents on behalf of the factories. They however do not store their goods themselves with a view to sell at a favourable price. They sell through *arhatias*, who also supply financial and storage facilities until the goods are sold. These *arhatias* are mostly Marwaris, worth about Rs. 2 to Rs. 3 lakhs, and they charge a combined commission of Re. 1 per maund for their storage and selling services. Those who require money until their goods are sold receive up to 75 per

cent. of their value. Interest is charged for these advances at 12 to 24 per cent. The Jhalda rates of interest are lower than the Ranchi rates because the Jhalda people are more well-to-do and have also their own capital. The factories purchase the *paikar's* goods stored with the *arhatias* through the medium of brokers to whom they pay 1 anna per maund plus the *chalisa* by way of commission. The *chalisa* is a technical word for the value of 2 to 3 chitaks of lac which is paid for maund sold through the brokers. Formerly it was a rough and ready method of paying commission in kind to the brokers and perhaps amounted to 1/40th of a maund per maund, but with increasing competition and the growth of business amongst the brokers the "kind" rate has been reduced to 2 or 3 chitaks per maund, while the same name *chalisa* has been retained.

After raw lac has been manufactured into shellac it is exported to Calcutta. Most of the leading manufacturers, having their own offices there, do not require a commission agent to sell their goods; but the middle class and small scale manufacturers sell through brokers in Calcutta. These brokers do not undertake any risk, as the Committee was told in the examination of Rai Bahadur Thakur Das at Ranchi. They perform practically the same functions as the *arhatias* do in the mufassal centres. They store and sell the goods of their clients and charge a commission of one per cent. for this service. Generally they do not buy outright and do not take any risk but they finance the manufacturers against railway receipts up to 75 per cent. of the value of their consignments. They charge interest at the rate of 9 per cent. for this accommodation and this rate remains unchanged throughout the year. Many manufacturers hold up their stocks in this way in the hope of getting a better price. This hope is always lively as the price of shellac generally goes up and down. The time of storing with this expectation varies from 15 days to one year. It never exceeds the latter limit as lac begins to deteriorate after that period. Lac is sold to well-known exporters like Ralli Brothers, E. D. Sassoon, Ispahani and others. As stated above, Messrs. Aratoon & Co. ship their own lac themselves and buy from others also. There is a highly-organised futures market for lac in Calcutta. The Calcutta lac market is the biggest lac market in the world and the lac produced in Siam and Burma which is of inferior quality also finds its way there. Lac is minutely graded and classified into various qualities and this facilitates the speculation of merchants on the market. The standard grade is the

T. N. shellac, named after one of the first manufacturers, in reference to which the prices of other varieties are determined.

A cess of 4 annas for every maund of lac exported from India is levied by Government. The proceeds are utilised for the support of the Lac Research Institute at Namkum, which carries on research into the problems of the lac industry. No striking results have been obtained but the institute is experimenting whether the lac insects can flourish on the *rahar* plant. Most of the large manufacturers having connection with Calcutta raise money there and therefore the question of their finance falls outside the scope of the Committee's work. The small manufacturers, however, have no such connections and they raise their finance by borrowing money from the *arhatias* referred to above, who thus find accommodation both for the seller and the buyer of raw lac. As the time for manufacture does not exceed 14 days, the period for which accommodation is required is exceedingly short. Interest is not charged directly for this by the *arhatia* but is recovered by him indirectly in the shape of a higher price. Under these arrangements it is possible with a capital of Rs. 1,000 to start a lac concern. Practically every house is converted into a lac factory for the season. A profit of Rs. 300 is enough to satisfy a man of enterprise and tailors have been known to have been transformed temporarily into lac manufacturers. The big factories have however to work throughout the year and have to maintain a big establishment. Even if lac is not available locally at a reasonable price owing to a poor harvest, Burmese and Siamese lac is imported from Calcutta and manufactured at Jhalda. Messrs. Aratoon & Co. were actually doing so at the time of the visit of the Committee. Asked to express their opinion whether the lac industry could be organised as a cottage industry on a profitable basis, the gentlemen present said lac cannot be washed properly in cottages and a second operation is necessary in the factory, if it has already been washed by the villagers. Moreover, badly washed lac cannot be washed well again.

The total value of lac imported into Jhalda is about Rs. 50 lakhs a year. Jhalda imports its lac from places all over Chota Nagpur. The gentlemen present could not give any accurate estimate of the total value of lac raised in Chota Nagpur or in the Ranchi district nor could they confirm the statement of a gentleman of Ranchi that the value of lac raised in Ranchi district is Rs. 70 to Rs. 80 lakhs a year or that the total value of the lac crop in India exceeds the value

of the total output of coal in this country. They could only say that in view of the great value of lac, the latter statement was possibly true. (This requires further investigation.) They however believe that 20 per cent. of the entire lac produced in Chota Nagpur is consumed in Jhalda and that Jhalda factories consume more than four times the amount of lac consumed by the Ranchi factories. Balrampur in the Manbhum district is a bigger centre of lac manufacture than Jhalda.

As regards remittance, it was said that the *paikars* pay the cultivators at the *hâts* in silver, while the factories pay to the *paikars* in notes. Notes are received from Calcutta but sometimes they have to be changed into cash in order to pay small change to the workers in the factory. The Marwaris charge 8 annas to Re. 1 discount for this. Money is remitted to Calcutta, whenever necessary, in the shape of notes by registered insured post and when rupees are changed into notes for this purpose a premium of the same amount is paid to the money changers. Marwaris, who do this business fall back on the Purulia treasury for changing their surplus notes or small cash. The Deputy Commissioner, Mr. Mukherji, explained that his treasury experiences no difficulty in helping these operations except that, when notes are demanded for a large amount of small coins, he has not enough staff for counting all the small changes offered for conversion. He has given orders to his treasury to accept only as many small coins as can be counted within one day and refuse the rest. This action of his has resulted in a correspondence with the Deputy Controller of Currency, who has quoted the Currency Manual in support of his view that a Treasury Officer is bound to supply as many notes as are required by the public. Mr. Mukherji has since reported that the Purulia treasury in 1928 issued about Rs. 30 lakhs of whole rupees to the public in exchange for notes during the lac seasons of that year. The gentlemen present when asked whether the starting of a branch of the Imperial Bank or of a joint stock bank in Jhalda could not remove these difficulties and also find adequate finance for the growing lac industry, said that such a branch would not pay. The business is extremely risky and subject to great fluctuations and no bank would be able to undertake such a risk. This, however, was their personal opinion and was not based on the experience of any bank. No bank has, as a matter of fact, surveyed the situation of the lac industry in Chota Nagpur and it seems to the Committee

that the difficulties in the way of starting a bank are not insuperable. A guarantee system, under which the risks of a bank may be minimised might well be devised. At least for the purposes of remittance, a bank would render invaluable service. At present the two chief remittance agencies are the post office and the treasury. For some time Messrs. Aratoon & Co. used to get their remittance from Calcutta by means of Treasury Remittance Transfer Receipts payable at Ranchi. This money used to be despatched to their Jhalda and Murho factories by special messengers. Mr. C. C. Mukherji, the Deputy Commissioner of Manbhum, was of opinion that the starting of a bank at Purulia would be a great convenience, both from the point of view of the lac industry as well as of the Government. The railway cash business of the Purulia treasury is growing enormously. He approached the Imperial Bank authorities to start a branch at Purulia. The Imperial Bank however replied that there were more important places than Purulia where a branch of the Bank was more urgently required.

It might well be considered, whether the business of lac manufacturing could not be made less speculative by following the example of the Manchester cotton manufacturer, who both buys and sells forward his raw material, so that his manufacturing profits may not be eaten up by an unfavourable turn of the cotton market.

Note of interview with General Manager of the Bank of Bihar at Patna on 22nd October.

PRESENT :

Mr. Hubback.

Mr. Batheja.

Rai Bahadur Radha Krishna Jalan.

„ Bansidhar Dhandhanian.

Mr. Pandit, the General Manager, gave the Committee the benefit of his experience of the last 18 years as General Manager of this bank, which at present has a head office at Patna and branches at Arrah, Benares, Chapra, Gaya and Motihari.

The following figures show the progress of the bank in detail :—

Year.	Branches opened.	Branches closed.	Special factors.	Paid up capital.	Deposits.	Reserve.	Dividend.
1	2	3	4	5	6	7.	8
				Tra.	Tra.	Tra.	Tra.
1911	.....	.....	.....	7	6	nil.	nil.
1912	Chapra ...	.....	.....	20	377	nil.	nil.
1913	Barh ...	.....	.....	...	...	...	...
	Gaya ...	.....	Provincial Co-operative Bank opened at Patna.	36	546	3	6
	Sassaram ...	.....				
	Ballia ...	.....				
1914	.....	Barh ...	.....	48	695	13	7

Year.	Branches opened.	Branches closed.	Special factors	Paid up capital.	Deposits.	Reserve.	Dividend.
1	2	3	4	5	6	7	8
1915	.....	Balla .....	.....	TRs. 65	TRs. 761	TRs. 21	TRs. 7
1916	.....	.....	.....	83	973	26	7
1917	.....	.....	Branch of Allahabad Bank opened at Patna.	107	811	32	7
1918	.....	.....	.....	112	936	50	8
1919	Benares .....	.....	.....	130	1,221	70	9
1920	.....	.....	.....	175	1,348	96	9
1921	Motihari .....	.....	.....	220	1,927	131	9
1922	.....	.....	.....	246	2,168	136	9
1923	.....	.....	.....	278	2,046	173	9
1924	.....	.....	.....	301	1,716	185	9
1925	.....	.....	.....	306	2,061	185	6
1926	Arrah	Sasaram .....	.....	307	2,379	170	6
1927	.....	.....	.....	308	2,945	128	6½
1928	.....	.....	.....	312	3,178	126	7

The main part of the working capital of the bank is deposits which stood on 30th June 1929 at TRs. 32,11. Of this 8 lakhs is on current account, 5 lakhs on savings bank account or on deposit for less than six months, and 19 lakhs as fixed deposit for 6 months or more. The rates for fixed deposits are 4½ per cent. for six months, 5 per cent. for 1 year, and 5½ per cent. for 2 years. Deposits have grown steadily.

Another TRs. 3,13 comes in from paid-up share capital, which has also steadily increased. The Reserve stands at TRs. 126 a lower figure than it has been since 1921, though deposits and share capitals have increased by 50 per cent. since

that date. The Reserve is invested in Government securities but is from time to time pledged with the Imperial Bank for cash credit. Against its total liabilities of 37½ lakhs the bank maintains liquid resources of 5½ lakhs in the form of cash in hand, deposit with banks, and Government securities. 50,000 of its debts are shown bad and doubtful. It was stated that an exact account of such debts is kept but the figure has been rounded off by the auditors. The main business of the bank is in bill discounting, cash credits and over drafts to customers loans and promissory notes, which employed TRs. 27,62 in June 1929. Cash credits and overdrafts are the biggest items of this business. Cash credits are given against the security of goods deposited in the bank's godowns at Gaya, Motihari and Chapra. The goods are mostly grain seeds, rot tobacco or chillies. The bank does not discount hundis except at its Benares branch. Bills with or without railway receipts are collected on behalf of outside customers from local traders. The bank charges annas 4 or annas 5 per cent. for collecting such bills. It sometimes rediscounts them with the Imperial Bank at 3 per cent. against the security of G. P. notes deposited with it. Without such security the Imperial Bank perhaps would not rediscount them.

Half the whole business of the bank is with traders, who in addition to bringing bills for discounting get cash credit against goods, mainly grain and seeds, in godowns. Half of the remainder is with the professional classes.

Some business, perhaps one quarter of the whole, is done in loans to landholders but the bank dislikes this business. Realization is hampered by pleas that the loan was not for the benefit of the joint family, or by uncertainty regarding prior mortgage. Registration of documents is sometimes put through in distant offices by the trick of including a small and usually imaginary parcel of land in the jurisdiction of that office. The greatest trouble of all is, however, the delays in the civil courts. The average rate of interest for loans to zamindars is 9 per cent. The result of lending on landed properties has been that the bank holds house property costing TRs. 60 bringing in about 3 per cent. and land costing TRs. 60 bringing in very little, although in the first instance the loan was for only 50 per cent. of the value of the property. Nowadays money up to 40 per cent. of the value only is given. The manager thought similar difficulties would face the proposed land mortgage bank, unless a complete record of land transfers was kept as in Denmark. He referred the committee to a book on the subject.

Some business is done in loans to private persons either on personal security, if below Rs. 300 at 10 to 12 per cent. or on ornaments, life policies etc. at 9 to 10 per cent. Loans on ornaments amount to about 1 lakh. Only 25 to 33 per cent. of a conservative valuation is lent. Rice, oil and to a small extent sugar mills have been financed at $8\frac{1}{2}$ to 9 per cent. A somewhat unfortunate investment was made some years back in iron and tile works. Besides the initial capital in some cases, 4 to 5 lakhs. have been advanced for day to day operations. Initial loans are given generally for 3 years for industrial enterprises. Realisations from this source are generally good and give no such trouble to the bank as those from zamindars.

The bank finances contractors charging not less than 12 per cent. as a rule and ordinarily 15 per cent. The Patna contractors almost invariably work on borrowed capital. Probably the annual value of public contracts in Patna district is 10 lakhs. The bank was recently involved in the opprobrium attaching to the Gaya district board, which has been superseded, because it helped that board by undertaking to pay its contractors the sums due on passed "on account" bills, after deducting from those sums the advances outstanding made by the bank to the contractors. The Bank charged 10 per cent. on these advances and had a regular authority from the Board for this procedure. The manager thinks that the transaction was not fully understood by Government.

The manager considered that Government could do much to extend the banking habit by paying their dues in cheques and by accepting cheques for sums payable to Government. Cashing of cheques led in his experience to opening banking accounts. The bank does not finance village *mahajans*. The manager thought it would be desirable to establish more contact between urban banks and village finance as the latter would thereby absorb the surplus funds of the former during the slack season. The period January to June is the busy season in Patna and July to December the slack season. This is illustrated by the fact that there was $3\frac{1}{2}$ lakhs with bankers on 30th September earning only about 2 per cent. against $1\frac{2}{3}$ lakhs on 30th June 1929. The manager, however, thought he would want 5 per cent. for lending his idle money to an Agricultural Bank in the slack season. For his own banking activities in the busy season there was a distinct scarcity of funds and he could easily use another 5 lakhs with his present business connections, and would pay 6 per cent. for it gladly. The slack

season has, however, only become a prominent feature in his business during the last few years. The bank has a small amount of safe deposit business. It charges Rs. 5 rent per box. The business could be extended, if the bank had more space.

The manager has several grievances. He recalls the fact that in 1922 the Imperial Bank required him to state the name of the ultimate drawee on a bill offered for rediscounting although it was fully negotiable and that in 1913 the old Bank of Bengal refused to advance him any money against G. P. notes in an emergency without their examination at Calcutta. The Imperial Bank gives his bank no facilities on the remittance business and refuses its clean drafts. It competes with his bank and other joint stock banks by advancing against ornaments even for such low amounts as Rs. 500. He seldom sees the agent and never the agent of the branch of the Allahabad Bank as he has no social relations with them. He thinks co-operation between banks in the same place must depend on the personality of the managers. His offer to back a company for the Cuttack Electric Supply was turned down by the local Government. The scheme had been passed by an Oriya gentleman who is in practice as an electrical engineer. His bank proposed to finance out of its own capital and not merely underwrite. A recent advertisement for tenders for buildings at the Kanke Mental Hospital specified that security would be accepted in the form of cheques on the Imperial Bank or on Lloyds Bank, but not on Indian joint stock banks. His bank is not sufficiently trusted to be permitted to cut bad coins. Consequently bad coins are constantly presented there. One man complained that while he had only put one bad coin in his last "pay in" he had got two from the bank's cashier in a withdrawal.

The aim of the Bank is to open a branch in each district of Bihar proper. It has little contact with indigenous bankers or the Co-operative Banks, though the head office keeps a small account with the Provincial Co-operative Bank and branch offices keep small accounts with the Central Co-operative Banks. The Chapra branch has sometimes advanced up to Trs. 50 to the Co-operative Bank there. These banks do compete with the Bank of Bihar for deposits to some extent. The Imperial Bank competes with it for transfers and remittance business. The manager expressed his opinion on the working of branch banking in this province. He thought that both the Allahabad Bank and the Imperial Bank invest locally much less than what they receive as deposits. The Patna branch of his own bank has generally a surplus which is sent to the mufassal branches.

**Note of interview with traders and indigenous bankers of
Bhagalpur on October 24th.**

PRESENT:

Mr. Hubback.

Mr. Batheja.

Rai Bahadur Bansidhar Dhandhania.

The following indigenous bankers and traders attended:—

Babu Lokenath Prashad of the firm of Rai Bahadur Deb Prashad.

Babu Bhudhu Chandi Prashad.

The principal trade in Bhagalpur is in piece goods and in grain and seeds. Piece goods to the value of about one crore of rupees are sold annually in Bhagalpur, which is the centre for distribution throughout the neighbouring districts. There are some 20 large wholesale firms in the business besides a great number of smaller firms. Besides piece goods imported into Bhagalpur, silk goods of value of 15 to 20 lakhs of rupees are annually produced in Bhagalpur for outside sale. The piece goods trade is mainly financed by loan of goods, not loan of money, i.e., the goods are delivered on credit to approved customers, interest being charged on the value held at any time. A firm selling four lakhs worth of piece goods in the year usually has two lakhs worth out with its retailers at any time. Such a man wants a capital of about $1\frac{1}{2}$ lakhs, and himself holds cloth worth $1\frac{1}{2}$ lakhs on credit from his Calcutta or Bombay commission agents. If his credit is good he pays interest at $7\frac{1}{2}$ per cent. to these agents. A less safe man pays $8\frac{1}{2}$ per cent. The cloth is passed on to the retailers at interest of 9 per cent. The business has become bad owing to the difficulty of realizing debts. When cases come into Court the presiding officer frequently starts with a prejudice against the wholesale dealer, which it is difficult to dispel. They are confused with usurious money-lenders. The original Court often takes two years to dispose of the case and allows no interest during the pendency of the case. Occasionally the defendant is allowed to pay off in instalments spread over 10 years with interest at 6 per cent., although the plaintiff has had to pay

interest at $7\frac{1}{2}$ per cent. to the Bombay or Calcutta commission agents. The witnesses attributed the delays in the Courts mainly to the shortage of officers. Our colleague, Rai Bahadur Bansidhar Dhandhanian, stated that he had brought forward these delays in the Legislative Council in the course of the budget debate of 1929 but was not aware that any steps had been taken.

The grain and seeds business of Bhagalpur is worth some 4 to 5 crores of rupees. The big firms who do this business have their godowns in one street, which forms the grain market in which samples are displayed and sales arranged. These firms perform a triple function ; they store grain and seeds for other people charging them 1 or 2 pice per bag per mensem as the warehouse charge, they sell on commission besides selling in their own account, and they lend money against grain and seeds in their godown.

This last is a very important function. They are prepared to advance up to 90 per cent. of the current value and even up to full value with approved customers, who can be depended upon to cover a fall in price. The rate of interest is 9 per cent. The principal account is kept as a grain account showing for each customer what is put in from time to time and what is withdrawn for sale locally or for despatch elsewhere. The interest due as well as the results of sale are kept in separate books. The customer does not require a receipt, but obtains an acknowledgment of the goods taken in and notes of the goods issued. Some ten firms have godowns doing this kind of business. Sales on commission are effected at the charge of 12 annas per cent.

The same big firms combine indigenous banking with cloth and grain business. They mostly do urban banking but do some business in rural areas too. Much of this is financing rural traders charging 9 to 12 per cent., but loans are mostly made to people doing business of Rs. 50,000 to Rs. 1,00,000 a year. It is difficult to finance zemindars here, owing to the difficulty of realization in Court. A loan of 8 lakhs was made on 7 per cent. per annum to an estate lying partly in Bhagalpur and partly in the Santal Parganas. A suit was brought for 9 lakhs. The case has gone on for 7 years and the decree is only for 4 lakhs, since the zemindar successfully pleaded the "dandpat" law in the Santal Parganas, by which the total interest cannot exceed the amount of the principal. An appeal to the High Court is still pending.

To urban merchants finance is supplied partly by *khatepete* transactions, i.e., advance on book entries on personal security. This is the method for first class customers with interest of $8\frac{1}{2}$ per cent. But a rebate of $\frac{1}{2}$ anna or 1 anna per cent. per mensem is often given. These are, however, mainly very short period loans, 6 to 10 days, though for financing grain purchases credit of this kind is given up to 3 or 4 months. Finance is also supplied by hundis, especially during the busy season of January to June. These are generally for 3 months and consist as usual of orders by A to B to pay C after that period. On these C pays A the sum stated less interest, B accepts and either presents to A at the end of the period, or passes on the hundi for value to another party, who presents to A or who again passes it on for value.

Owing to the abolition of stamp duty thereon, promissory notes are being used more freely and *mudati* hundis, which still pay stamp duty, less freely for ordinary finance. There is only one *dadal* for the *mudati* hundi business in Bhagalpur. His brokerage rate is two pice per cent.

The Imperial Bank does not compete much with indigenous banks here. It does very little hundi business, as its limit is too low. The Benares Bank does more of this business than the Imperial Bank. The Imperial Bank gives no special facilities to indigenous bankers. It is sometimes useful for remittance work to places where it is difficult to remit by *darshani* hundi. It is much more difficult to get small change from the Imperial Bank than it was from the Treasury, and also to get the Imperial Bank to accept payment in small change. Also William IV rupees were always accepted at the Treasury, but the Imperial Bank will not take them.

The indigenous bankers thought that a scheme for financing the raiyats through the village mahajans was worth examining. They considered that the village mahajans should be content to borrow at 9 per cent. and lend to the raiyats at 12 per cent. if they could realize their dues by certificate procedure. The finance should be supplied by a bank with persons representing both the mahajans' and the raiyats' interests as directors. One zemindar in the district already does a good deal of lending to his raiyats at 12 per cent. and gets his money in fairly regularly owing to his influence as a zemindar. Other zemindars have not enough capital to do this.

The following manufacturers attended :—

Babu Ashutosh Haldar, assistant manager of the Victoria Oil Mill.

Babu Sri Mohan Pannalal, proprietor of rice and oil mills.

Babu Motilal Dhandhanian, manager of Rai Bahadur Banshidhar Dhandhanian's oil mill.

The oil mills mostly work with mustard seed bought in Bhagalpur town, which has been brought in from the neighbouring rural tracts. When working to full capacity, the largest mill takes 70,000 to 75,000 maunds a year.

In Bhagalpur seeds are bought on a cash basis through *arhatdars* who charge 8 as., 12 as. or Re. 1 per cent. commission. Orders are given to the *arhatdar* to buy and he is entitled to interest if he does not receive cash at once on his purchases. The Victoria Oil Mill is not a limited company. It has a capital of two lakhs, and has had no need lately to borrow money on stocks under production. Previously one of the proprietors used to supplement the capital out of his own funds during the busy season, but business is dull at present. January to May is the busy season. From $1\frac{1}{2}$ to 2 months' stock is carried. The oil is sold in North-West Bengal and also in Eastern Bengal and Assam. The oil takes about one month to prepare and sell. There is no reason why the mills should not work throughout the year, except market conditions. Seed cannot very well be held for more than a year as it deteriorates. Linseed can be crushed as well as mustard, but castor cannot be treated with the same machinery; consequently the mills cannot take advantage of the demand for castor oil as a lubricant. Oil is sold to customers on credit at 9 per cent. but a rebate is usually allowed reducing the interest to Rs. 8-7-0 per cent.

The field is fairly well covered now both for oil and rice mills and no substantial expansion is expected.

The rice mills buy paddy direct from cultivators as well as from *beparis*. No advances are given, and cash is paid on the day. Mustard seed is purchased only from *beparis*, who are ready to wait 4 to 10 days for their money. Some raiyats bring their paddy direct to the mills in their own carts. Sometimes they sell through *arhatdars*, who take $\frac{1}{2}$ seer on each rupee from the purchaser and return $\frac{1}{4}$ seer to the seller. Previously when paddy was much cheaper the standard commission was $\frac{1}{2}$ seer on each rupee, but now that it is dearer $\frac{1}{4}$ seer is returned to the seller. There are a number of persons, whose sole business is purchasing paddy in the hâts and carting it for sale to the bigger markets.

**Note of interview with traders at Bhagalpur on 25th October
1929.**

P R E S E N T :

Mr. Hubback.

Mr. Batheja.

Rai Bahadur Bansidhar Dhandhania.

The following gentlemen attended to discuss :—

(1) Seth Kedar Nath of the firm of Messrs. Khialiram Kedar-nath, grain and oil merchants, (2) Babu Lachman Sahu of the firm of Lachman Sahu Gopal Sahu, grain dealers, (3) Babu Gopi Sahu Munshi Sahu, grain merchant and (4) Seth Jhunjhunwala, banker, grain merchant and cloth dealer.

Babu Kedar Nath—does both export and import business in grain. He has also the agency of the Standard Oil Co. of New York for selling kerosene oil. He also hopes to get the same company's agency for the sale of petrol. Recently he has entered into a contract for selling woollen blankets for the Government blanket factory in the Bhagalpur jail. He has undertaken to buy a fixed number of blankets at a fixed price and distribute them in other parts of India where they are required. No security has been taken from him for this contract. Delivery is taken according to the orders received and payment is made after delivery according to his convenience by a cheque on the Imperial Bank. These blankets are exported to order and the value is generally realized from the importers by means of railway receipts collected through the Imperial Bank of India.

He deals in grain also. He buys it through agents who operate in different parts of Bhagalpur district. In North Bhagalpur, peasants sell their grain in *hats* to *beparis* who cart it and in their turn sell it to his agents but in South Bhagalpur the cultivators carry their produce themselves. The reason for this difference according to Babu Kedar Nath is probably that in North Bhagalpur there are more merchants, their competition is keen and they therefore carry their goods also. Babu Kedar Nath has about 30 servants who collect grain for him. Three or

four months elapse between the purchase and sale of grain on his part. Babu Kedar Nath does not need any finance. Moreover he dislikes the method of the Imperial Bank in advancing against produce which gives too much publicity to the debt transaction to the detriment of the borrowing party. He stores goods of others in his godown. He advances against those goods up to a limit even of 100 per cent. depending upon the credit of the borrowing party, and charges $8\frac{1}{2}$ per cent. for such advances. He undertakes to sell goods for his clients on a commission of 12 annas per cent. He also charges rent for storage at the rate of Re. 1 per month on 100 bags (each bag containing $2\frac{1}{2}$ maunds of grain). No rent is charged if the period of storage does not exceed $1\frac{1}{2}$ months. No document is taken for this advance. He refuses to accept goods for storage when he has no more money for lending against them. He does not like to borrow more money to extend his business as he thinks the conditions of borrowing are generally onerous. Another grain dealer said that a customer is not refused when the loanable capital of the *goladar* is exhausted, but arrangements are made to borrow money from outside and the grain dealer is generally given the advance which he needs. The grain merchants present were invited to express their opinion whether a scheme of licensed warehouse is practicable. They said that the receipts of their *golas* or warehouses would not be accepted by the Imperial Bank as genuine evidence of the existence of the goods against which an advance might be made. If Government could license suitable persons and induce the Imperial Bank to accept the fact of the possessions of the license as evidence of fair dealing, the system might work. Licensed godowns will have to be frequently inspected by Government officers in order to ensure that the storing business is being conducted in such a manner as to provide adequate security to the advancing agency.

Lachman Sahu—does not buy much grain on his own account but buys and sells grain on a commission basis for others. He is a *goladar* and conducts his business on the usual terms. He and Gopi Sahu confirm the account of the grain trade as given by Babu Kedar Nath.

Seth Jhunjhunwala is a banker and general merchant of old standing. He supplied valuable information to the committee about the methods of indigenous banking in Bhagalpur and Calcutta. His firm has branches both at Bhagalpur and at Calcutta and possibly at other places also. He was asked along with others to describe the treatment of the local traders by the

local branch of the Imperial Bank. Like other merchants, he complained that facilities enjoyed by them under the old treasury system had been withdrawn after the starting of the branch of the Imperial Bank at Bhagalpur. For instance coins of smaller denomination cannot be readily changed into those of higher value and these again cannot be changed into notes, which the merchants require for the purpose of cheap remittance. All present agreed that the Imperial Bank refuses to accept old soiled notes and one of the grain merchants said that he had still in his possession one or two such notes which the Imperial Bank has refused to accept. Seth Jhunjunwala said that there are two rates of interest charged by the Imperial Bank for discounting the *hundis* of its customers—a first class rate and a second class rate. The latter is $\frac{1}{2}$ per cent. more than the former. Borrowing parties are divided into first class and second class parties according to their standing and position and pay corresponding rates. But it is anomalous that a first class party in Calcutta while paying first class rate to the Imperial Bank there should be charged second class rate in Bhagalpur though the firm is the same. For instance Jhunjunwala and Rai Bahadur Dhandhanian who have branches of their firms both at Calcutta and Bhagalpur while paying first class rates in Calcutta have to pay higher rates in Bhagalpur, when their Bhagalpur branch tries to raise accommodation from the local branch of the Imperial Bank. The result has been that these gentlemen, whenever they want money, raise it at Calcutta and do not raise it in Bhagalpur as they do not wish to pay the higher rate. If the Bhagalpur branch of the Imperial Bank could charge the same rate which is charged from first class parties in Calcutta they would regard it as a convenience, as sometimes they require money locally and do not wish to take the trouble and expense of importing it from Calcutta. Another complaint of Seth Jhunjunwala against the Imperial Bank is that the Bank does not open a cash credit loan for Indian merchants as easily as it does for European merchants. European exporters like Ralli Brothers, E. D. Sassen, etc. open a running account with the Imperial Bank under which they go on borrowing for their day to day operations and paying off their debts as it suits their convenience. Such current accounts would be appreciated by them also. Seth Jhunjunwala said that in Bombay such facilities were given to Indian and European merchants alike.

Seth Jhunjunwala explained the working of the Burra Bazar money market in Calcutta and its connection with Bhagalpur. Money in Burra Bazar is borrowed against "*parza*"

and against "Calcutta" *hundis*. *Parza* is a technical term for a document under which a borrower promises to pay a certain sum of money on demand. But there is an understanding that no call would be made for about 30 days. Most of the borrowing in Calcutta is done by first class parties in Calcutta in this form. It is convenient because firstly the stamp duty on usance bill is evaded and secondly the pronote implies a high degree of credit. Those who cannot obtain finance in this form, write a *hundi* on themselves in favour of another party in which a definite period is indicated. This is called a "Calcutta" *hundi*. First class parties do not draw such *hundis*. The rate of interest paid on them varies with position and credit of the drawee in the market. The Burra Bazar rate is the rate of interest paid by first class parties on pronotes and does not necessarily agree with the Imperial Bank rate but is nevertheless influenced by it. The present "*parza*" rate varies from Rs. 3-4 per cent. to Rs. 4-8 per cent. The Imperial Bank rate is determined by the amount of public and private deposits, the demand for money in the market and the proportion of the cash reserve to the liabilities of the Imperial Bank. When the Bank rate goes up the fixed deposit rate of the Imperial Bank may rise, and this exerts its influence on the Burra Bazar rate also, as otherwise people with surplus funds in the Burra Bazar may find it more profitable to deposit them with the Imperial Bank of India than lend them out to the Burra Bazar dealers. Thus there is a connection between the bank rate and the Burra Bazar rate. The two do not agree, as the Burra Bazar credit is perhaps of shorter duration than the credit available at the Imperial Bank. At the time of taking evidence, while the Imperial Bank rate is 6 per cent., the Burra Bazar rate is $3\frac{1}{2}$ per cent. *Mudati hundi* business has gone out of fashion both in Calcutta and in Bhagalpur since the abolition of stamp duty on sight bills. There is however another reason also for the decline of this class of *hundi* in Bhagalpur according to Seth Jhunjhunwala. After the opening of the railway line, the Bhagalpur grain business has declined and with that the need for *Mudati hundi* has also grown less and less. It takes some time to export produce and convert it into cash and for such a transaction the *Mudati hundi* is obviously a suitable document. While Bhagalpur has increased its cloth, gold and silk business, it has lost some of its grain export business on account of the direct linking up of mufassal centres with Calcutta and the greater utilization of raw products by the local oil and flour mills. The total grain business of the Bhagalpur town is worth about Trs. 75,00 and of the whole Bhagalpur district about 5 crores.

In addition to banking proper, Seth Jhunjhunwala does also some *mahajani* and *arhatia* business in cloth and yarn. Owing to difficulties of litigation, he has reduced his *mahajani* business from 16 annas to 2 annas. His customers for this class of business are mostly zamindars and the bigger raiyats. He does not advance less than 500 so that he does not deal with small cultivators. Before lending, enquiries are made about the credit and position of the borrowing party. Advances are made directly and not through mufassal *mahojans*. He exports silk and other kinds of cloth on a commission basis. Dues are realized by means of railway receipts from unknown parties, but known parties pay according to arrangements made. On overdue accounts interest from 10 annas to 12 annas per month is charged. Bengali and Mussalman customers do not pay interest. Foreign silk yarn is imported for the use of weavers in Bhagalpur town on a commission basis from Bombay and Manchester. The commission charged is 8 annas per cent. and 9 annas interest per month is paid for overdue accounts to Bombay merchants.

Note of interview with Babu Hanuman Das Khemka of the firm of Harchandrai Anand Ram, Silk merchants and manufacturers, on 25th October 1929.

Babu Hanuman Das Khemka employs 45 workers in his silk factory. Some of them are Momins, Jolahas, Bengalis and some of them are Oriyas. The factory weaves mostly from spun silk and foreign yarn and does not use the Bhagalpur yarn, because it has not, according to Babu Hanuman Das Khemka, sufficient twist and being only of one quality does not appeal to the taste of customers. Moreover it is dearer than foreign yarn. Most of this yarn comes from Japan, Italy and Manchester. Babu Hanuman Das Khemka imports it partly through a Bombay agent and partly direct from Manchester. He has not to go to the market for financing the purchase of raw material or paying wages in his workshop as whatever money is required is supplied by the proprietor Rai Bahadur Bansidhar Dhandhanania. The goods produced in the factory and those bought from the local weavers are partly sold locally and partly exported outside. The exports are sold through commission agents in different parts of India. About Rs. 75 is the value of the factory product and including the purchase from the local weavers, business worth about Rs. 2,00 is done. The total value of the silk cloth business in the town of Bhagalpur and its vicinity is about Rs. 15,00.

Notes of interview with Rai Bahadur Bansidhar Dhandhania, Indigenous Banker of Bhagalpur, and member of the Bihar and Orissa Banking Enquiry Committee, on the 26th October 1929.

PRESENT :

Mr. Hubback.

Mr. Batheja.

Rai Bahadur Bansidhar Dhandhania.

Rai Bahadur Bansidhar Dhandhania, a member of the Committee, very kindly supplied information about the working of the banking department of his business. Unlike the indigenous bankers the Sub-committee has examined so far, Rai Bahadur Bansidhar Dhandhania accepts deposits as well as gives out loans. Regular pass-books are issued to the depositors but these pass-books are not of the western type. They are small *bahis* bearing a stamp of one aana on the opening page. The accounts are kept in the Marwari script. No cheques are drawn against these accounts but all transactions are entered in these pass-books, which remain with the depositors, as well as in the ledger book of the firm. About eight lakhs have been deposited with the firm in this fashion. Rates of interest varying from Re. 0-4-0 to Re. 0-8-0 per cent. per mensem are paid on these accounts, the higher rates being paid to those parties who are likely to keep their accounts for a longer period. The rate allowed on deposits depends also on personal and other considerations.

The following extract from an account shows how the interest is calculated by the "ank" system.

Credits.		Withdrawals.	
Date.	Amount.	Date.	Amount.
	Rs. a. p.		Rs. a. p.
6th March 1927 ...	2,725 0 0	15th July 1927	1,425 0 0
		21st July 1927	1,300 0 0
Interest to 24th February 1928.	29 15 0	24th February 1928.	29 15 0

1,425 for $4\frac{2}{3}$ months = 6,127.

1,300 for $4\frac{1}{3}$ months = 5,850.

11,977 anks.

at Re. 0-4-0 per cent.

= Rs. 29-15-9.

Nominally they are current accounts and the depositor can withdraw his money at any time he likes but this is subject to some implied understanding or expectation. There are thus no fixed rules as in a joint stock bank. There is a considerable element of elasticity in conducting this business. Different terms are offered to different parties according to the needs of the situation. The liability of the firm is unlimited and no regular balance sheets are published.

The firm lends money to raiyats, zamindars, merchants and professional men. The entire deposits, however, of the firm are not utilized in lending to customers. Much of the money raised is sunk in the private concerns of the Rai Bahadur, such as his silk factory, his oil and flour mills, his cloth business, etc. These concerns yield much higher returns than those obtained by pure money-lending operations. The Rai Bahadur also finances other merchants against their hundis. Only about $5\frac{1}{2}$ lakhs out of his total deposits is lent out directly. About Rs. 35,000 has been lent to zamindars and money has also been lent to about 10 to 15 cultivators and 10 to 15 vakils. The rest is advanced to merchants. The rate of interest charged on these loans varies from 9 to 18 per cent, depending upon the credit of the party and the amount of the loan. Most of the loans are, however, lent out at 9 to 12 per cent.

The establishment charges of the firm for carrying on money-lending business, as may be expected, are small. Most of the work is supervised by members of the Rai Bahadur's family. There are, however, some salaried employees also. One employee earns about Rs. 700 a year and another about Rs. 1,000 a year. They have not received any special banking education. They were taken originally as apprentices and have slowly learnt their work and risen to their present positions.

Note of an interview with Rai Bahadur Debi Prashad Dhandhania and Babu Loknath Dhandhania, proprietors of the Debi Prashad Bank, at Bhagalpur on 26th October 1929.

PRESENT :

Mr. Hubback.

Mr. Batheja.

Rai Bahadur Bansidhar Dhandhania.

The Debi Prashad bank at Bhagalpur is a private bank owned by a joint family of Marwari merchants who have been settled in the place for a long time. It conducts its business on practically the same lines as those followed by Rai Bahadur Bansidhar Dhandhania. The only difference is that the business of the bank is larger and cheques can be drawn against deposits with the bank. There is perhaps a greater attempt to differentiate between current and fixed deposits but there is the same elasticity of working and there are no hard and fast rules as in a joint stock bank with limited liability.

The firm started working in 1840 and has steadily increased its business. Rai Bahadur Debi Prashad carries on many kinds of business—cloth business, discounting, *hundis*, *goladari*, spice business and money-lending. The total value of the business is about 60 lakhs. It is financed partly by the private capital of the joint family and partly by deposits from customers. The deposits have been steadily growing. Rai Bahadur Debi Prashad remembers that they amounted to seven lakhs in 1900; at present they amount to 15 to 16 lakhs and the number of accounts is between 500 and 600. Rai Bahadur Debi Prashad's bank is well known in the districts of Bhagalpur, Monghyr and Purnea and, therefore, attracts deposits from all these districts and from all classes of people. Most of them, however, come from the Bhagalpur district. Some public bodies like the local European Club, the Race Course Association and the Lady Dufferin Hospital Association also have deposit accounts with this bank. Some villagers outside Bhagalpur city also deposit money with it but they are mostly big raiyats owning from 100 to 200 bighas of land.

3 to 4 per cent. is paid on current account and 5 to 6 per cent. on fixed deposits. These rates are not very much higher than those paid by other banks at Bhagalpur. In the

case of current accounts no notice of withdrawal is required. The lower rate is given for small deposits and the higher for larger amounts.

Most of the deposits of the firm are invested, as in the case of Rai Bahadur Bansidhar Dhandhanian, in its cloth and in its grain business. The private capital of the firm is lent out in long-term loans to zamindars and others from whom it is difficult to realize money on account of litigation and other factors. There is an attempt on the part of the firm to distinguish between short-term and long-term business. The deposits of the firm are liable to be recalled within a comparatively short period of time and, therefore, are never invested in financing zamindars and others from whom the recovery of debts is not easy. Deposits are, therefore, invested in the cloth, *hundi* and grain undertakings which yield good returns and from which money can be easily withdrawn to meet the sudden demands of depositors. Advances are made to cloth dealers against *hundis* at $7\frac{1}{2}$ per cent., to grain dealers against security of produce at $8\frac{1}{2}$ per cent., to spice dealers at $7\frac{1}{2}$ per cent. and to zamindars at 9 to 12 per cent. No loans are given to the raiyats or the professional classes. About 10 lakhs are outstanding with zamindars ; 25 lakhs, 12 lakhs and 3 lakhs are invested either directly in the grain, cloth and spice business respectively, or advanced against adequate security to persons engaged in these three kinds of business.

Though the firm prepares every three months a statement of accounts for its own information, indicating in what various enterprises its working capital is engaged, it does not publish any balance sheet, so that no depositor can form any true idea of its exact financial position. He has to depend on hearsay and reports. The proprietors declined to give to the Committee an idea of the amount of private capital which they have sunk in their entire business.

**Note of interview with Mr. Rai Surana, Manager of the
Bhagalpur branch of the Benares Bank on 26th October 1929.**

PRESENT :

Mr. Hubback.

Mr. Batheja.

Rai Bahadur Bansidhar Dhandhania.

The Benares Bank is an instance of a joint stock bank working within the province and having its headquarters outside it. The bank was founded in 1901 and the Bhagalpur branch was opened in 1909. Other branches of the bank are at Agra, Calcutta, Muzaffarpur and Saharanpur, while the headquarters, as the name indicates, is at Benares. Besides this branch the bank has a number of agencies in different parts of India, most of them in United Provinces. The agencies as distinguished from branches perform limited banking functions and have only the power to make payments and collect bills on behalf of the bank. The bank has according to its annual report of 1928 a subscribed capital of Rs. 20,00,000 of which Rs. 11,25,000 is paid up. It had a working capital of Rs. 1,05,62,065 on 31st December 1928. It has a reserve fund of Rs. 5,10,000. Its deposits amount to Rs. 87,88,614 of which Rs. 70,00,000 are in fixed deposit, Rs. 5,72,000 are in current account and Rs. 11,73,000 are in savings bank account. About one-third of these deposits are collected by the Bhagalpur branch which is the oldest and most important branch of the bank. From figures supplied by the Manager it appears that the Bhagalpur branch had in 1928 Rs. 19,86,000 in fixed deposit, Rs. 2,21,000 in savings bank account and Rs. 2,13,000 in current account. These would show that about 30 per cent. of the total business of the bank is transacted at Bhagalpur. The Bhagalpur branch supplies a large annual surplus which is generally drained away to finance other branches under instructions from headquarters. The rate for fixed deposits is 5 per cent. for one year, 6 per cent for three years. 2 per cent. is given on current accounts with a monthly minimum balance of Rs. 500. Compound interest is allowed half-yearly on fixed deposits in respect of which no notice of withdrawal has been received.

The savings bank rate is $3\frac{3}{4}$ per cent. per annum.

Currency notes of any Circle or cheques on any station in India if credited on fixed deposits are received at par. The bank in attracting deposits has to face severe competition from the local Co-operative Bank and indigenious bankers. The

Co-operative Central Bank according to the Manager allows 7 per cent. on fixed deposit, (this is however incorrect; the Bhagalpur Central Co-operative Bank allows 6 and $6\frac{1}{2}$ per cent. for fixed deposit) and $4\frac{1}{2}$ per cent. on savings bank account. (This also is incorrect; the Co-operative Bank gives 4 per cent. on savings bank accounts.) Debi Prasad's bank according to the Manager gives 6 per cent. on current account. This also does not seem to be true as an examination of the books of indigenous bankers in Bhagalpur showed the rates allowed by them on deposits vary from 4 annas to 8 annas per cent. per mensem depending on the amount and the period of deposit. The bank buys and sells Government paper on behalf of its clients. It does a fair amount of this business for the professional classes as Government securities with them are more popular than landed property which does not yield as much as Government securities do. The bank has got certain idle funds at the present moment which it cannot invest with advantage. It has therefore put them out in fixed deposit with the Imperial Bank of India. It is the bank's policy to discourage long period fixed deposits since the bank may have to pay a higher rate of interest at a time when the general rate of interest is low. The bank does not expect to induce first class parties to borrow from it at more than $7\frac{1}{2}$ per cent. Since 2 per cent. represents the working expenses of the bank, it cannot really afford to pay more than 5 per cent. on fixed deposit. In the past it has been compelled to pay more as it had to compete with the local Co-operative Bank which at one time was raising money at as high a rate as 8 per cent.

The bank lends money against pronotes and hundis, and gives cash credits and overdrafts. Formerly it used to lend largely to zamindars but owing to litigation and bad experience of the past it has stopped lending to them. This sort of business according to the Manager is unprofitable. If a suit is carried to the Privy Council it takes about nine years to decide and no interest is allowed during the pendency of the suit. The courts are generally hostile to the lending party, even when such a party happens to be a bank doing general commercial business and liable to pay interest for the deposits which it has received. The bank has started a suit for Rs. 2,000 advanced to a merchant in 1922 and though three years have passed away, the suit is still pending in the Sub-Judge's Court.

There is no difference between cash credits and overdrafts. Both are given generally against security. On 31st December 1928, $30\frac{1}{2}$ lakhs had been advanced in this form. About 34

lakhs was advanced against bills discounted and pronotes. This is a most important item in the bank's loans and the sub-committee was assured that the Benares Bank does more pronote and hundi business in Bhagalpur than the Imperial Bank. The item of Rs. 34,00,000 represents mostly advances against pronotes. Against 123 pronotes accounts the branch has only 24 hundi accounts. This difference in the popularity of the pronote and of the time hundi is due to the fact that the latter has to pay heavy stamp duty and therefore has gone out of fashion in spite of the fact that it represents a more desirable form of investment for the bank. The borrower prefers to borrow on a pronote as the pronote being exempted from the stamp duty, the rate of interest on it comes cheaper than that on hundis. On a three months' transaction carrying an interest of 0-10-0 per month, the borrower on hundi on account of the stamp duty has to pay 0-10-9 per month instead of 0-10-0 paid on a pronote. The hundi generally bears two signatures and is therefore more secure. The bank gets the same security by insisting on a joint pronote signed by two parties. No period of payment is mentioned in the pronote but it is understood that the debt will be repaid after two or three months. This is called by the Marwaris, *parza* business. As compared to hundi business proper, it has certain disadvantages for a bank. Firstly, in the case of a pronote the onus of proof of debt lies on the lender, while in the case of the hundi it is presumed that the drawer has received the money; secondly, pronotes are not signed by witnesses. As soon as they are so signed, they become documents liable to pay stamp duty at the rate of 7 per cent. If the stamp duty on usance bills were abolished, hundis would become more popular than pronotes as they offer more security to the bank. For this reason the bank manager was of opinion that it should be abolished. He welcomed the idea of licensed warehouses provided they are controlled and supervised by Government officers in such a manner as to make their receipt a safe document. He maintained that the Imperial Bank does not perform the functions of a true banker's bank. Leaving aside special facilities, it does not give even ordinary facilities to the Benares Bank. It does not give to it in exchange for coins as many notes as the Benares Bank needs. The Manager had to go to the headquarters of the Imperial Bank in Calcutta to arrange for some facilities in this connection by the local branch of the Imperial Bank. The Imperial Bank creates difficulty in the supply of currency notes to the public as it does

not want to lose its valuable remittance business. The Manager was distinctly of opinion that the taking over of the treasury business of the Government by the Imperial Bank has not resulted in any good to the public. On the other hand some facilities previously enjoyed have been withdrawn. Nowadays underweight coins are not accepted. The Benares Bank has the power to cut bad coins. It gains nothing by having this power except that the same bad coins after being cut are not presented again to the bank. There is no rule for determining what bank should have this power and what bank should not have it. It is entirely a matter of public convenience. When a good coin is cut by the bank, the owner can sue it in a law court. Probably Debi Prashad's bank has also the power to cut bad

The bank does not finance agriculture, nor does it finance industry. It lends money mostly to traders and zamindars. It does not finance the local tannery. The tannery in Bhagalpur was refused accommodation even by the Director of Industries because tanneries are not regarded as sound business. The bank does give advances to small shop-keepers. It also does remittance business on behalf of clients and collects money on behalf of merchants in Calcutta against hundis and railway receipts. Some hundis are remittance or sight hundis and others are on 30 days' sight. In the case of the Mudati hundis the period begins to run from the date of presentation to the accepting party. For this hundi collection business 4 annas per cent commission is charged. Formerly the rate was 8 annas per cent. The bank makes its own remittance through the Imperial Bank since the opening of the Bhagalpur branch. Darshani hundis are not available for remittance to all places in the local market.

The bank has no special connection with the Imperial Bank. Though its paid up capital exceeds Rs. 5,00,000 the Imperial Bank will not come to its rescue if it wants temporary accommodation. From this point of view Calcutta Exchange banks are more useful to the bank. There is no special link with the indigenous bankers and the local Central Bank only keeps a current account with it. The Manager was asked to express an opinion on the proposal to start an agricultural bank which might advance money to raiyats through mahajans at a time when surplus funds are available in the town and thus link the

town with the villages. January to July is the busy season when funds are in great demand. After that the demand falls off and there is a surplus in towns. It would be a happy idea to start an agricultural bank which might divert this surplus to the rural areas to the mutual advantage of the urban and rural population.

Visit to the Bhagalpur Central Co-operative Bank.

PRESENT.

Mr. Hubback.

Mr. Batheja.

Rai Bahadur Bansidhar Dhandhania.

Babu Kamleshwari Sahay, Honorary Secretary, Babu Bholarath Sen, Honorary Joint Secretary, Babu Shamsundar Lal, Director, and Babu P. K. Roy, Manager, attended and gave the Committee all assistance.

The Bank was founded in May 1913. In the early days several mistakes were made in over-financing primary societies, from which the Bank did not begin to recover till 1922. Since then it has been reasonably prosperous. It operates in the Sadr subdivision of Bhagalpur district, having 106 primary societies affiliated to it at the end of 1928, of which 93 were agricultural credit societies with a membership of 1,747.

The Bank had a paid up capital of Rs. 49,320 on 31st December 1928, and reserve funds of some Rs. 16,900 (since increased to about Rs. 30,000 including Rs. 8,000 for building and Rs. 6,300 for bad debts). Its fixed deposits stood at Rs. 3,31,000 and savings bank deposits at Rs. 80,000. It had Rs. 9,000 invested in the Provincial Bank shares earning a dividend of 8 per cent. and Rs. 39,000 at fixed deposit with that bank bearing interest at $5\frac{1}{2}$ per cent. The position as regards outstanding loans is not correctly shown in the balance sheet, since a revision of kists proposed in 1927 has not in fact been put into operation, yet the balance sheet was drawn up as if it had been in force, and shows only Rs. 10,000 overdue from the societies and Rs. 3,72,000 as not overdue. Rs. 5,000 was due from liquidated societies. Rs. 29,000 was out as cash credit to limited liability societies.

Cash in hand stood at nearly Rs. 20,000, a high figure including Rs. 12,000 in current account with the Imperial Bank, which might very well have been converted into Government paper available for pledging against a cash credit with that Bank.

The rates for deposit at the Central Bank are now $6\frac{1}{2}$ per cent. for three years, 6 per cent. for one year, and 4 per cent. for savings bank. There is some money on 4 per cent. on one year's deposit, because the depositors pressed the Bank to take it at that low rate. Deposits especially fixed deposits, are being discouraged at present, and a further lowering of rate of interest is under consideration. The Provincial Co-operative Bank is pressing the central bank to lower the rate of interest on deposits, and it is willing to lend its surplus funds to the central bank at $5\frac{1}{2}$ per cent. It has no means of doing so except the Registrar's influence and the inducement of lower interest. The bulk of the shares are held by the affiliated societies, 4,244 out of 4,983. Those held otherwise cannot be sold without the sanction of the Directors, who limit purchases to persons who are likely to help the co-operative movement. The Registrar, Co-operative Societies, has issued instructions to refuse all foreign deposits.

The Bank lends to primary agricultural credit societies at 11 per cent. (recently reduced from $12\frac{1}{2}$ per cent). These societies lend to their members at $14\frac{1}{8}$ per cent., previously $15\frac{5}{8}$ per cent. Cash credits to limited liability societies are charged 8 per cent. interest against 9 per cent. hitherto. The lower interest for these loans is justified by the smaller amount of supervision, absence of travelling charges, and more easy realization of interest. There is a good deal in this. The primary agricultural societies have a working capital of Rs. 4,77,000, with a total reserve of Rs. 44,000 and paid up share capital of Rs. 26,000. Their members had also deposited Rs. 11,060 with their societies. This indicated some growth of thrift among the 1,747 members comprising these societies. The borrowings of the members, both annual and accumulated, are not stated in the Annual Report, but the manager has otherwise calculated the accumulated borrowings at Rs. 214 per member, and thinks that about one-fourth of this sum is borrowed annually. He, however, reckons that members owe about as much to the village mahajans as they do to their societies. He has calculated that about Rs. 1,00,00,000 is wanted annually for the Sadr subdivision by agriculturists. The estimate does not, perhaps, make sufficient allowance for urban population, as well as rural population other than ordinary cultivators, and Rs. 60,00,000 would probably be a safer figure.

A definite start has been made in this area towards supplementing the rainfall and private canal irrigation by means of tube wells with pumps. Loans are given out at $7\frac{1}{2}$ per cent. for these installations. The pump costs only Rs. 275 to Rs. 325.

It was estimated that the agriculturists of the area might want from Rs. 20,00,000 to Rs. 25,00,000 in the next ten years for this purpose. The Bank lends for fairly long periods as long as eight years and thus acts to some extent, as the manager asserted, as a land mortgage bank.

The chief defects at present are (1) the delay in getting loans sanctioned and paid and (2) the difficulty of collecting dues. It takes at least a fortnight and normally one month for a member to get his loan after he has applied for it. Collection dropped down to 14 per cent. of the total of current and arrear demand in one recent year. On the basis of the revised kists, which have not really been sanctioned the percentage of collection was only 63 per cent. in 1928. The year is described in the Annual Report as one of total failure, a somewhat formidable phrase. The Directors are already beginning to bother about the damage, which the recent heavy rains have done to the crops this year, and the deleterious effect of late sowing of rabi, an attitude of mind hardly conducive to good collection in 1930. On the other hand the manager reported that some societies had recently borrowed from the village mahajans, repaid their debts to the Bank and gone into voluntary liquidation as a result of attempts to collect overdue amounts. It is fairly clear that there is a good deal to be done before the raiyats are educated into making reasonably regular payments. The manager also expressed the opinion that the members are increasing their indebtedness and have nearly reached the limit of their borrowing powers, which is Rs. 40 per bigha (five-eighths of an acre), the average price of a bigha being Rs. 100. The bank does not advance more than Rs. 40 against one bigha of land, except in rare cases of distress. In the opinion of the manager, the raiyats have not decreased their indebtedness by joining co-operative societies. The mahajans are not antagonistic to the co-operative movement and cannot be and should not be "weeded" out. They perform a useful role in the village economy and if properly organized and controlled should do great good to the agriculturists though they cannot teach thrift as co-operative societies can. At present only the neediest men join co-operative societies. Others do not join on account of joint liability. There is no hope of co-operative societies covering the entire ground rapidly.

The Bank seems to be more successful with its urban activities than its rural. There is an Amla Co-operative Bank Society, which is working well. The predominance of the better paid men is checked by a salutary rule limiting borrowing to three months' pay. A society of milkmen works fairly well and

though a group of weavers' societies is as usual in a very bad way, traders' societies including kutidars, who buy paddy and sell it as rice, mistris and petty contractors, keep above water. A bell-metal workers' society has recently been started, and it is hoped to make a success of it, by avoiding the mistakes made in Orissa, particularly that of allowing large cash credits in excess of value of goods in process of manufacture. One interesting development here is the starting of three co-operative stores, for sale of motor accessories, of cycle accessories, and, very recently, of electric fittings. All are doing well at present, and their continued success would be a notable factor in strengthening the co-operative movement.

**Note of a village enquiry at Faizaliganj, Monghyr district,
on 28th October 1929.**

PRESENT :

Mr. Hubback.

Mr. Batheja.

Rai Bahadur S. C. Chakravarti, Assistant Manager of the Banaili Raj and Babu Mathura Prasad, Assistant Registrar, Co-operative Department, attended the enquiry.

The village lies close to the border of the Bhagalpur and Monghyr districts, 10 miles south from Sultanganj railway station. Residents of Faizaliganj, Gazipur, Sondhia and Dhoni were present, but the attendance was not as large as could have been wished owing to the counter-attraction of a meeting of the local Kishan Sabha. Faizaliganj itself contains a high proportion of landless traders, and metal workers and so is not a typical rural village. It was, therefore, not thought useful to obtain the usual details of individual indebtedness in the course of the enquiry, but the lists prepared by the Banaili Raj patwaris were tested and the figures for genuine raiyats were taken.

These villages which form part of the Banaili Estate are well protected against failure of crops by a channel (danrh) leading off from a river, which breaks up into a number of distributaries. The water comes in when there is a freshet in the river and is not controlled in any way, and consequently there is no system of recognized turns for irrigation as there is in Gaya district.

BORROWING.

Nearly all the raiyats of these villages take loans every year. In good years old debts are paid off to some extent and new debts incurred towards the end of the year. The profits of good years are also consumed in expenditure on social ceremonies. An ordinary high caste man spends Rs. 400 on a marriage, a low caste man may spend Rs. 200. Marriages will be very numerous this year in view of the inception of the "Sarda" Act on 1st April 1930. The greater part of the borrowing is from village mahajans or Marwaris living in the larger villages, who have been there for generations. Chapra Gossains (the people known as Nagas in Ranchi) do not come,

and Kabulis come seldom. Cash loans bear interest as high as Rs. 3-2-0 per cent. per mensem, though sometimes only one per cent. is charged. Occasionally a loan is originally given at 2 per cent; the principal and outstanding interest is covered by a new document at Re. 1-6-0 per cent. and again by a third document at annas 12 per cent. per mensem. A curious loan transaction came to light between two women. Rs. 400 was borrowed on condition that the borrower should pay one seer of paddy for each rupee lent at harvest time. This works out at about 18½ per cent. Paddy is lent on a somewhat complicated system. The price of the paddy at the current rate is shown in the mahajan's book and as much paddy as can be bought for that price is paid back at harvest time plus interest which ranges from Rs. 3-2-0 per cent. a month downwards. The raiyats said the mahajans usually take the paddy back at 1 or 2 seers above the market rate, i.e., when paddy is selling at 8 seers per rupee, they require 9 or 10 seers. It was admitted, however, that many raiyats stood out against this, and one mahajan said he never took more than ½ seer above the market rate. Paddy borrowing is mainly confined to very poor raiyats and labourers. About one-quarter of the loans taken are for the annual charges of cultivation. There is little borrowing for improvement but two men present had taken loans of Rs. 500 and Rs. 400 respectively from Government under the Land Improvement Loans Act. They had no great difficulty about getting the loans but had to pay Rs. 15 each to the amla. Hand-notes are taken even for small loans. The limit for borrowing without pledging land varies with the credit of the borrower. Land is pledged either by the ordinary usufructuary mortgage (sudbharna), or by the mortgage which extinguishes both principal and interest (bhugat-bandhu in Ranchi, here called sadua patua).

The mahajans generally behave well, though about one in eight gives ground for complaint for malpractices. They never take blank papers with the thumb-impressions of their customers. The raiyats cannot as a rule read the documents since even of those who have been to school only one in four can read and write a few years after leaving school. Only about half the raiyats ever have any surplus. Those who have no other occupation besides agriculture, and they are 95 per cent. of the whole, have no chance of ever getting free of debt as things are. If they could get money at lower rate of interest they could redeem their lands and pay off their debts. Some might borrow more money but not all.

SAVINGS.

Only about 10 per cent., mostly those who have subsidiary occupations, have any savings. These are spent in buying land and ornaments, on going on pilgrimage or on litigation or used in lending. A few low caste people still bury their savings. No body invests in the post office savings bank or in postal cash certificates.

MARKETING.

Very few raiyats take their own produce to the big bazars like Sultanganj. Some men make their living by carting to the bazar. About five-eighths of the produce is sold at the threshing floor to pay off rent and mahajans' charges, the rest being stored in the house and sold as required. No Brahman, Rajput, Babhan or Kayasth ever does the manual labour of cultivation. The lower castes, if they happen to get rich, also drop manual labour.

FINANCING OF RURAL INDUSTRIES.

The metal workers borrow such sums as Rs. 20 or Rs. 25 from small mahajans at Rs. 3-2-0 per cent. per mensem to buy raw materials. These mahajans borrow from Marwaris of Sultanganj or Bhagalpur at 9 per cent. per annum for this purpose. The metal workers sell most of their products by hawking through the villages. Cloth is distributed on the credit system and no money is borrowed to buy it.

CO-OPERATIVE SOCIETIES.

There is no co-operative society in these villages, but one was recently started in Tarapur close by with 10 members, who borrowed Rs. 2,000 from the Kharagpur Central Bank. One man took Rs. 1,100 to buy a motor bus. (It will be interesting to hear whether this society survives the inevitable crisis of replacement of this vehicle.) The Kharagpur Central Bank, like the Bhagalpur Bank, lends to societies at 11 per cent. and the members borrow at Rs. 14-1-0 per cent.

AN AGRICULTURAL BANK.

The rival merits of co-operative societies and a bank backed by Government armed with certificate procedure and operating through selected mahajans were discussed. The people clearly disliked the joint liability principle. They were also at first hearing very doubtful if the mahajans would play fair, but agreed that if there was adequate supervision as there is over

sale of liquor by licensed excise vendors the plan might work. It was agreed that one of the reasons for high rates of interest was that the mahajans had not enough money to lend. The raiyats were not opposed to certificate procedure, if they could get substantially lower rates of interest. They appeared to think 12 per cent would be sufficiently low. The mahajans thought they ought to get 18 per cent. if they borrowed from an Agricultural Bank at 9 per cent., but would accept less if facilities were granted for realizations.

INDEBTEDNESS.

The cases of 33 real raiyats had been collected by the patwaris and were checked. These owed Rs. 9,600, or an average of Rs. 291 per household. Eleven had no debts, a somewhat surprisingly large proportion, but only 6 others owed not more than Rs. 100. Debts amounting to Rs. 6,135 were covered by mortgages.

**Note of interview with Mr. M. N. De, Superintendent of
the Silk Institute, Bhagalpur, on 29th October 1929.**

PRESENT :

Mr. Hubback.

Mr. Batheja.

The Bhagalpur Silk Institute is a Government concern manufacturing silk for the purpose of demonstration and experiments intended for the benefit of the silk industry at Bhagalpur and imparting instruction in the art of silk weaving to apprentices. It is, therefore, not worked on a commercial basis. Its aim is pioneering and demonstration rather than profit. As a matter of fact, the moment new designs have been popularized and approved methods established in the industry, the Institute gives them up and starts experiments in other directions. The Institute is, therefore, running at a loss of about Rs. 7,000 per year. Before its teaching side was started, it used to yield a profit of about Rs. 4,000 per year on its working expenses. It is uncertain, however, whether all items of expense, for instance Government supervision, rent for Government buildings, etc., are allowed for in arriving at these profits and, therefore, it is difficult to say whether these profits were profits in the true commercial sense. Students are attracted from all parts of Bihar and Orissa by a system of scholarships. No separate accounts have been kept so far for this item of expenditure but in the present year a separation has been made. Separate accounts are kept with a view to get an idea whether the commercial side of the Institute pays or not. About Rs. 50,000 is spent every year on it.

As a result of the working of the Institute, the industry is making a steady advance and more and more firms in Bhagalpur starting silk factories. Silk production in Bhagalpur district and the neighbourhood is carried on partly by weavers working in their own cottages and partly in factories owned by merchants who also buy and sell silk goods from the weavers. The business, if conducted on factory lines and with improved methods, is fairly lucrative. A gentleman who used to earn otherwise Rs. 30 a month, after starting a silk factory is now master of about Rs. 20,000. Another, a well-established factory owned by a Marwari gentleman, is reported to earn about Rs. 20,000 to 25,000 per year, though the proprietor complains that his yield is only 12½ per cent. on his invested capital. The cottage workers, however, are not in such a flourishing condition.

They work in their cottages and, therefore, are unable to find room for a long warp which the factories can make. They are also unable to buy raw materials at a cheap price or market their goods at favourable rates. No weaver can start production with a capital of less than Rs. 15. With this he generally buys enough raw material from the local merchant to keep his family working for three days. He will not be able to sell his three days' product for more than Rs. 16-8-0. He is compelled to part with his product at that price as he cannot afford to wait and must have the necessary finance for working on the succeeding days. Thus a weaver working with his family is not able to earn more than 8 annas per day.

A co-operative society was started to finance these weavers but money was advanced so recklessly that Rs. 80,000 was lost in the business. What remained of it has now been taken over by the Bhagalpur Central Co-operative Bank.

The factories are able to earn profits by buying the cheaper foreign yarn imported from Japan, Italy and Manchester and by adopting improved methods of production. There is no power production. All work is done by hand. The fly-shuttle loom has replaced the pit loom. The cottage workers resisted the introduction of the fly-shuttle loom as they complained that the increased output had produced a glut in the market with consequent fall in the price of silk and unemployment of weavers. They went on strike for three months but the strike ultimately collapsed as the weavers had no staying power. The silk merchants discourage the use of indigenous yarn and give very low prices for material woven out of it. It is not because the indigenous yarn is inferior or does not appeal to the taste of the consumer but because the silk merchants get more profit on the sale of foreign yarn, which is cheaper than native yarn. There are about 1,600 handlooms owned by weavers and 250 looms owned by factories. The factories are able to produce about eight yards per loom per day while a weaver, on account of his defective method of production, cannot produce more than four yards per day. It is, therefore, not surprising that the silk industry in Bhagalpur is tending to pass from the cottage stage to the factory stage, as cottage methods do not pay. There is an intermediate type of business organization between the cottage business and the capitalist's factory. A master weaver may have two or three looms against 9 to 35 looms in a factory and he may start producing by hiring other weavers to work for him. These weavers are in chronic debt and will not

work without getting an initial advance of Rs. 150 to Rs. 200. No interest is charged for this advance but this advance must be paid by the new master if the weaver changes his place of work. Weavers are paid at a piece rate which works out at about 12 annas per day. A factory of about 40 looms can employ about 80 hands. The total value of the silk business in Bhagalpur is now about Rs. 20 to 25 lakhs. Twenty years back it was worth about four to five lakhs only.

There are three kinds of cocoons from which silk is reeled—eri, tasar and mulberry. The Department of Industries is carrying on a propaganda for the culture of eri silkworm. There are about 4,000 silkworm rearers spread over Bihar and Orissa. They are chiefly found in Cuttack, Puri, Balasore, Angul and Chapra districts. Cocoons are bought by the Silk Institute sometimes through *beparis* and sometimes through its own agents. The finished product is sold in India and exported outside at Government risk. It is sent to New Zealand, Australia, Holland and England.

The Silk Institute uses mostly indigenous yarn. Thirty per cent. of the yarn, however, is imported from outside. Experiments are being made to make indigenous yarn more suitable for factory production. There is some difficulty in disposing of silk cloth in the face of competition from Japan, Italy and England. Artificial silk does not compete seriously with the Bhagalpur silk as it cannot stand the washing necessary in a hot climate. Bhagalpur silk is able to hold its own against foreign silk of superior finish because of its cheapness and durability. Pure Bhagalpur silk is sold at Rs. 1-8-0 per yard and silk mixed with cotton at about 12 annas per yard. This price compares favourably with the price of foreign products and, therefore, Bhagalpur silk is in great demand by the middle classes.

The Superintendent says that 70 per cent. of the silk weavers have to borrow money by pledging ornaments at 12½ per cent. interest and generally the silk weaver is compelled to sell his product to the mahajan from whom he borrows money and buys his raw material. There is a combination among the mahajans. A weaver cannot go to another mahajan without a certificate from his former mahajan. The Superintendent estimated that about Rs. 50,000 to one lakh would be required to finance the silk weavers. He suggested the starting of a bank which might lend money to the weavers on a profit-sharing basis, i.e., it might buy their products, market them and divide the

profits with the weavers on a half-and-half basis. The difficulties in starting such a bank are firstly the bank has no security for its advances, secondly the bank will endanger its own position by engaging in purely trade transactions. The improvidence and thriftlessness of the weaver is the main obstacle and the example of the failure of the Weavers' Co-operative Bank is a sufficient warning. It is, however, for consideration whether some mahajans who know best the condition of these weavers cannot be induced to lend money on less onerous conditions than those which prevail at the present day. No finance is required by the silk factories as they get enough money from the merchant proprietors nor is any money required for marketing silk cloth as the same proprietors provide finance for this business also.

The silk business is not subject to any serious fluctuation of price and the price of silk cloth has kept fairly steady in the last five or six years.

Some of the silk cocoons produced in this province are exported to Nagpur for reeling. Some are reeled in this province also. Silk spinning consists in converting silk waste into yarn as in the case of cotton and jute. In the case of eri silk, there is no silk reeling but there is reel spinning. An improved type of charkha costing about Rs. 8 is being introduced by the Department of Industries so as to get a better kind of yarn; but many spinners, mostly women in the weaver's household or villagers in the mufassil, cannot afford even that much money for buying the improved charkha. A hire purchase system will not work as the amount involved is small.

Note on the village survey held at Akbarnagar, Bhagalpur District, on the 30th October 1929.

PRESENT :

Mr. Hubback.

Mr. Batheja.

Rai Bahadur Bansidhar Dhandhania.

Mr. Godbole, the General Manager, and Rai Bahadur S. C. Chakravarty, the Assistant Manager of the Banaili Raj, attended the inquiry as well as Babu Mathura Prashad, Assistant Registrar, Co-operative Department and Babu P. K. Roy, Manager of the Bhagalpur Central Bank.

The centre is nine miles from Bhagalpur along the Monghyr road and is close to the Ganges. The main body of the *raiyats* who were present came from villages Shahabad and Kherahiya, though a number of *raiyats* from other villages were also present. These two villages both lie mainly in the *diara* and the information collected from them represents, therefore, the conditions in that tract. Shahabad village has been established for the last 15 years, and is located on an island between two channels of the Ganges. Previously, the inhabitants held land on the other side of the Ganges, which was washed away and earlier still they held land on this side of the Ganges. The debts have been accumulating to some extent as a result of the loss of lands by diluvion. There are about 60 houses in the village including landless labourers. These are indebted as well as the *raiyats* with land. It was stated that nobody can get a ploughman unless they give him an advance. A sum of Rs. 30 to Rs. 40 is usually advanced to a ploughman but no interest is charged. When the ploughman changes his master, the new master pays off his debt. It is not realized that under the Bihar and Orissa Kamiauti Agreement Act of 1920, there is no legal backing for any agreement for hiring agricultural labourers for more than one year.

BORROWING.

Practically all cultivators borrow every year mainly in money but sometimes in kind. There is a general understanding that debts of this kind are repaid at the next harvest. About 50 per cent. of the *raiyats* clear off their debts after harvest and are free for two or three months. The bulk of the borrowing is in *Kartik* (October) when money is wanted for the sowing of *rabi* crops which are the most important crops in the *diara* area. The demand for money is very brisk for about one month. There is a little borrowing for the *bhadai* crop in June. It may be noted that the main period for borrowing is when money is difficult to place in Bhagalpur town. Repayment is mainly made in *Jaith* (May). Only a small part of the crop is sold on the threshing floor for paying off urgent demands. Most of it is stored in the house and is sold off as need arises during the period when it commands a better price. The rates of interest vary from 2 per cent. to Rs. 3/2 per cent. per mensem. *Kabulis* do not come to lend actual money but to sell cloth, usually winter cloth. Some people buy it on credit. No interest is paid but the price is higher. For example, one man said that he paid Rs. 2 for what he could get for Re. 1/8. They recover by means of the *lathi*. As a rule, however, most people, if they require money for agriculture, borrow from their *mahajans*. The *mahajans* do not always have enough money to lend and the *raiyats* have to go to two or three *mahajans*. Sometimes as much as one anna per rupee per mensem has to be paid for a loan. There is no special time for borrowing for social ceremonies but most marriages are celebrated in April when the harvest is over and the *raiyats* have the leisure. A man with 2½ bighas of land spends one hundred rupees on a marriage. There is no co-operative society in *diara* villages, but there is one in Akbarnagar. The Assistant Registrar and the Manager of the Central Bank explained that *diara* land is not considered good enough security for lending by a co-operative society. They had examined the case of some *diara* villages but came to the conclusion that agriculture was practically insolvent. The co-operative movement can offer no solution for such cases. It was generally agreed that zamindars would not be able to lend money safely to their tenants of *diara* lands.

The courts sometimes reduce interest. A specific case was quoted in which the rate of interest was reduced from Rs. 3/2 per cent. to Rs. 2 per cent. per mensem by the court.

No interest is allowed during the pendency of a suit. As a rule, the amount actually written in a deed is given to the borrower but in some cases of fairly substantial men the Bhagalpur *mahajans* charge a salami of 5 per cent., i.e., a document is written for a loan of Rs. 525 and only Rs. 500 is given. This appears to be the case when the borrower is already deeply indebted to the *mahajan*. Smaller men borrow Rs. 10 on a handnote which is written for Rs. 20. If they pay up, as is the ordinary understanding, on the next harvest, they merely pay Rs. 10 *plus* interest, but if they do not pay they are liable to be sued for Rs. 20. Only 10 per cent. of *mahajans* have this practice. The *mahajans* take compound interest at six-monthly rests. The *mahajans* do not defraud the borrower if he pays up duly at the next harvest. The Co-operative Central Bank was requested to start a society in the *diara* and the *raiya*s said they would be ready to take not more than one hundred rupees, i.e., Re. 1 for each bigha that they held. The Directors of the Central Bank considered that it was not safe to rely on realization from the crop only seeing that the *raiya*s were already heavily involved with the *mahajans* who would be first on the field. Consequently, the Directors refused to allow the societies to be started. The Manager thinks that they are beginning to change their minds and may permit societies to be formed. In Akbarnagar, where the land is stable, the *mahajans*' rates of interest vary from Rs. 2 to Rs. 3. The co-operative society lends at Rs. 14/1 per annum. In this society the *mahajan*'s debts were paid off on its formation but owing to failure of crops the *raiya*s had to go back to the *mahajans*. The Central Bank would not finance any further. One man stated that the crops had failed for seven years. The *raiya*s had never applied for *takavi* loans during these failures. The failures appear to have been limited to two or three villages and had not attracted the attention of the Government officers. The Chairman explained that *takavi* loans were not usually given in this province unless the agricultural calamity was fairly widespread, though no doubt, a local calamity when frequently repeated would be a potent cause for the increase of indebtedness.

The land in Akbarnagar is subject to a plain mortgage to the co-operative society but most *raiya*s have given some part of their holding in *sudbharna* to the *mahajans*. The *mahajans* let out such land on produce rent to other *raiya*s. In bad seasons the Banaili Raj allows rent to run on without interest which practically amounts to a loan. But all zemindars are not prepared to do this. The Committee might

consider whether it could recommend that *takavi* should be given for local calamities of smaller extent than is the present practice in Bihar and Orissa. A quick distribution of *takavi* at a critical time meaning a difference of interest between $6\frac{1}{4}$ and $37\frac{1}{2}$ per cent. might check the growth of indebtedness very effectively. *Takavi* was taken in Abarnagar in 1908. *Raiyats* who remembered the grant in that year said that there was no complaint about its distribution. Most of the debts in the villages round about Akbarnagar are ancestral debts. The rate of interest is lowered as the amount increases, when the document is renewed. For example, a man who owed some years ago Rs. 2,600 at 2 per cent. per mensem now owes Rs. 6,000 but only pays 12 annas per mensem. His interest charge has thus dropped from Rs. 52 to Rs. 45 a month.

CO-OPERATIVE SOCIETIES OR AGRICULTURAL BANKS.

The *raiya*t's objections to a co-operative society were that the rate of interest was too high, the joint liability is dangerous and the societies do not grant a sufficient amount on loan. They said that they were ready to accept certificate procedure for the recovery of their debts if the rate of interest were low. But they represented that a Government scheme usually meant a lack of elasticity which was an agreeable feature of the village *mahajani* system and that the rate of $37\frac{1}{2}$ per cent. is rarely realized. In practice it would seem that those high rates of interest operate in much the same way that the *bhaoli* system works in South Bihar, i.e., full realization is only held out as a threat which does not come into force except when the two parties fall out and one of them goes into court.

MARKETING.

The *beparis*, who are distinct from the money-lending *mahajans*, though they also are called *mahajans*, come to the villages to buy the crop, though some *raiya*t's have their own carts and sell their own grain at the *hats*. The *beparis* usually buy at 4 to 8 annas a maund less than what the *raiya*t's get in the *hats*. The *raiya*t's get knowledge of the rates through the *mahajans* and there appears to be no need for further publicity about market rates in this area at any rate. It is only those who are very deeply indebted to money-lending *mahajans* who are obliged to sell to them and even these get the *bazar* rate less cartage. The *beparis* do not indulge in trickery about weights and the money-lending *mahajans* keep their books properly.

LICENSED MAHAJANS.

The *raiyats* affected to expect that a bank under Government control would lend money at the *takavi* rate of $6\frac{1}{4}$ per cent. They were not very much in favour of a system of licensed *mahajans* lending money at about 12 per cent. and having the certificate procedure at their back. They thought that such *mahajans* would not treat everybody fairly. Some, however, thought that the poorer *raiyats* would benefit by such a system. It was stated that money-lending by the Banaili Raj would be the best plan of all. There were no ordinary *mahajans* present. One man who does a certain amount of *mahajani* business, though he is mainly a large cultivator, did not appear anxious to take on the business though he offered to keep a Government bank informed of the financial position of the *raiyats*. One man said that it would be necessary to have a *mahajan* in each village. When it was pointed out that such a *mahajan* could not earn enough to make it worth while, the other *raiyats* said that five or six villages could be grouped together.

Only one man has a savings bank account. Very few bury their savings. They generally use them in buying land and money-lending.

INDEBTEDNESS.

The Banaili Raj had collected statements of debts from several villages, some close by and some at a distance. Indebtedness is very much higher than in Ranchi or Orissa. Shahabad village gave an average of Rs. 580 for 29 households having land, Kheria the astonishing figure of Rs. 1,096 for 41, one household owing Rs. 15,000 and two others Rs. 6,000 a piece. These are both *diara* villages. In Sirampur 74 households gave an average of Rs. 200; in Simrah 38 households gave Rs. 277; in Akbarnagar 24 gave Rs. 806; and figures for 3 villages not fully completed were Rs. 509 for 26 households. Landless households gave distinctly high results too, Shahabad averaging Rs. 167 for 7 households, and Simrah Rs. 99 for 28 households. Taking all the figures together, 232 households with land owed Rs. 1,19,594 or Rs. 515 each, while 43 households without land owed Rs. 4,121 or Rs. 96 each.

**Note of interview with traders and indigenous bankers at
Muzaffarpur on 4th November 1929.**

P R E S E N T :

Mr. Hubback.

Mr. Batheja.

The following gentlemen attended to discuss :—

Babu Radha Krishna, zamindar and banker.

Babu Amar Nath Khanna, vakil and money-lender.

Babu Baid Nath of the firm of Messrs. Bhagwan Das and
Jidutta Ram, cloth merchants and bankers.

Babu Radha Krishna is a leading zamindar of the locality. He incidentally does some money lending also. He is primarily a zamindar and only secondarily a banker and lately, owing to the trouble of litigation and other causes, has reduced his money lending business considerably. He accepts deposits as well but the amount of such deposits does not exceed Rs. 25,000. He pays 6 to 9 per cent. interest on such deposits. These deposits are accepted for one or two years and the depositor receives a pass book something like those which the sub-committee saw at Rai Bahadur Bansidhar Dhandhanian's office at Bhagalpur. These pass books are called *chithas* and each account is opened with a stamp of one anna as a guarantee of the legality of the transactions recorded therein. The account is adjusted every year and for opening a fresh account for the next year a fresh stamp is used. Interest is calculated on daily balances. No balance sheets are published to give an idea to the client of the position of the business. Money is lent out mostly against landed security at rates varying from 15 to 18 per cent. Sometimes the rate in the case of exceptional parties is as low as 9 per cent.

Babu Radha Krishna said that he does not experience much difficulty in realising his dues. When he has to go to court, it does not take less than four years to get his claim settled; two years is taken up in court and about two years more is consumed in executing the decree. Babu Radha Krishna being a big zamindar himself has no difficulty in managing lands which he may acquire as a result of foreclosing his mortgages. But if

these lands fall outside his zamindari, their management does not pay him as he has to keep a separate establishment for the purpose. It is an expensive matter to trace the title of a borrower by consulting registration records. The search is made for about 12 years and the usual charges are Rs. 30 a case. In the case of joint families, this consultation of records is more troublesome, as each member of a joint family has a right to mortgage land. Therefore, if there are four partners in a joint family, the entries under the names of all of them have to be consulted. It is generally safe to consult the records for 12 to 20 years. There is no difficulty experienced in tracing the mortgage of the same property in some other district as registration offices send copies of such transactions to the office of the place where the land is located. In the registration records there is indexing both by name as well as by *tauzi* numbers. It will conduce to greater security of money lending operations if attachment notices are also sent for record in registration offices so that the money-lender may know exactly the position of the land which is being offered as security for a loan.

Referring to the investment habits of zamindars Babu Radha Krishna said that they do not generally invest in Government and other securities their surplus savings. It is not that they do not know where and how to buy them or have no idea of the net yield to be obtained from them. There is no lack of facilities for buying them as any bank in Muzaffarpur or Calcutta will do the business for them. Land is however preferred on grounds of sentiment, proximity and prestige. In recent years the price of land has gone up with the result that the net return from it does not exceed four to six annas per cent. per month. This compares unfavourably with the yield from Government securities but, to an improvident class of persons, the frozen character of land assets is an advantage rather than a disadvantage.

Babu Amar Nath Khanna has no deposits from his clients. He generally lends money to traders against the security of *hundis* and only occasionally to zamindars. He considers the first business to be safer and more free from trouble. He has about 30 such lending accounts against a similar number of Babu Radha Krishna and 15 to 20 of Babu Baid Nath. Babu Amar Nath Khanna generally confirmed the account given by Babu Radha Krishna of the business of advances to zamindars and the difficulties

experienced therein. His money lending business is worth about Trs. 50. He advances to zamindars at 12 per cent. and to traders from 8 to 12 per cent. He generally takes land security from the former but advances to traders on their personal security only backed by *hundis*. These generally bear two signatures and are drawn up in the usual form. But he also buys "Apne Sekari *hundis*," i.e., *hundis* drawn by one party in favour of another and accepted by itself. No collateral security is generally taken but sometimes bonds are taken by way of additional security.

Babu Baidnath of the firm of Bhagwan Das and Jidutta Ram is a wholesale Swadeshi cloth merchant. He also finances other cloth merchants and buys the *hundis* of other dealers in the town when the local *hundi* rate is high and when he has surplus funds from his cloth business which he thinks can be more profitably invested in *hundis*. He is the sole distributing agent of some cloth mills in Bombay and Ahmedabad. He has branches in Calcutta and Ahmedabad. He sells about 30 to 40 lakhs worth of cloth every year and maintains a daily stock of 5 to 6 lakhs of cloth in the Muzaffarpur shops. The total cloth business of Muzaffarpur according to him is about 2 crores of rupees. Ten years ago it was worth about 4 crores. Muzaffarpur used to serve as a distribution centre for Swadeshi mill cloth not only for the whole of the Tirhut Division but also for places as far as Benares and Calcutta, specially in the case of certain varieties of cloth the sole agency for which had been obtained by some firm in Muzaffarpur for the whole of India. Nearly all Bombay Presidency mills have their agencies at Muzaffarpur. These generally contract to buy their entire stock at a certain time in a year. Babu Baidnath has entered into such a contract with Tata Mills and other mills and takes delivery at the rate of 150 bundles a month, which are paid for by tendering cash for railway receipts sent through the Imperial Bank of India. The reason for the decline of the Swadeshi cloth business of Muzaffarpur in the last ten years is that Japanese cloth has cut into the local market and there is a general depression of trade and industry which has resulted in less credit being given to mufassal merchants.

Babu Baidnath sells the cloth obtained directly from mills and purchased through commission agents in Bombay to local and mufassal merchants. He sells on retail terms also but he never sells less than one piece. He sells on credit. Generally 80 per cent. of the value of cloth is taken on credit,

the rest is given in cash. He has about 5 or 6 lakhs outstanding with the clients on cloth account. His charge on such advances is $11\frac{1}{4}$ annas per cent. per mensem. It becomes due as soon as goods are delivered. The merchants who buy from him generally sell to other mufassal dealers from whom they realise 12 annas per cent. per mensem as interest on advances. To his own commission agents in Bombay, Babu Baidnath pays 9 annas per cent. per mensem interest when he buys cloth from them on credit which he generally does when the local *hundi* rate is higher than 9 annas per cent.

He buys *hundis* whenever he finds it more profitable than investing in cloth. They are generally *mudati hundis* drawn by cloth and grain merchants. He is a Marwari himself and generally deals with Marwaris. Most of the *mudati hundis*, which he buys are "Apne Sekari *hundis*," i.e., *hundis* written by one on oneself. He also buys *darshani* remittance *hundis* on Calcutta in connection with his business though he does much of his remittance work through the Imperial Bank of India. He buys *hundis* through 'dalals' or brokers. There are only four of them in Muzaffarpur and they receive 2 pice per cent. from the borrowing or money receiving party. The rate for remittance *hundis* is generally at a premium as Muzaffarpur has to make more payments than its receipts from great centres like Calcutta and Bombay. It does not exceed one anna per cent. otherwise the remitter will fall back on the Imperial Bank of India. Muzaffarpur while a great cloth distribution centre is not a collecting centre for the export of grain. Hence it pays out to big centres more than it has to receive from them.

He sometimes rediscounts his *hundis* with the Imperial Bank. In such a case the bank has the security of three signatures. *A* orders *B* to pay *C*. When *C* rediscounts with the Imperial Bank, *A*, *B*, and *C*, all become responsible to it for the debt. This rediscounting is done only when money is scarce which is the case from January to May. From May to December the *hundi* market is slack. This means that money is lying idle in the rainy season when the agriculturist needs it most. There is no link between urban and village banking. The urban banker will not lend to a mufassal customer as he has no easy access to him and does not know him enough. If an agricultural bank could be started to establish this link, it would be a good thing. The idea is both useful and practicable.

Note of a visit to the Banka Central Co-operative Banking Union and of a village enquiry at Banka on November 1st, 1929.

PRESENT :

Mr. Hubback.

Mr. Godbole, the Manager, and Rai Bahadur S. C. Chakravarti, the Assistant Manager of the Banaili Raj Rai Bahadur S. N. Singh, Subdivisional Officer of Banka and Babu Mathura Prasad, Assistant Registrar, Co-operative Societies, assisted in the enquiry.

Banka is a subdivisional headquarters, situated about 30 miles south from Bhagalpur.

The Banking Union was founded in 1914. It has no preference shareholders. The working committee consists mainly of members of the Banka bar, but includes the Subdivisional Officer and one cultivator representing his village society.

The share capital comes to Rs. 54. No dividend is paid on it, as it is all owned by the village societies. Reserve fund stands at Rs. 7 and other funds at the same figure. Deposits stand at Rs. 1,41 of which Rs. 1,30 has been invested by local non-members. The deposit rates are $4\frac{1}{2}$ for savings bank, and 6 per cent. for one year fixed deposit. Rs. 6 is held at the same rate for two years.

The Banking Union has borrowed Rs. 3,18 from the Provincial Bank as a loan at 6 per cent. and has drawn against cash credit Rs. 44 at the same rate. Government has lent Rs. 5 for building seed godowns without interest for three years and thereafter at 5 per cent. and Rs. 5 for land improvements at $6\frac{1}{4}$ per cent.

The working capital is thus—

				(Rs.)
Paid up share capital ...	...	...	...	54
Reserve Fund ...	...	...	...	7
Provident Fund ...	...	...	...	4
Other Funds ...	...	...	...	7
Deposits ...	...	...	...	1,41
Loans ...	...	...	...	3,72
				<hr/>
			(Rs.)	... 5,85
				<hr/>

The feature of this Union is the considerable assistance obtained from the Provincial Bank. The area of operations is a poor one, which is liable to drought, and outside aid is thus required.

The loans outstanding to societies are Rs. 5,38 of which Rs. 40 is overdue. In the present year the Directors expect to realize 65 per cent. on outstandings, i.e., on arrears and current demand of the capital of the loans. As the standing crop is a good one, next year should start with good realization. The Union lends to the societies at $10\frac{1}{2}$ per cent. and the societies to members at $12\frac{1}{2}$ per cent. The establishment charges are Rs. 11 or 1.9 per cent. of the working capital.

There are 207 credit societies and 2 grain *golas*, with 4,762 members in all. The grain *golas* are not working well. The members of these societies are also individual members of credit societies and borrow from both and find difficulty in repaying both loans. There is also some difficulty in getting competent men to manage these *golas*. The rate of interest on loans of grain is 25 per cent. There were till recently 14 guarantee unions, but these have been abolished. The *kists* of 79 societies out of 209 had to be revised in 1928. As much as eight years is now given to individual members who have borrowed to repay their debts to *mahajans*. It is fairly clear that this business is mainly supported by the fixed loan from the Provincial Bank, the management of which doubtless is aware of its commitments. There is usually an interval of two weeks between the application of an individual member for a loan and his receipt of the money. The Directors think

the area is too backward as yet to introduce cash credits to the societies for seasonal loans, and payment to the individual member by cheque issued by his society against that cash credit.

The Directors said that the *panches* of the primary societies were often the worst defaulters. When societies were first organized in this area some were one-man shows, but these have mostly disappeared.

VILLAGE ENQUIRY.

Men from Kaswa Danda, Boagaria, Jagatpur, Nunihari, Ksingha, Tajpur and Moharpur attended. Nearly all *raiya*s have to borrow every year. Those who do not borrow lend money. A few *raiya*s remain without any debt for one or two months in a good year. There have been six good years in the last fifteen. Loans are taken in April—May and paid back in December—January. Most of the borrowing is from local *mahajans*. The *raiya*s believe that these mainly use their own capital for giving loans. They are usually *Banias* with a few Rajputs and Brahmins.

Loans are mostly in cash and the rate of interest varies from $3/2$ per cent. to $6/4$ per cent. per mensem. One man present said he had actually borrowed for cultivation purposes at $6/4$ per cent. per mensem, although he has over 20 acres of land. The usual rate is 5 per cent. per mensem.

For paddy loans 50 per cent. per annum is charged for larger transactions but 100 per cent. is usual for loans of 2 maunds or less. One man said he took 10 maunds at 100 per cent. It should have been put down at Rs. 40 but he had to sign a handnote for Rs. 80. He has also to pay $3/2$ per mensem as interest on it. Another man said that for paddy loans never less than 100 per cent. is charged but a *mahajan* present said the rate depended on the credit of the party. Paddy loans are always booked as cash loans at the market rate.

About one-quarter of the loans given are ultimately taken into Court.

Loans are mostly given on handnotes, because the *mahajans* find that it is casier to get a decree on a handnote, which is usually payable on demand. (This statement is not borne out by the statistics of loans covered by mortgage collected

by the Banaili Raj staff.) *Mahajans* treat badly those who do not pay up in time, but on the whole do not indulge in any form of trickery with their clients.

LOANS FOR IMPROVEMENTS.

Very little money has hitherto been borrowed for improvements though one man has borrowed Rs. 200 under the Land Improvement Loans Act for bringing waste land under cultivation.

The Subdivisional Officer thought that Rs. 20,00 could be profitably spent in the subdivision in the next ten years on improvements, mainly irrigation schemes.

LOANS FROM GOVERNMENT.

The people of these villages took *takari* (agriculturists' loans) from Government in 1919. There was a delay of two months before they could get the money, but then it was paid out by the second officer at Banka himself and there were no complaints, though a few men said they had to pay small sums to the *amla*.

CO-OPERATIVE SOCIETIES.

A society was started with 16 members in Boajaria last June. It includes Brahmins, Telis and Goalas. One member is very enthusiastic about it. Non-members say that loans can only be obtained one month after the application and that they are afraid of joint unlimited liability.

AN AGRICULTURAL BANK.

The scheme for lending to individuals at low rates of interest on condition that they accepted certificate procedure was explained. The *raiyats* said they would not like it, if the *mahajans* were the agents for giving loans, as they were afraid they would not play fair. It would be no use having a *panchayet* to look after the *mahajan*. The scheme might work better if young *bhadralok* were appointed as the agents, but they would much rather have the whole business in the hands of the Subdivisional Officer.

Asked whether members of a co-operative society would leave their society and borrow individually from such an agricultural bank, one man said he would stick to his society, another that he would go wherever he could get the lower

interest. The *raiya*ts did not think that a system of giving sureties among members of a co-operative society, in place of joint liability of all members, would be much advantage.

REGISTRATION.

The Subdivisional Officer stated that as Chairman of the Banking Union he always insisted on proper searches in the registration office before substantial loans were granted to members of primary societies. These had to be carried through at Bhagalpur, where the Sub-Registrars send their registers after one year. The Manager of the Banaili Raj said he had a good deal of occasion to make these searches and found they did not take very long, as the indexing was good.

MARKETING.

The main products sold are paddy, *gur* and oil-seeds. Paddy is sometimes sold off the threshing floor to village *beparis* who bring it into the Banka hât, but some *raiya*ts bring in their own grain. At Banka it is sold to consumers as also to people who husk it for rice or for parched rice (*chura*). Most of the paddy that is bought in the villages is, however, taken direct to Barahat, about six miles away, where there are *golas*. Some *raiya*ts take their own paddy straight there. If they can sell well that day they do so; if not, they store in the *golas*, giving directions to the *goladars* at what price they should sell. It is usually sold within two or three days or a week at most. The *goladar* charges $\frac{1}{4}$ seer per maund for storing when he sells. Owners of mills and big rice dealers come to Barahat from Bhagalpur to buy. The *goladars* give advances against paddy in their *golas* up to 75 per cent. of the value. No interest is charged as that is included in the $\frac{1}{4}$ seer per maund for storage. The *goladars* take the profit if they can get a better price than that fixed by the owner of the paddy. If the price drops, they send word to the owner. Most of the *beparis* trade on their own money, but some borrow from the *mahajans* at the bigger centres at 2 per cent. per mensem. Sometimes the *mahajan* goes into temporary partnership with the *bepari*.

The *raiya*ts prepare the *gur* themselves, ten or twelve men combining together. When ready it is put in large egg-shaped jars and kept at the place of preparation until the *beparis* come round with their tins and carts to take it away. It mostly goes by road through the Santal Parganas to western

Bengal, but some goes to Bhagalpur. *Gur* is not usually taken by rail, as it is slopped about by the motion of the train. The *beparis* do not make any advance for *gur*, but pay cash on purchase. They frequently bring *kurthi* and *janera* (pulse and millet) to sell when they are purchasing *gur*. Oil-seeds are mostly sold in the village, but some amount is carted by *raiyats* to Bhagalpur. The transactions are all in cash. Purchasers do not play any tricks with weights, and no one is obliged to sell his produce to a particular person, not even to the *mahajan* to whom he owes money. Everybody knows quite well the market rates for his produce.

SAVINGS.

Savings are used for buying land or for lending. Fifteen to twenty years ago land was worth Rs. 25 a bigha (4/7 of an acre). Now it is worth Rs. 100. Now-a-days the return from land bought at this price is only 6 to 7½ per cent. per annum. A *mahajan* makes 25 per cent. on his capital less what he loses in bad debts. No one invests in the Post Office Savings Bank or in postal cash certificates. A few ignorant people still bury their money, but not much is buried now.

INDEBTEDNESS.

The Banaili Raj staff had collected a good deal of information in the neighbouring villages. In Kaswa Danda 66 households owe Rs. 34,699, an average of Rs. 526 per household. Rs. 15,182 of this is covered by mortgage. Seven landless households are without debts.

In Boagaria 47 indebted households, owning land, owe Rs. 26,047 while there are 27 households without debt, giving an average of Rs. 352 per household. Rs. 22,487 of this debt is covered by mortgage. Of landless households 29 owe Rs. 4,854 while 118 are without debt; the average indebtedness is thus Rs. 33. In Jagatpur 22 households with land reported a total debt of Rs. 13,600, seven of them being free from debt. This gives an average of Rs. 618. Of this debt Rs. 10,480 is secured by mortgage. Of 49 landless households 10 are free from debt and the rest owe Rs. 1,260, giving an average of Rs. 26 for the whole 49.

Note of village enquiry at Pokhraitra on 5th November 1929.

PRESENT :

Mr. Hubback.

Mr. Batheja.

Mr. Amir, the Sadr Subdivisional Officer, and Mr. Shankarji, Auditor in the Co-operative Department, assisted in the enquiry.

The village lies about 14 miles west of Muzaffarpur on the main road to Chapra. Out of 200 households, 100 are Bhumihar Brahmans and 50 Koiris; the rest are mainly of lower castes. The Bhumihar Brahmans are nearly all small proprietors, the proprietary interest being very much more widely held in Muzaffarpur district than in any other district.

THE SMALL ZAMINDARS' POSITION.

These persons do not have to borrow annually for cultivation of their private lands or for paying Government revenue but only in bad years. They do not always borrow for marriages and other occasional expenses. They usually borrow from richer zamindars in the village. Out of the 100 households of this kind 30 to 40 borrow from time to time, 15 lend and the rest do not borrow or lend. Most of the borrowing is on hand-notes. When a mortgage is taken it is nearly always of the kind known as *sudbharna*, i.e., usufructuary without extinction of the capital debt. There is no *sadua patua* mortgage. The rate of interest varies from 1 per cent. to 2 per cent. per mensem.

The zamindars present estimated the total debt of the 100 households at Rs. 10,000 to Rs. 12,000. Five to seven households are deeply involved. They thought this was about the position for zamindars in neighbouring villages. It would take 10 average years to discharge these debts at the present rates of interest, and they would be glad to have a land mortgage bank that could lend at lower interest. A bank, however, that lent at 12 annas a month with strict realization would not be much advantage, since *mahajans* give time and sometimes remit part of the interest. Some zamindars can borrow below 1 per cent. per mensem.

There is no co-operative society here. Zamindars are not, as a rule, found in such societies. Savings are used in buying land and in lending money. A little money is still buried but

not nearly as much as there was. There is a post office in the village but no one deposits savings there. During the war some people bought cash certificates but nobody does so now. A man who buys land now-a-days expects 6 per cent. as net profit on his investment; one large landowner said that he expected 5 per cent. excluding *sairat* (miscellaneous receipts from trees, fisheries, etc.), and that *sairat*, as a rule, brought in about one-fifth or less of the rent roll. Land sold ten years ago for Rs. 100 will now fetch Rs. 400 to Rs. 500. The return from land ten years ago was 12 per cent.

RAIYATS' POSITION.

There are three harvests *bhadai* (mainly *makai*, i.e., maize) *aghani*, the paddy harvest, and *rabi*, with wheat, barley, oats, etc. Neither tobacco nor sugarcane is extensively grown in this part. About 5 to 7 raiyats out of 100 do not borrow. The others all borrow for seasonal needs mostly in April—May for maintenance and payment of wages. In bad years they begin to borrow earlier in February or March. The rate of interest is usually 25 per cent. per annum, i.e., they pay Re. 1-2-0 back for Re. 1 after six months. If they do not pay then interest runs on at the same rate but is not compounded. If re-payment is made after three months only then Re. 1-1-0 is accepted for each rupee. Even if the loan is taken in kind the account is kept in cash. *Mahajans* do not refuse to accept re-payment when it is offered. Most of the borrowing is from the small zamindars of the village, but the *koiris* sometimes borrow from their own castemen who have made some savings. Rs. 50 is about the limit for *bahikhata* borrowing, i.e., mere entry in the lender's books, but that depends on the credit of the borrower. Most of the loans are on handnotes. A *sudbharna* mortgage is usually required for a loan of Rs. 200 or more. *Mahajans* do not usually accept redemption of *sudbharna* within the agreed period, and very seldom sue on a *sudbharna* agreement. They mostly cultivate land taken on *sudbharna* themselves but sometimes let it out on produce rent to the borrower or to other raiyats. The raiyats put forward no complaints of malpractices by *mahajans*, but some *mahajans* present admitted that occasionally a *mahajan* faked his accounts or took thumb impressions from his debtors on blank paper for future use.

The *mahajans* said that they could always find full use for their money, and could use more if they had it. On the other hand, the raiyats of this village say that they get from the *mahajans* what they ask for. One raiyat added that they have

to go round from one *mahajan* to another to get what they want, and at times the raiyats do not get money enough to be able to grow the best possible crop. If they could get better credit facilities, they could employ more labour and so produce more valuable crops, especially tobacco. But it is difficult to get the manure required for that crop as most of the cow-dung is used for fuel. There is practically no irrigation here for any crop.

No one makes any distinction between borrowing for occasional needs and borrowing for seasonal needs. An ordinary cultivator with 5 bighas of land (about 3 acres) spends Rs. 75 on a marriage. A zamindar with an income of Rs. 2,000 a year spends Rs. 5,000 on the marriage of a daughter mainly on *tilak* (bridegroom's fee).

MARKETING.

Paddy is not, as a rule, sold from the threshing floor. It is taken to the house and about 15 days later sale to *mahajans* begins. There is no compulsion whatever to sell to a particular *mahajan*, who has lent money. The raiyats are fully aware of the rates for paddy in the neighbouring markets. The *mahajans* sell the paddy to *depuris*, who come round. The raiyats themselves do not take their produce to market.

SAVINGS.

These are insignificant, and what is saved is used in money lending or in buying land. Very few bury savings now-a-days.

POSSIBILITY OF LICENSED MAHAJANS.

One *mahajan* said he had to sue in order to realise nearly half his debts. Suing is expensive and takes up much time. The *mahajans* would accept control and give loans out at 1 per cent. a month, if they could get quicker realization and money lent to them at 12 annas per cent. a month.

The raiyats said they would be in favour of such a plan, but some of them thought the rigidity of realization would be very onerous.

INDEBTEDNESS.

Twelve raiyats stated their indebtedness, which totalled to Rs. 1,007 an average of Rs. 84 per household, two having no debts. Rs. 447 of this amount was secured by mortgage. Rs. 375 had been incurred for maintenance or cultivation expenses, Rs. 390 for remunerative occasional expenditure, and Rs. 142 for unremunerative expenditure.

**Note of discussion regarding the finance of the sugar industry
in North Bihar held at Muzaffarpur on 7th November
1929.**

P R E S E N T.

Mr. Hubback.

Mr. Batheja

The following gentlemen attended to give the Sub-committee the benefit of their experience.

Mr. Henry of the Darbhanga Sugar Co., Ltd., Lohat.

Mr. S. Richardson of the Japaha Sugar Factory.

Mr. Wynne Sayer, Secretary to the Indian Sugar Committee.

Mr. Henry described the practice in the area from which his company draws its cane. The raiyats plant cane without any agreement, but after the crop is half-grown, i.e. July, they accept advances up to Rs. 30 per bigha (about 81 of an acre). These advances are given by the Company without interest and are recovered in the following December to April, when the sugarcane is brought into the factory, by deduction from the price. There is a definite contract, in which the price is put down at 4 annas a maund, although the price is actually fixed on the basis of half an anna per maund for each rupee of the current price of refined sugar plus half an anna. A definite price has to be put in the contract to satisfy legal requirements. In actual fact the price is fixed in November and has never been less than 5½ annas, which has just been fixed for the 1929-30 crop, on the basis of Rs. 10 a maund for sugar. On this basis there is on an average 14 annas worth of sugar and molasses in a maund of cane. Some factories specially efficient in extraction get 18 annas worth of sugar and molasses from a maund of cane. Efficiency of extraction has gone up about 50 per cent. since the Sugar Commission reported. During the War the price of sugarcane was 14 annas a maund.

The advance averages about one-third of the total payment on the crop. Formerly the advance used to be given before the crop was planted, but the system was changed, because of the agitation against the similar system of securing supplies of indigo plant. The Company has had no recourse to the Civil Courts for these advances during the last five years and has not

lost a rupee. The method secures the cane required, but Mr. Henry doubts whether it is now necessary to continue these advances. Mr. Sayer thinks it is and instances the case of another factory which brought up sugar cultivation from 13 acres to 3,000 acres in 3 years by making such advances. The Darbhanga Company, however, operates in an area in which cane-growing has been long established, and, though it owns no land, a large block of its shares are held by the proprietor of the area, which surrounds its factory, and he can, no doubt, exercise some influence. Mr. Richardson works on a different system. He measures up the land on which the raiyats propose to plant and is prepared to advance at the rate of Rs. 50 per bigha on such land. Nearly all raiyats take these advances. The money is lent at $12\frac{1}{2}$ per cent. per annum, the loan running for some 15 to 17 months i.e., from November—December of one year to February—March of the next but one. The raiyats' cane is all cut in February or March, he himself cutting cane grown on his own land either in January or April. No raiyat ever wants to repay the advance earlier in order to save interest. The advances are given out on hand notes of the ordinary type, which are registered if for Rs. 500 or more. No mortgage of land is ever taken. He has to go to the Courts in about four or five cases out of every 1,000. The raiyats require the money mainly for buying bullocks and for other cultivation expenses.

It was generally agreed that it was very difficult to say whether at present prices cane-growing was more profitable to the raiyat than growing maize followed by a winter crop. No irrigation is required for either. The raiyat is probably influenced by the advantage of getting straight cash into his hand and being relieved by the factory of the trouble of marketing.

Mr. Henry described the method of final settlement. The cane comes in by cartloads and is weighed on a weighbridge and the owner given then and there a note of the weighment, the counterfoil being kept. These notes are presented at the end of the week and in practically all cases payment is made without question to the man who presents the note. Consequently during the week these are treated in the villages as credit documents and are negotiated. There is a certain amount of possibility of deceit at weighment, as the owners in spite of warnings, often do not look at the scale, and allow the weighman to pass on some of their weight to a favoured cartman.

A more serious form of trickery of the raiyats is carried out in Saran district by certain buyers of gur, who have contracted

to buy a large quantity for Messrs. Begg Southerland and Company. They cover a large area buying a small quantity in each place at a high price. The raiyats consequently withhold their stocks from the market until the same mahajans come round later in the season, when they quote a much lower price, which the raiyats have to take or lose their sale altogether. The curious thing is that the price of gur does not follow the price of sugar though most of the Saran district gur goes to Amritsar for refining into sugar.

The system of cane buying in Saran district is different from those already described. There the factories are mostly on the railway lines and get their cane through contractors, who operate at the railway stations up and down the line. No advances are given out and no factory has any fixed area from which supplies are drawn or any permanent growers. The raiyat or the carter working for him comes to the station with the cane and is often told that there is no room to store it or that the contractor already has as much as he wants. Naturally he is not prepared to take it back, and usually lets it go at a reduced rate, by which the contractor himself or more often his servant (jamadar) scores. The factories pay a flat rate to contractors, but the raiyats get a lower price and never get any advances, nor is there any opportunity of introducing new canes or new manures. The raiyats only score when there is a short crop, and they happen to have a little more than others. In such years the contractors usually default. They are frequently dismissed servants of factories. The Saran factories are trying to improve matters by appointing a joint buying board, but its advantages are not very apparent.

There are 14 factories in Bihar and it is estimated that the working capital of the whole is Rs. 30,00 to Rs. 60,00. One factory gives out Rs. 1,25 alone in advances and another Rs. 60. There is no great opening for finance during the process of manufacture as the cane as a rule only takes 14 days from the weighbridge to rail consignment to purchaser in Calcutta or elsewhere. About one-third of the output is sold forward as it is. The facilities for finance differ very greatly. Some factories are run by managing agents, who supply finance which they get in Calcutta, Cawnpore or elsewhere as it is required. It was thought that the factories under such management would probably be debited with interest at 2 per cent. above Bank rate. Another factory would ordinarily be in a position to get any finance it wanted even cheaper owing to the strong financial

position of its principal shareholders. But others have considerable difficulty in getting the short term loans, which are required if the raiyats are to be financed to grow the crop. Such factories complain that they have really first class assets to pledge, and should be able to borrow for short terms from the Imperial Bank at 1 per cent. over Bank rate. Actually they can in some instances secure that rate from other banks, but failing that are driven to borrow in the bazar at 12 per cent. Factories run by managing agents can probably borrow in Calcutta at first class party rates, but factories with local directors can only get their finance by pledging their personal assets, not the land, buildings and machinery of the factory itself, which is said to be fully able to cover the seasonal advances required. Consequently the Imperial Bank at Muzaffarpur is taking in a lot of money, which could be profitably used in the district, but owing to the rigidity of its rules, it is actually moved off to Calcutta or elsewhere to finance urban industries and trade instead of being available for agricultural needs. The Imperial Bank will only lend on stocks placed under its own seal, and stocks are down to a minimum from August to the end of December, a part of the time when advances to cultivators are out, whether the Lohat or the Japaha system is followed. It is also not very easy to arrange for a second name on accommodation paper, as the Sugar people all want finance at the same time, and are to some extent competitors. Of joint stock banks there is only one branch in the area, and that has not got, it is believed, sufficient resources to supply the finance required. The Director of Industries when approached refused help as the sugar industry is an established industry.

For obtaining block capital there is not hitherto been so much difficulty, and any sound scheme properly presented has been able to obtain its finance by flotation of a company. Two new factories, both under Indian control, are now about to come into being. Among the Saran factories are several owned by Marwaris, who have got their finance from Lahore, but most of the money comes from or through Calcutta. It is, however, becoming increasingly difficult to start a new factory without very good financial backing.

The impression left in the Sub-committee was that there is room for a very considerable expansion on the sugar industry in Tirhut, if conditions remain as they are. A very rough estimate of annual turn over is Rs. 60,00, and it may be expected that in ten years' time the turn over will reach Rs. 1,50,00. The Sub-committee were advised to visit Saran district to complete the picture of the sugar industry in Bihar.

Note of village enquiry at Baghi on 8th November 1929.

P R E S E N T :

Mr. Hubback.

Mr. Batheja.

Mr. Amir, the Sadar Subdivisional Officer, Babu Shyamnandan Sahay, Honorary Secretary of the Muzaffarpur Central Bank and Zamindar of Baghi, the Manager of the Muzaffarpur Central Bank and Mr. Shankarji, Auditor in the Co-operative Department, assisted in the enquiry.

Baghi is about 16 miles south of Muzaffarpur on the road to Mahuwa.

Babu Shyamnandan Sahay, who has had much experience of co-operative banking, is the proprietor of the village as well as a number of other villages in the vicinity, with a rent roll of about $1\frac{1}{4}$ lakhs. There are, however, a large number of small proprietors with income ranging from Rs. 3,000 to Rs. 500 a year. Of these about 70 per cent. are in debt, the principal cause being expenditure on marriages, though failure of crops has contributed to indebtedness. Such men cultivate some of their land themselves in addition to collecting rent from raiyats. A man with an income of Rs. 500 has, as a rule, about 25 acres in his own cultivation. (Probably the "income" is that derived from rent, since 25 acres under cultivation would certainly bring in Rs. 1,000 worth of gross produce). Debts run between Rs. 1,000 and Rs. 2,000 per household. The usual rate of interest is 1 per cent. per mensem, but some pay as much as 2 per cent. per mensem. Compound interest is not usually taken. Raiyats have to pay from 18 to 35 per cent. per annum. The zamindars borrow mostly from other well-to-do zamindars, but to some extent from Sahu Mahajans. Up to Rs. 200, the debt is usually unsecured; above that sum a simple mortgage or a usufructuary mortgage (*sudbharna*) is generally required. Hand-notes are used as long as the *mahajan* expects to get his money back. When the *mahajan* expects to get the land, he insists on a mortgage. It was first stated that about 25 per cent. of the zamindars have mortgaged their lands, then that 25 per cent. of the debt is so secured. Possibly both statements are correct, the more deeply indebted having some unsecured debts

as well as their heavier secured debts. About half of the indebted zamindars are in such a position that at present rates of interest they cannot free themselves from debt.

These zamindars would welcome a debt clearing bank. The *kists* should be spread over 15 or possibly 20 years. It was first stated that the interest should be only 6 per cent. Later it was clear that $7\frac{1}{2}$ per cent. would be quite acceptable, and it is likely that 8 or even 9 per cent. would be good business for the involved zamindar.

It was stated that there would be about 50 potential clients of such a bank in the Union. Taking 100 unions in Muzaffarpur Sadr Subdivision, and Rs. 500 as the average indebtedness, the capital required to clear the whole indebtedness of such small zamindars would be Rs. 25,00 and probably an equal sum would be required for the other two subdivisions, or Rs. 50,00 for the whole district. Muzaffarpur is, however, very abnormal in having a large number of small zamindars. Of course it would be out of the question to attempt to clear off all debts simultaneously, and a land mortgage bank could be started on a much more modest capital.

It was agreed that loans should be made to each zamindar on security offered by him, and there should be no joint liability. Also that such a bank could not be run largely by honorary workers like the Co-operative Central Banks. Nor could it be a subordinate branch of the Provincial Co-operative Bank. It would have to be run mainly by professionals, though a directorate of local men would be very useful. The zamindars present were not inclined to support the proposal that every borrower should be obliged to take shares in the Bank. Babu Shyamandan Sahay thought that a properly organized Land Mortgage Bank for Muzaffarpur district could attract Rs. 5,00 or even Rs. 10,00 of local money at 6 per cent. or even lower.

The *mahajans* at present advance up to 40 per cent. of the value of the zamindari assets, which are calculated at 20 years' purchase of the rent roll less Government demands, i.e., land revenue, local cess, etc.

CONDITION OF RAIYATS.

Raiyats from Baghi, Mircha, Pakali, Ismail, Balaram Kishan, Subdiya and other villages were present. It was stated that on the whole the poorer raiyats were over represented in the gathering.

BORROWING.

Nearly every raiyat has to borrow for each crop. There are three crops of which the *aghani* (rice) harvest is the most important, then the *rabi* (tobacco, barley, etc.) and then the *bhadai* (maize).

In June-July there is borrowing both for the *aghani* and *bhadai* crops, and in October-November for *rabi*.

Repayments are made in October-November on the maize crop, but chiefly in April-May on the tobacco crop. Very little is repaid on the rice crop, which is mainly consumed.

Nearly all the borrowing is from the richer men in the villages, who are now of a number of castes. Forty or fifty years ago two or three professional *mahajans* used to finance 15 to 20 villages, but now many more people lend money. The rates are 1, $1\frac{1}{2}$, 2 and $3\frac{1}{8}$ per cent. per mensem. The usual rate for the ordinary man is 2 per cent.; $3\frac{1}{8}$ is taken when there is great need, e.g., the cultivation is beginning to suffer, or the borrower wants to raise money for a railway fare to go to Calcutta in search of work. This rate is confined to small loans. Compound interest is charged with six-monthly rests. There is very little borrowing of grain.

The borrowing for improvements is insignificant, and the raiyats have no ideas about improvements. Babu Shyamnandan Sahay has formulated proposals about the draining of the *chaurs* (marshes) which are to be found in this part. The sum spent in the marriage of a daughter depends on the social position of the family not its wealth. A Kciri said that an ordinary man of his caste spends Rs. 100; a Kurmi said Rs. 100 to Rs. 250; a Rajput said it was all a question of social position. A zamindar with a rental of Rs. 1,000 a year spends Rs. 2,000 to Rs. 3,000 on a daughter's marriage.

It was generally agreed that if a man owed Rs. 400, he would usually be borrowing from Rs. 100 to Rs. 150 every year.

MARKETING.

The main crop sold is tobacco, though there is a little selling of oilseeds. Most of the tobacco is sold to persons who come from the west to buy it, though when the market is low a few people prepare their own crop and take it to places in the west to sell. Maharajganj and Nawabganj in Basti district are the principal centres for this trade, though some is done in

Gaya and Lucknow. A few of the village people buy up the crop on the field from the rest of the growers. They give one or two rupees as earnest money, and then cut the crop about 8 days later and rough cure it. Then the outside *beparis* come round and buy up the tobacco so collected. The village buyers are guided by the previous year's price when buying from the other villagers, and do not know the prices in Basti or Gaya. It would be an advantage to have these prices published at the thanas. For two or three years the price went up, and raiyats put a great deal of land under tobacco. Now the price has fallen again. The village buyers invest anything up to Rs. 500 in this business, though one or two purchase dry prepared leaves on a bigger scale. They borrow from *mahajans* at $\frac{3}{4}$ to 2 per cent. per mensem, according to their credit, but mostly at rates below 1 per cent. The crop takes four months to prepare and sell. The people engaged in the business can borrow on the tobacco under preparation at the rates just given. There is no tobacco gola in the village.

INDEBTEDNESS.

The sub-committee were able to secure details of indebtedness of raiyats at this place. Twenty-seven came forward to record their debts. One has no debt. The total debt is Rs. 6,310 of which only Rs. 710 is secured by mortgage. Rs. 2,280 was incurred for expenses of cultivation. No money was borrowed for improvements. Rs. 4,030 was taken for other needs of which Rs. 2,565 was spent on unremunerative purposes. The average debt per household is Rs. 196.

SAVINGS.

Twenty-five per cent. of the poor people save. No one has a Post Office Savings Bank Account nor has any one heard anything about cash certificates. There is no co-operative society. The few savings they have are either buried or used in money-lending and buying land. They infer that some persons bury their savings as they have a good income but do not lend to others.

CHEAPER CREDIT.

They would like to have cheaper credit but cannot get it. They do not like co-operative societies because of the rigidity of their collections. The *mahajans* treat them well. There is no cheating on their part in accounts, weight, etc. But the *mahajan's* rate of interest is high and sometimes the *mahajans* have not enough money to meet all their requirements. They would not mind the certificate procedure if they could get money at a lower rate of interest through licensed *mahajans*.

**Note of interview with traders and indigenous bankers at
Muzaffarpur on 9th November 1929.**

PRESENT :

Mr. Hubback.

Mr. Batheja.

The following attended to discuss :—

1. Babu Gopalji of the firm of Ghina Chowdhury Gopal Chowdhury, paper, tea, sugar, cigarettes and grocery merchants and bankers.
2. Babu Sat Narain Chowdhury of the firm of Ranch Ranchelal Chowdhury, tea, sugar and grocery merchants and bankers.
3. Babu Badrilal Basdeo Sah, goladar and grain merchant.
4. Babu Fakiralal Sah of the firm of Jagooram Srikrishn Ram, goladars and oil mill owners.
5. Abdul Mian... }
6. Badri Sah ... } Tobacco merchants.
7. Munilal Sah... }

All the merchants are Biharis. Unlike the Marwaris, they have no association of their own for taking concerted measures to ventilate trade grievances. They would like to have such an association. They have no connection with the Bihar and Orissa Chamber of Commerce. They have not heard of it.

Babu Gopalji deals in cigarettes, paper, tea, sugar and "Kirani" goods such as spices, besides doing some money lending. He sells them retail as well as wholesale in his shop in the bazar.

He has agencies of high grade cigarettes of the Imperial Tobacco Company and the Dalsinghsarai Factory for the whole of Bihar and for low grade cigarettes for Muzaffarpur district only. He has not been called upon to deposit any security with the supplying companies except one of Rs. 2,000 when he started business. He pays cash on receiving railway receipts through the Imperial Bank of India. The bank's collection charges are paid

by the companies and not by him. He gets a commission varying from 2 to 5 per cent. for selling cigarettes at prices fixed by the companies. He sells them to consumers and mufassal dealers both on a cash and credit basis. Under the latter arrangement he charges 12 annas per cent. per mensem as interest which becomes due on delivery. He has no agencies from the *biri* manufacturers of Sambalpur and Jhajha. Cigarettes which remain unsold can be returned to the companies.

He has also the agency of the Titagarh and Kankinarah paper mills for Muzaffarpur, Motihari and Darbbanga districts. The paper has to be bought outright and cannot be returned if unsold. Money is realised by the mills by railway receipts sent through the Benares Bank. He sells paper on a commission of 8 per cent. It is sold in the same way as cigarettes except that the turnover in the case of paper not being so quick, the interest charged on credit transactions to customers is Re. 1 per mensem. He sells three lakhs worth of cigarettes and two lakhs worth of paper every year.

He has also the agency of the Globe Tea Company for selling tea. Another firm has the agency for Lipton's tea which is more popular. In the case of tea, money is sent in notes or by a cheque on the Imperial Bank of India after sale of goods. The railway receipts are sent direct to him and not to a bank.

He buys sugar from Begg Sutherland and Company's factories and the Japaha sugar factory in Muzaffarpur district. Money is collected by means of railway receipts through the Imperial Bank but the companies sometimes give him credit. He sells most of his sugar at wholesale rates to mufassal *beparis* to whom he gives a commission of Re. 1 to 12 annas per cent. The village traders buy from them and not direct from him as their cost will come to be the same since no commission is paid by him on their comparatively small purchases. On credit transactions the rate of interest charged by him is 12 annas to Re. 1 per cent. He sells sugar worth about two lakhs every year. The total value of sugar consumed in Muzaffarpur is about 4 to 5 lakhs.

He buys his "Kirani" goods, i.e., spices, flour, oil, dried fruits, betel nuts, cocoanuts, etc., from Arhatias or commission agents in Calcutta, Cawnpur, Amritsar, Bombay, Barisal, Tipperah (betel nuts), Ondal (cocoanuts), depending upon the nature of the commodity. The Arhatias do not collect their dues through a bank but send the railway receipts direct and have running accounts with him. They charge him $7\frac{1}{2}$ per cent.

interest on balances outstanding, 12 annas per cent. as commission for buying the goods which is done through a broker for whose services 6 annas per cent. is charged to his account.

Babu Gopalji also lends money to zamindars against land security and to traders against hundis. Most of these hundis are drawn by the parties on themselves. He does not do much "parza" business. He prefers hundis to "parza" as more reliable. He also advances money against book entries to reliable parties. He would like the stamp duty on usance bills to be abolished. The stamp duty is paid by the borrower and not the lender and, therefore, its repeal will benefit the borrower.

His land mortgage business is worth about Rs. 20 and he charges 12 per cent. as interest. He compounds interest if not paid within one year. He does not lend to mufassal mahajans.

The average rate of interest which he gets on the hundis he buys is 10 annas per cent. per mensem. The rate varies from 6 annas to 14 annas per cent. depending on the season. It goes up in February, March, April, May when (*tisi* linseed) is sold. In other months it goes down. The raiyat requires money at different times depending upon the nature of the crop, generally in Asarh. He invests about one lakh in hundis. His advances on *bahi khatas* amount to Rs. 25.

Babu Sat Narain Chowdhury conducts much the same kind of business in much the same way as Babu Gopalji except that he does not sell cigarettes and paper. He confirmed the account given by Gopalji. The value of his entire business is 4 lakhs.

Babu Sat Narain has no account with the Imperial Bank of India. Both he and Gopalji have only remittance dealing with it and would prefer to reduce that to a minimum as they have some complaints against the working of the cashier's branch of the bank. The account of their complaints was confirmed by the goladars present. They have to pay 2 annas for every thousand rupees and 2½ rupees for every thousand worth of small change counted by the cashier's underlings. These are paid nothing by way of wages but are expected to recoup themselves by these unauthorized exactions. If these commissions are not paid, the underlings will either count short, or cut good rupees or mix bad rupees or count their payments last. These complaints were heard of under the old Treasury system also but the public had very much less dealings with the Treasury than with the Imperial Bank. It is very difficult to have access to the agent to make complaints and even if complaints are enter-

tained there is a danger of victimisation on subsequent occasions. Those who have accounts with the Imperial Bank have generally no difficulty in getting notes. Those who have not generally experience some difficulty. Old soiled notes are refused. But they are taken by the underlings if short payment is accepted. For instance Rs. 9 is accepted in payment for an old ten-rupee note to which objection has been taken. The traders present complained also of discrimination in remittance rates of the Imperial Bank. For instance, while Begg Sutherland and Company was charged 2 annas per cent., others had to pay 4 annas per cent. on the same amount. They were of opinion that if the remittance rate of the Imperial Bank could be reduced to annas two per cent. the custom of cutting notes for the purpose of remittances would decrease.

THE GRAIN MERCHANTS.

The grain merchants present, Babu Badrilal and Babu Fakira Lal, trade in *tisi* (linseed), *andi* (castor seed), *sarson* (mustard seed), wheat, rice, etc. They buy these grains outright from mufassal *beparis* and store them in their own *golas* in Muzaffarpur city. They have no *golas* in other places. There are other centres of collection of grain besides Muzaffarpur, e.g., Bhagwanpur, Dholi, etc. Some peasants bring their own grain for sale. They do not store grain and make advances against it on behalf of clients. There are, however, other merchants in Muzaffarpur who do this kind of business. These advance up to 90 per cent. of the value of the goods stored.

The grain business of Muzaffarpur was stated to be declining as it is exposed to some disabilities in the town and tends to go to other mufassal centres. The district board sepoy levy an unauthorised charge of one to two annas per cart. This is a consideration for not complaining to authorities whether the cartman uses a forbidden road or not. The cart chauthury in the town levies 6 pies on each cart and he is helped in this by the police. The municipal peon exacts one anna per cart by the threat of levying the municipal cart tax of Rs. 4-4-0 per year. The existence of all these abuses was testified to by one of the other traders present who is a municipal councillor himself.

The traders present were requested to give their opinion on the proposal to start licensed warehouses issuing receipts against which money may be advanced. They said that without Government control, such warehouses would not command confidence and their receipts would not be accepted as security. Given such control and supervision, people can be found who will run such licensed *golas*. They gave the example of receipts of

Begg Sutherland and Company for sugar in their godowns at Chakia passing current from hand to hand as unimpeachable evidence of the existence of goods. They are bought and sold in the market and goods are delivered to the party who presents the receipts. In the absence of such receipts for grains, business in them is financed by means of hundis.

TOBACCO MERCHANTS.

The tobacco merchants present buy dried tobacco leaves from peasants who cut down the green crop and store it for sale. One or two rupees is paid to them as earnest money. Final payment is made when goods are delivered after 15 to 20 days' storage in the cultivators' houses. They cart tobacco to Muzaffarpur and make it ready for retail sale to the consumers. They have invested 300 to 500 rupees in their business. When they have occasion to borrow, they borrow from the mahajans in the shape of purchase on credit of raw materials required for the manufacture of tobacco. No interest is paid but it is recovered through a higher price. If the debt is not paid within 15 days, they have to pay interest at the rate of 12 per cent.

Some would like to extend their business if they had more money but others said they would not as they have not enough hands in the family for more work.

**Note on visits to the Muzaffarpur Central Co-operative
Bank on 6th and 9th November 1929.**

P R E S E N T :

Mr. Hubback.

Mr. Batheja.

The Central Bank was founded in 1913.

It has a working capital of about 8½ lakhs made up at the end of 1928, as follows :—

	Tas.
Paid up share capital	58
Reserve fund	19½
Building „	12½
Bad debt „	1
Deposits	7.56

The deposits are classified as follows in the balance sheet of 1928, and in a statement prepared showing the position in September 1929 :—

	1928. September	
	1929.	
	Tas.	Tas.
3 years at 8 per cent.	1,10	23
5 years at 7½ „	2,46	2,40
10 years at 7 „	Nil	10
3 years at 6 „	76	1,43
1 year at 5 „	56	36
Societies' reserves at 8 per cent.	7	7
Savings Bank at 4 „	2,61	2,05
Total	7,56	6,64

The 8 per cent. is old deposit which is rapidly running off, being replaced by deposits for the same period, 3 years, at 6 per cent. The 10 year 7 per cent. deposit is a special case being a charitable endowment fund. It is under consideration whether primary societies' reserves should in future bear interest at 6 or even 5 per cent. instead of 8 per cent. The drop in Savings Bank deposits was due to withdrawal for Puja expenditure. It is the Bank's policy to reduce deposits at present owing to the lack of opening for investment. It is also anxious to divert deposits to the newly organized Trader's Bank, which pays $5\frac{1}{2}$ on one year, 6 on two years and 7 per cent. on three years deposits. The Savings Bank deposits at 4 per cent. compete favourably with the Benares Bank at $3\frac{3}{4}$ per cent. and the Post Office at 3 per cent. The Post Office is usually very much slower than the Central Bank or a Joint Stock Bank in paying out on a savings bank deposit account. About 44 per cent. of the deposits of all kinds are made by zamindars, 11 per cent. by other agriculturists, 37 per cent. by professional men, 1 per cent. by traders and 7 per cent. by females. Savings Bank accounts are limited to Rs. 5,000 and not more than Rs. 750 can be deposited in one year. If the maximum were lowered the probable result would be the opening of new accounts in the name of some other members of a joint family.

As evidence that hoarding of coin by burying is still fairly prevalent, it was reported that an outbreak of plague, involving evacuation of villages, always sent up the savings bank account, and the fresh deposits were largely in blackened coin.

There is a special arrangement here by which interest due to dependants on savings bank account is paid quarterly.

This bank trades entirely on its own money and does not borrow from the Provincial Bank. It is, therefore, somewhat inclined to adopt an independent attitude towards the Registrar, who has no effective weapon against rejection of his advice short of deregistration. There is at present a controversy on the questions of the employment of a certain servant of the bank, of lowering the rate of interest on deposits and of opening a cash credit account with a local bank instead of the Provincial Co-operative Bank.

The bank itself is controlled by directors, half elected by preference shareholders and half by ordinary shareholders (i.e., the primary societies). Most of the former are either pleaders, zamindars or bankers. Among the latter are several cultivating

Koeris, a Mullah, two Muhammadans and Brahmans, Rajputs and Bhumihar Brahmans. At present the Collector is the Chairman. The ordinary shares now held are about three times as numerous as the preference shares. There are one cultivating Koeri and two cultivating Bhumihar Brahmans on the working committee.

The active time for giving out loans to the 190 primary agricultural societies is between July and October, and again from February to April. The former is more or less the normal period for financing the rice crop, though later than most districts. The latter was stated to be for the tobacco crop. (Subsequent evidence would indicate that these loans are used by the larger raiyats to purchase the tobacco crop of the smaller men, rough-cure and hold it till the traders come round to buy.) Loans are recovered in January and again in June or July. The annual borrowing of members averages Rs. 44 and their total indebtedness is estimated to be Rs. 150 *plus* what they owe to *mahajans*. Kists were revised in 1927 and in that year collections were 85 per cent. on current and arrear demand, while in 1928, the percentage was 88.8, the demand being Trs. 1,99 including Trs. 85 arrears with a collection of Trs. 1,77.

The Bank lends to societies at $12\frac{1}{2}$ per cent. or at $11\frac{1}{2}$ per cent. to societies who have a good reputation for paying. The societies lend to their members at $15/10$ per cent. or $14/10$ per cent. to good payers. Rates were reduced by 1 per cent. all round early in 1928. In the slack season it deposits its surplus with the Provincial Bank at $3\frac{1}{4}$ per cent., recently reduced from 4 per cent., but it hopes to utilize its surplus in the slack season by advancing to the recently formed Traders' Bank.

The "Circle system" has recently been introduced, which means that the inspecting clerks (now called supervisors) are placed at mufassal headquarters with an area to look after of which no part is more than 7 or 8 miles away. Formerly, they were all stationed at Muzaffarpur. The system is working well. The cost of management is Trs. 20 on a working capital of Trs. 8,50 or about 2.35 per cent. A dividend of $9\frac{3}{8}$ per cent. to preference shareholders and $6\frac{1}{2}$ per cent. to societies was declared last year. The Directors decide who may buy preference shares. The meetings of shareholders are quite lively and any attempt to lower the rate of dividend or the interest on deposits is strongly opposed. The bank has had no serious losses as it has so far kept clear of commercial and industrial undertakings.

The policy of restricting registration of new societies has been somewhat relaxed of late. But another paid employee is required before development can go ahead.

The opinion of the directors and managers present was that branch banks would be preferable to more independent banks, as the necessary number of suitable directors for the latter would not be forthcoming. The branch banks might have local advisory committees.

The share system is in force in most of the primary societies, i.e., a member has to take out shares equal to one-tenth of his borrowings. Thus if a man on joining wants a loan of Rs. 100 he actually gets only Rs. 90, but pays interest on Rs. 100. The remaining Rs. 10 lies at his credit in the society's books and he gets a dividend usually of $6\frac{1}{4}$ per cent. It is found to be very difficult to explain this to the members, who are apt to consider that the Rs. 10 goes into somebody's pocket. In any case it is difficult to explain why the needy member has to pay 15-10 per cent. on money which he does not get, even if he gets $6\frac{1}{4}$ per cent. on it. No doubt the position is not really as stated, but it is difficult to explain to the new member that it is not.

A very interesting development of the central bank is the affiliated Traders' Co-operative Bank. These banks started work on 16th January 1927. There are 30 preference share-holders, who do not borrow, and 102 ordinary share-holders who do. Every one who becomes a member must take out shares, and ordinary share-holders have to take out in shares 10 per cent. of their borrowings. This amount is payable in instalments and not by deduction from the first loan. The share capital is now Rs. 545 preference and Rs. 2,630 ordinary. Preference share-holders are ultimately liable for the debts of the bank in case of liquidation up to twice the value of their shares, and ordinary share-holders up to ten times the value of their share *plus*, of course, any outstanding loans. The following figures give the main sources of finance, as they were at the end of 1928 and again at the end of October 1929 :—

<i>Fixed deposits.</i>		1928.	1929.
		Rs.	Rs.
3 years at 7 per cent. ...	...	38,392	62,697
2 years at 6 per cent. ...	...	678	1,000
1 year at $5\frac{1}{4}$ per cent. ...	...	1,325	2,275

Loans from Muzaffarpur Central Bank.

	1928.	1929.
	Rs.	Rs.
Original loan	32,150	2,700
Cash credit up to Rs. 20,000 ...	10,100	4,140

The bank has been successful in attracting most of its capital on a 3 year basis, and is now largely in dependent of the Central Bank.

The ordinary members of the bank are middle class traders and contractors. Of the traders who attended the meeting two have about Rs. 20,000 to Rs. 25,000 invested in their business and one only Rs. 1,500. The outstanding loans at the end of 1928 and again October 1929 were :—

	1928.	1929.
	Rs.	Rs.
On hand-notes	Nil	900
On hundis	1,000	2,000
On simple bonds	77,126	62,106
On mortgages	4,140	7,240
On pledge of goods	270	1,121

Of the simple bonds in 1928 Rs. 9,637 was on personal security of the borrower and Rs. 67,489 on joint personal security of the borrowers and one or more other members. The figures for 1929 were not available, but probably about the same proportion was maintained. The bulk of the lending is thus on two or more names without specific security. One or more of the directors holds an enquiry into the financial position of the applicant for a loan and his sureties and reports to the board.

The rate of interest varies from 9 to 12 per cent. with the security offered, and does not depend on the state of the local money market. The rate is practically the same as the average bazar rate, i.e., that on which indigenous bankers or the Benares Bank will do the same class of business. But the members are exempt from stamp duty and avoid brokerage, thereby saving about two annas per cent. Further nearly all bazar borrowing is done on a 60 or 90 days basis and the loan has to be met in full when it falls due. The members can get accommodation for longer periods and pay by monthly kists. For example the man, who has Rs. 1,500 invested in his business borrowed Rs. 500 repayable in 20 monthly kists of Rs. 25, which he has now fully met. Loans are sometimes granted for three years. The contractor can

borrow from the Benares Bank at 9 per cent. but he has joined the Traders' Bank in order to have a second line of credit, even though he has to pay $9\frac{1}{4}$ per cent. there. He appreciates the advantage of gradual repayment. Notwithstanding anything to the contrary in the contract, loans can be recalled on four weeks notice, if there is a rush on deposits, or if the condition of the borrower or his surety becomes bad, so that there is a danger of the bank losing its money, or if in the opinion of the directors the conduct of the borrower be such as to endanger the realization of the bank's dues. The directors are authorized to inspect the business of borrowing members.

The directors themselves include pleaders and zamindars besides traders, but 6 out of 9 are ordinary, i.e., borrowing members.

The cost of management in 1928 was Rs. 1,139 on a working capital of Rs. 85,000 and a profit of Rs. 1,044 was realized.

The bank has made a promising start, and it should be a very valuable source of credit for urban workers, if it continues to be carefully managed. Clearly a great deal depends on selection of members and their sense of loyalty to the bank. A comparatively small element of dishonesty would threaten the bank's position seriously.

The question of the bank advancing money to contractors on proof that they had secured a public contract and on the arrangement that "on account" bills should be paid by the public authority to the bank was discussed with the contractor. The objection was raised that the contractor might throw up the work before completion. This does not seem to be an insuperable objection. It was stated that public contracts in Muzaffarpur district amounted to 10 to 12 lakhs a year.

Note of interview with Mr. Satgur Das, Agent, and Mr. S. K. Misra, Sub-Agent, Benares Bank, Muzaffarpur branch, at Muzaffarpur on Monday, the 11th November 1929.

PRESENT :

Mr. Hubback.

Mr. Batheja.

The Muzaffarpur branch of the Benares Bank was founded in 1907 and is its oldest branch. It was the only bank in Muzaffarpur before the opening of the Central Co-operative Bank and the local branch of the Imperial Bank. The Agent could not supply the sub-committee figures illustrating the growth of its business or showing the amounts of different kinds of deposits and loans of the bank without the sanction of headquarters but he said that generally the business of the bank was growing and that it amounted to 15 per cent. of the total business of all the branches of the Benares Bank. He said that it was difficult for any private joint stock bank to withstand the subsidised competition of the Imperial Bank of India on one side and of the co-operative banks on the other. The Imperial Bank competes with his bank in giving loans at bank rate to first class parties and thus deprives it of all first class business while the co-operative banks with all the prestige of Government backing attract more deposits by offering a higher rate of interest. A joint stock bank can therefore take up only second class business, in fact that which has been refused by the Imperial Bank. No joint stock bank can get deposits free of interest or at such low rates of interest as the Imperial Bank with Government backing can get and therefore cannot afford to lend at the Imperial Bank rates. First class parties which raise money at the lowest rate by pledging Government securities naturally go to the Imperial Bank and the Benares Bank is reduced to the necessity of lending against jewellery, cash certificates (though they are not transferable) and produce. In the matter of deposits it is able to compete with the co-operative central banks only because they are debarred from advancing money to businessmen who have perforce to keep accounts with the Benares Bank if they wish to borrow.

The bank accepts fixed deposits at 5 per cent. for one year, at $4\frac{1}{2}$ per cent. for six months and at 4 per cent. for three months. It gives 2 per cent. on current accounts on monthly minimum

balances of not less than Rs. 500 and of not more than Rs. 5,000. As against these rates Government raised its last loan at $5\frac{1}{4}$ per cent. and Government securities have the advantage of being acceptable as cover for loans from the Imperial Bank. The Co-operative Central Bank rates are also better and therefore attract more deposits. The Agent complained that even Government was competing with joint stock banks for the little capital that was available for investment in India and would not admit that Government securities appeal to a different class of customers ; but he saw the force of the contention that certain expenses have to be incurred in buying and selling securities.

The bank lends against personal security and security of property, *hundis* and produce. It does not finance any industries as the Agent said there are none in Muzaffarpur. There is only one sugar factory in the district and he could not say whether they were financing it or not as he felt that it would be a breach of business confidence. Its lending rates vary from $7\frac{1}{2}$ per cent. to 12 per cent. Against personal security the rate is generally 9 per cent. The Imperial Bank rate influences its lending rate only to a slight extent as the latter is generally too much above the former to be influenced by it. Moreover the two banks have not the same class of customers. It however affects it in the sense that a high bank rate can be used as an argument for demanding a higher rate from the clients of the bank. The Agent has a theory that the bank rate does not reflect true money market conditions above 6 per cent. but is artificially put up by Government to prop up exchange. The *bazar* rate in Muzaffarpur never falls below the bank rate but rises with it.

The bank formerly used to do a lot of business in lending money to zamindars for long terms but owing to adverse court rulings, which do not discriminate between transactions of banks and usurers, and to the trouble and expense of litigation, it has considerably reduced this class of business. The little that is done requires the sanction of headquarters. (Short period loan applications can be disposed of by the Agent on his own responsibility.) Recent court rulings on family law have made it somewhat risky. Judges in Bihar take more time to dispose of debt cases than judges in the United Provinces. They do not allow any interest during the pendency of suits and even if the case is won the interest is reduced to 6 per cent. Since the bank pays 5 per cent. on fixed deposits and spends 2 per cent. more on account of working expenses, it cannot really lend out at profit at less than $7\frac{1}{2}$ per cent. The reduction of the interest to 6 per cent. by court is therefore a great hardship.

One case of the Benares Bank was filed in 1916 and has not yet been disposed of. It always pays a debtor to go to court as under the present mode of dispensing justice, such an action automatically reduces the rate of interest. The bank therefore refuses many applications from zamindars and if it lends to some, it lends to them not as zamindars but as traders on their personal security.

The bank lends against gold and gold ornaments. In the case of the latter a hypothecation form bearing a 12-anna stamp is taken which empowers the bank to sell the ornaments under certain conditions. Ordinary pawn broking is not conducted on these lines. Verbal contracts with no evidence of title are made which are capable of being abused but are rarely abused as the lending party does not wish to lose his business with one transaction. The bank advances up to 75 per cent. of the value of the ornaments as determined by itself and does not accept silver ornaments as security. The *mahajan* advances on a lower margin but fixes a date after which the pledged articles become his property.

The bank advances against cash certificates though they are not transferable. Many of them were bought by contractors in the belief based on a provision in the Post Office Manual that they would be accepted as security for Government contracts. This clear provision of the Post Office Manual is not acted upon and therefore many cash certificates come to the bank as pledge against cash advance. Before pledging them the borrower makes an undated endorsement of "Received payment" and at the same time intimates the fact to the post office.

The bank advances to traders against produce stored in its own godowns. Its conditions of business are less onerous than those of the Imperial Bank though its rate of interest is higher namely 12 per cent. It is not so strict as the Imperial Bank in giving access to buyers and sellers to the goods pledged. Fifty per cent. of the value is advanced. The large margin is necessary in order to protect the bank against loss by fire and insects.

The produce pledged in the bank's godown is mostly rice, and is generally held for a season.

The Agent said that the Bank of Benares would be chary of accepting the receipt of a licensed warehouse as security against advance unless guaranteed against loss by Government. A bank has to insist on so many formalities that the system will not

suit local merchants. It will become expensive if the licensed *gola* is insured. It works well in United States of America where goods are graded and standardised which is not the case in India. The bank buys 60 to 90 days' *hundis* and thus finances local trade to some extent.

The Agent has a number of suggestions to make for the improvement of banking facilities in Muzaffarpur with special reference to the help which the Imperial Bank can give to other banks. He argued that a special responsibility rested on the Imperial Bank as it receives large Government balances free of interest and other facilities from Government. It should act as a true banker's bank and not as a rival bank out to capture the business of other banks which do not receive so much Government patronage. In the last Government loan operation the Imperial Bank received half a crore of rupees from Government as brokerage alone. Such special concessions carry with it special obligations which the Imperial Bank ought to discharge to other banks. These suggestions are as follows:—

1. The Imperial Bank at present, while it gives overdraft against Government securities to individuals, does not grant them to banks. To them it advances money for a minimum period of three days and a maximum period of seven days only and that also against pronotes. The Imperial Bank fears that if this suggestion is accepted other banks would be able to work with lower balances and thus compete with it.

2. The Imperial Bank should remit money for other banks free of charge as it does itself through the currency chests. At present banks can remit funds at the special rate of half anna per cent. against the ordinary charge of one anna per cent. through the Imperial Bank to places where they have branches. Where they have no branches the ordinary remittance charge is paid. The effect of carrying out this suggestion would be to throw most of the remittance business in the hands of joint stock banks as they are more in personal touch with their customers.

3. The Imperial Bank should allow other banks to open current accounts with it at places where it has branches so as to facilitate the transference of funds from one place to another by means of cheques for the convenience of clients. At present money is transmitted to such clients either at postal or draft rates depending on the agency employed. This suggestion is practically the same as the second in another form.

4. While other banks are allowed to open current accounts with the Imperial Bank of India, it does not allow them to issue

drafts for the purpose of remittance for clients but only cheques. A draft has better status than a cheque on another bank from the point of view of a bank. This means that the Imperial Bank does not wish to do any agency business for other banks as the Bank of England does for English banks, but it treats them merely as ordinary clients. It should accept their drafts.

5. In a time of emergency the Imperial Bank should act as a true banker's bank and should come to the rescue of a solvent bank in temporary difficulties by advancing accommodation against inland bills of parties whom it recognises as being first class if the bank has no Government securities to pledge. The Imperial Bank should have no difficulty in accepting the *hundis* of merchants under the signature of the borrowing bank if it discounts the *hundis* of these very merchants directly. They cannot become worse by bearing the signature of a third party however embarrassed it may be.

6. The Imperial Bank should not receive any special preference from district boards and municipalities for the deposit of funds at the pressure of Government authorities to the detriment of other banks. The Agent complained that the local municipality had been compelled under Government pressure to withdraw its deposits from the Benares Bank to the Imperial Bank though it was earning some 2 per cent. in this bank. He said that this was done in spite of the fact that the municipality had no cause of complaint against the bank and the municipal contractors prefer to deal with the Benares Bank than with the Imperial Bank. In support of his contention the Agent cited the practice of municipal contractors cashing their treasury cheques by paying commission at the Benares Bank rather than doing so without charge at the Imperial Bank. It was stated that more than 50 per cent. of the treasury cheques are discounted with the Benares Bank.

7. The Imperial Bank of India should not detain the messengers of other banks or harass them in any other way when they are deputed to make some payment to it on behalf of the bank. For this reason the Agra branch of the Benares Bank closed its account with the Imperial Bank of India.

8. The Imperial Bank should take from the banks as many small coins as are offered in exchange for other forms of currency.

9. Soiled old notes and old coins should be accepted by the Imperial Bank.

Note of a village enquiry at Dholi on 12th November 1929.

PRESENT.

Mr. Hubback.

Mr. Batheja.

Mr. A. Danby, one of the proprietors of the Dholi concern, assisted at the enquiry.

Dholi is situated about 15 miles east of Muzaffarpur on the Pusa road.

Before visiting the village Lakhanpur, Mr. Danby showed the sub-committee the books of the money-lending business, which he and his brother conduct. Each borrower has a double page ledger account, showing on one side the date and amount of each loan, the total loan to date, the date of calculation and the amount of interest and the total interest to date. On the other side are shown the date and amount of the repayments on account of principal with the total repayments to date, and again the date and amount of repayments on account of interest with the total payments on that account to date. Thus the balance on account of principal or interest can be immediately ascertained by deducting the total to date entry on the payment side from the corresponding entry on the loan side. Interest is calculated and entered up every six months, but is in fact interest on the day to day balance. No compound interest is taken, the principal and interest accounts being kept completely distinct.

There are about 1,000 accounts, all clients being tenants of the concern. The most usual rate of interest is 15 per cent. though loans on 12 per cent. are made for special purposes, while 18 per cent. is charged for loans wanted by the more considerable raiyats to buy up tobacco on the field from other raiyats, rough-cure it and sell it to *beparis*.

The total amount out on loan at present is about Rs. 1,00. In the last completed year the balance on loan was Rs. 83, and the amount advanced Rs. 39. The percentage of annual advance to outstanding loan is much higher than has been found elsewhere, and appears to be due (1) to the moderate rate of interest, (2) to the relative prosperity of the raiyats, and (3) to the fact that the bank aims at regular realisation of interest and reasonably quick

realisation of capital and is not seeking to get the borrower's land into its hands. Further, as much of the loans are given for what is practically trading in tobacco, they are liquidated as a rule within the year on the sale of the tobacco, which cannot be held much longer.

The bank has been in operation for about 10 years, and owing to the good relations between it and its clients has very little trouble in collecting its dues. Payments can be made at any time and are credited first to interest and then the balance, if any, to principal. If a client fails to make any payment in the six months following the making up of his account, i.e., from September 30th and from March 31st, he is called up and his position examined. But actually only one suit was filed last year out of the 1,000 accounts on the books. The borrowers can at any time find out how their account stands. The ledger is written in English and each entry signed up by one or other of the partners, but the calculation of interest is carried out by the factory clerical staff. The bank lends only its own capital and does not take deposits.

The village visited by the sub-committee was Lakhanpur, about half a mile from the factory. The raiyats stated that 50 households out of 150 do not borrow at all, and about 80 out of 150 borrow every year. Most of the borrowing of the year is paid off in April on the proceeds of the tobacco crop, only 10 to 12 households being unable in ordinary years to clear themselves then. A good deal of borrowing is for paying the rent at the two other *kists* besides that in April, since those *kists* come when the food crops and not the money crops, tobacco and chillies, are in. The rents for the uplands which mostly grow a crop of maize followed by one of tobacco range from Rs. 6-12 to Rs. 9 an acre, but the rice growing lands are held on somewhat lower rates.

Most of the borrowing is from the factory, but there is some borrowing from the richer raiyats of the village. The factory borrowing is all on hand-notes at 12, 15 or 18 per cent. the last rate being for loans for trading in tobacco or chillies. The village borrowing is at 15 to 18 per cent. but short term loans are sometimes taken at Rs. 28-2 per cent. The village loans are mainly verbal transactions (75 per cent. of them), the rest being on *sudbharna*, such mortgages being taken when the loans are or grow large. There is seldom any dispute about a verbal loan, and if there is it is settled by a *panchayat* which the factory frequently appoints. On *sudbharna* Rs. 20,

to 25 a katha is advanced, i.e., about Rs. 500 an acre. The raiyat usually gets back the land; only two or three cases in many years have occurred where he did not. The lender as a rule cultivates the lands under *sudbharna* himself.

There is little scope for improvement. The lands are already very well cultivated the bulk of the raiyats being Koeris. They manure with cow-dung and also transport soil from the wet lands growing rice, after the rice is cut, to their high lands thereby strengthening the latter. They use their own carts and put on as much as 100 cart loads per bigha (8/9 of an acre). There is consequently no borrowing for this purpose. No irrigation is required except occasionally lifting water from tanks on to the tobacco fields by means of swing buckets.

A Koeri in good circumstances spends Rs. 100 to 200 on the marriage of a daughter, but Rs. 25 to 30 is considered enough for a poor man. Most people manage to discharge debts incurred for a marriage after one or two years.

At present debts are fairly high as a good deal of tobacco was bought from other raiyats to sell to *beparis*, who did not come in great numbers last year as the price of tobacco was low. Thus tobacco is stored in considerable quantities in the houses of the more wealthy raiyats, who owe money to the factory for their purchase. It can be stored without deterioration for about a year.

Statistics of indebtedness were collected from 38 men, of whom 16 had no debt at all. All but three of these lent small amounts to the other raiyats. The total debt of the 38 is Rs. 3,691 an average of Rs. 97 per household, of which Rs. 3,242 is owed to the factory and Rs. 499 to village money-lenders, who are in fact merely the richer raiyats. None of the debts recorded were subject to mortgage. Rs. 863 was borrowed for seasonal needs, Rs. 2,223 for remunerative occasional expenditure (mainly for tobacco buying) and Rs. 605 for un-remunerative expenditure, nothing being borrowed for improvement. One man had a debt of Rs. 40 from the factory and Rs. 30 from a village money-lender, on which the interest is Rs. 28-2 per cent. But he does not pay off the latter by borrowing more from the factory, because the *mahajan* never presses him for it and is quite content if he does some work for him on his land occasionally.

SAVINGS.

The raiyats say they do not bury as they do not have enough savings to make it worth while ; but a few do still bury. Savings are used mainly on money lending but sometimes on purchase of land. Land worth Rs. 15 a *katha* 10 years ago is now worth Rs. 40 to 50. Good land giving two crops sells for Rs. 1,000 a bigha (i.e., Rs. 1,125 an acre). Tobacco has gone up to about four times its old price in the period, which mainly accounts for the rise in land value. The factory makes no objection about sales by one raiyat to another, but takes Rs. 12 a bigha as mutation fee. They do not purchase ornaments much, spending Rs. 10 to 15 at a marriage season. Nobody invests in the post office savings bank or in cash certificates. They do not buy improved cattle, though Pusa is so near, because the extra yield from milk is not worth the extra labour of looking after the cows.

MARKETING.

Only tobacco and chillies are sold as a rule. Tobacco is frequently sold by one raiyat to another, while the crop is on the field. Five or six raiyats buy in this way and each invests Rs. 1,000 to Rs. 1,500 annually in this business. They rough-dry the leaf and then sell to *beparis*, who come from Calcutta, Gaya, Patna, Arrah, Bettiah, etc. All these sales are cash transactions.

Chillies are also sold to outside *beparis*, but most raiyats prepare their own chillies for sale.

The raiyats get news of tobacco and chillies prices from those of them who go in to Samastipur or Muzaffarpur. They think it would be an advantage if the prices were published at police stations by Government.

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