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*V. Namada Pantel*

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**THE  
CENTRAL PROVINCES  
PROVINCIAL BANKING  
ENQUIRY COMMITTEE.  
1929-30**

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**EVIDENCE**

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**VOLUME III**



**CALCUTTA: GOVERNMENT OF INDIA  
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1930**

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# Central Provinces Provincial Banking Enquiry Committee.

## QUESTIONNAIRE.

[NOTE.—The following memorandum is published in order to assist witnesses in the preparation of their evidence. It is not desired that a witness should necessarily attempt to deal with all the questions. Answers should be written on one side of the paper and answer to each question should begin on a separate sheet of paper.]

### I.—Agricultural credit and credit facilities for small industries.

1. Describe the present system by which the agriculturist in your district or province obtains finance—

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

What are the rates of interest charged in your district or province in respect of advances, the period for which loans are taken, the nature of the security given and accepted (e.g., standing crops, etc.), and other conditions attaching to the grant of such loans?

Describe the part played in agricultural finance by Government, the Imperial Bank of India, the Joint Stock Banks, Co-operative Banks, the Indigenous Banks and Bankers, professional money-lenders, merchants and dealers, and other organizations giving credit (e.g., companies trading in fertilizers, etc.).

Can you give an estimate of the total amount of capital required for the various purposes stated above for your district or province?

Can you give an estimate of the extent of grain advances in your locality? On what terms are such advances given?

State defects, if any, in the present system and reasons for the existence of such defects. What is the effect of taking advances on the disposal of crop? Do you suggest any remedies?

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

2. Describe the present method of marketing principal crops in your district or province.

What in your opinion are the possibilities of forming pools and of co-operative effort generally in marketing produce?

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

In regard to such facilities is there any special difference as marketing?

What is the part played by the different classes of banks and bankers and merchants and dealers during the process of marketing?

What are the existing facilities available to the public, including banks and bankers, for internal remittance?

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

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

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

What are the different classes of hundis current in your part of the country? What are the peculiarities of each? Please give sample wording.

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

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

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

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

What in your opinion are the possibilities of operating licensed warehouses in India either on the lines of the system which exists in the United States of America or otherwise?

Do you think there is any need for Government assistance in the matter?

3. In your district what is the value of land per acre for different kinds of crops?

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

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

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

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

4. Is there any legal impediment to mortgage of land and agricultural holdings in your province? Are there any land mortgage banks or agricultural banks in your province or any other banks for the provision of long-term credit?

State what you know of their method of working and of raising capital.

If no such institution exists in the province, suggest the lines on which such institutions could be established and worked to the advantage of the landholders and tenants of your province.

Do you suggest any measures for—

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

Should the working capital of the proposed Mortgage Bank be derived largely from—

- (a) deposits,
- (b) funds from central institutions, or
- (c) debenture bonds?

Should debenture bonds carry any Government guarantee either for principal or interest or for both?

If so, what measures would you suggest to secure Government against unnecessary loss?

Do you think that debentures issued by Land Mortgage Banks should be included in the list of trustee securities?

On what terms should Agricultural Mortgage Banks raise monies under each of the abovementioned heads, with or without Government guarantee, and on what terms should they lend out money so as to cover their expenses?

Please state any other suggestions for the adequate provision of long-term credit against sound security.

5. In order to devise measures for the increase of credit facilities to the agricultural classes it is necessary to reach an estimate as accurate as possible of the existing indebtedness of these classes.

Do you know of any such estimate for a village or a district in your province, or for the whole province?

In what manner can such an estimate be obtained with reasonable accuracy?

In such an estimate please distinguish between—

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

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

- (a) the repayment of earlier debts,
- (b) marriage and other social occasions,
- (c) famine and other kinds of distress,
- (d) payment of land revenue and rent,
- (e) seeds and manure,
- (f) improved agricultural implements,
- (g) sinking of wells and agricultural improvements,
- (h) purchase of land or bringing into cultivation fallow lands.

Please indicate also to whom this debt is largely due and whether the creditors are Government Banks, Co-operative Societies, or indigenous bankers and professional money-lenders.

Please state the extent to which indebtedness is due to growth of the debt by compound interest, interest not having been paid.

Please state any other causes of indebtedness.

State what you know of the rates of interest charged, the methods used for calculating it and for enforcing the payment of the debt.

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

Distinguish between conditions in irrigated tracts, the famine zone, and area not generally liable to famine.

If this process is going on, does it take away from the actual cultivator the incentive to produce more and in an efficient and better manner?

6. Give some idea of the number of subsidiary industries— allied or supplemental to agriculture existing in the province or in your district such as rice milling, dairy farming, gud making, garden produce, cotton ginneries, sugar refineries, hand spinning, carpet-making, basket-making, weaving, etc.

Can you suggest methods by which any such industries could be encouraged and by which the producer might be enabled to get a better return for his produce?

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

Do these require any credit facilities and are any credit facilities existing?

What would be the best method of securing working capital and proper marketing facilities for such enterprises?

What financial machinery do you suggest for this purpose?

7. State what you know of the relations that exist between the Co-operative Banks and the other banks in the country, namely, the Imperial Bank of India, the Joint Stock Banks and the indigenous banks.

Describe any existing difficulties in the matter of finance in the case of Co-operative Societies both in regard to short and long term capital.

Can you give an estimate of the amount of extra capital required for financing co-operative movement in your district or province?

Is there any competition in your district or province between the Co-operative Banks and Joint Stock Banks?

If so, to what extent and in what direction?

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

To what extent has the co-operative movement succeeded in meeting the financial needs of the agriculturists, the small traders and industrialists in your district or province? How far, in your opinion, is the movement capable of meeting the financial needs of these classes?

Can you state to what extent the Usurious Loans Act is being availed of in the province? What measures would you suggest for greater use being made thereof?

Would you suggest the enactment of legislation such as the English Money-lenders' Act or the proposed Money-lenders' Bill for the Punjab, in order to make provision for licensing money-lenders and making it obligatory on them to supply their debtors with copies of accounts?

Do you think that co-operative lending and borrowing should be done on provincial scale instead of local units operating separately in watertight compartments, i.e., should the financing of primary societies be done by the Provincial Bank direct or by the Central Banks?

## *II.—Indigenous Banking.*

[NOTE.—By indigenous banking is meant all banks and bankers other than the Imperial Bank of India, the Exchange Banks, Joint Stock Banks and Co-operative Banks. It includes any individual or private firm receiving deposits, dealing in hundis or lending money.]

1. State what you know of the functions of the indigenous bank or banker in your district or province enumerating all kinds of business the bank or banker transacts?

2. How and to what extent does an indigenous bank or banker in your district or province assist in financing agriculture, trade and industry?

3. State what you know of the organization of the indigenous banking system in your district or province with regard to—

- (a) the amount of capital invested,
- (b) the volume of their business,
- (c) their expenses, and
- (d) the relations between one indigenous bank and another and between indigenous banks and other banks in the country (*viz.*, the Imperial Bank of India, the Joint Stock Banks and the Co-operative Banks);
- (e) the adequacy of the facilities afforded by the Imperial Bank and other Joint Stock Banks to indigenous bankers.

4. State what you know of the various forms of hundis and other credit instruments used by the indigenous banks and bankers and the extent of their use. Give sample copies of any of the hundis, promissory notes, deposit receipts, etc., used in your locality.

5. State what you know of the indigenous bankers' methods of granting loans and allowing cash credits and the terms and nature of these loans and cash credits.

What are the means by which the indigenous banks and bankers provide themselves with funds to meet their demands?

What are the rates of interest allowed on various kinds of deposits received by them?

Is it a custom among some indigenous bankers, who carry on other business besides banking, to insist that advances made by them should be taken in commodities and not in cash?

Is it also a custom to insist that repayments should be made by sale of goods through the creditor?

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

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

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

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

Are these bankers sufficiently protected in law?

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

Are the dealings of this class of bankers with their clientele conducted on sound lines?

If not, indicate the existing defects, making suggestions for remedying them.

8. Would you suggest any means of making this class of bankers some serviceable to the community?

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

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

What is the general system of accounts keeping and to what extent are accounts open to inspection or verification by customers.

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

9. After making allowance for the legal expenses, management charges, losses through default and losses through foreclosure, can you give an idea of the nett return to the indigenous banks and bankers on their capital?

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

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

Would you suggest the establishment of a branch of a Joint-Stock Bank, or a branch of a Central Reserve Bank, or a local bank with local directorate, in each district with which the indigenous banking system may be connected?

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

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

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

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

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

### III.—Investment habit and attraction of capital.

1. What are the existing banking resources in the province?

Can you state the amount of additional capital, if any, required?

What are the means or institutions in existence for encouraging savings and investment habit? What has been the influence of Co-operative Societies and banks?

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

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

Can you give any useful information in regard to the habits of the people of India to invest in silver and gold?

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

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

Do Savings Banks afford all possible facilities to the public?

What classes of population resort to such forms of investment?

Can anything be done to attract other classes?

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

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

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

Can you indicate clearly the habits of various groups of people in your district or province with reference to monies which come into their hands by sale of produce or through any other cause? Where do they keep this money and for what purposes and in what manner do they use it?

Can you form any estimate of the tendency towards hoarding?

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

4. State what you know about the growth of cheque-habit.

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

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



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

5. Do you support the view that the banking and investment habit in India is of very slow growth?

If so, to what causes do you attribute it?

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

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

### SUPPLEMENTARY QUESTIONNAIRE.

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

(a) Export trade—

- (i) From the village to the mandi.
- (ii) From the mandi to the exporting ports.

(b) Import trade—

- (i) From the importing ports to the distributing centres in India, such as Amritsar, Delhi, Cawnpore, etc.
- (ii) From the distributing centres to the consumer.

II.—What are the terms on which the financing of trade during the above stages is done? Are any difficulties experienced in connection with the above financing and have you any suggestions to make for removing those difficulties and for improving in any way the existing financial facilities available for the movement of imported and exportable articles?

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

# MINUTES OF EVIDENCE

TAKEN BEFORE THE

## BANKING ENQUIRY COMMITTEE CENTRAL PROVINCES

### I.—BERAR DIVISION.

#### (a) EVIDENCE OF WITNESSES WHO FURNISHED WRITTEN STATEMENTS ONLY.

**RAI SAHIB MOTI SINGHAI, Landholder and Banker,  
of Anjangaon, Amraoti district (Berar).**

Reply to the Questionnaire.

**QUESTION 1.**—(1) 5 per cent of cultivators can save money and grain and defray the cultivation charges by selling the grain thus saved. 65 per cent of cultivators borrow for agricultural purposes. 20 per cent of the cultivators borrow at extortionate rate of interest, i.e., Rs. 28 to Rs. 50 per cent per mensem.

(2) 5 per cent cultivators borrow on condition to repay the loan in kind, the price of the produce having been fixed in advance. Less than 5 per cent of cultivators obtain their loans from Government or from the co-operative credit societies.

For our district the total amount of capital required for all purposes will be between one to two crores of rupees.

There is no system of grain advances in our locality.

There is no co-ordination among the various credit agencies including Government, nor is there any scope for improvement in that direction.

**QUESTION 2.**—Cotton, juar and wheat are the principal crops of my district and they are sold in the cotton, grain or weekly markets. Sometimes the merchants purchase them from the cultivators in the villages also.

There are possibilities of forming co-operative societies for the sale of produce, but such societies must have sufficient capital for giving advances.

Ordinary cultivators do not get any loans until their produce is sold, such cultivators pull on with their work by selling their crops piecemeal.

The merchants and traders advance 75 per cent of the value on the security of cotton bales.

For internal remittances hundis and cheques are used but hundis are more common.

Hundis are of two kinds—(1) Immediate, and (2) Darshani. On Darshani hundis money is paid on presentation.

Sample of Darshani hundi—

In the name of \_\_\_\_\_ writer \_\_\_\_\_ rupees \_\_\_\_\_ of  
which double of the half \_\_\_\_\_ to be paid in cash \_\_\_\_\_ on  
presentation \_\_\_\_\_ date \_\_\_\_\_

Sample of a time-limit hundi—

In the name of \_\_\_\_\_ writer \_\_\_\_\_ differed \_\_\_\_\_  
rupets \_\_\_\_\_ 61 days or stated period, etc. \_\_\_\_\_  
date \_\_\_\_\_

RAI SAHIB MOTI SINGHAI.

Hundis are discounted at places where the addressees live. No money is paid unless a railway receipt is produced.

QUESTION 3.—In my district the value of land varies from Rs. 500 to Rs. 700 for the irrigated and from Rs. 100 to Rs. 300 for unirrigated lands—

- (a) In Government auction for non-payment of revenue the value of land will be from Rs. 50 to Rs. 100 per acre.
- (b) In the event of sale by the order of the court the value of land will be smaller than in private negotiations.
- (c) The price of land in purchase by private negotiation will be Rs. 250 to Rs. 300 per acre.

QUESTION 4.—There is no legal impediment to mortgage land and agricultural holdings.

There are neither any land mortgage nor other banks, except the co-operative credit societies.

QUESTION 5.—90 per cent of the cultivators are indebted—

- (a) 60 per cent of the debt is on the security of the land.
- (b) 20 per cent of the debt is incurred against the village, house ornaments, etc.
- (c) 10 per cent of debt is on promissory notes.

Loans are taken in a majority of cases from the professional money-lenders for repayment of old debts, for ceremonial purposes, for payment of land revenue and for purchase of land. For the purchase of seeds and agricultural implements, etc., loans are obtained from agricultural banks, and for sinking of wells and bringing into cultivation fallow lands it is taken from the Government.

Efficient farmers have been turned into labourers, their lands having passed into the hands of sowcars.

QUESTION 6.—There are many cotton ginnings in the province.

There are no regular carpet-making centres but a few people weave carpets by hand at Ellichpur and Akot.

In order to encourage such industries and give the producer a better return for his produce, the establishment of co-operative societies is necessary.

There is need for credit facilities as none exist at present.

## II.—Indigenous banking.

QUESTION 1.—There is not much banking business of any kind in this district.

QUESTION 6.—The cultivators have at present to pay interest at Re. 1 to Rs. 2 per cent per month to the money-lenders.

The reduction of this rate would benefit the cultivators.

QUESTION 9.—The indigenous banks or bankers must be getting a net return of 3 per cent on their capital after deducting the cost of litigation and bad debts.

QUESTION 10.—The indigenous banks or bankers are not able to meet all demands and are therefore obliged to refuse them.

## III.—Investment habit and attraction of capital.

QUESTION 3.—In this district the money that is earned by different classes of persons is not enough for their own purposes. Whatever little they can save is deposited either in the Imperial or the savings banks. A cultivator may occasionally give a little hand loan to his fellow-cultivator for a few days free of interest. He cannot afford to hoard money, but is on the contrary hard up and indebted.

Owing to the reduction of stamp duty on cheques they are more in currency; merchants and traders use cheques generally.

The introduction of vernacular in the business of banks facilitate the business and non-English-knowing people will also take the advantage of the banking facilities.

RAJ SAHIB MOTI SINGHAL.

## Agent, Imperial Bank of India, Amraoti.

### Reply to the Questionnaire.

**QUESTION 1.**—The only crops of importance grown in Amraoti district are juar and cotton. The former is grown as a food crop, the grain being the staple food of the people in the district and the kurbi, or straw, the chief food of their cattle. It is only in exceptionally good years that there is any balance of grain available for export. Any grain not required by the cultivators themselves is sold in the weekly markets in the towns and villages in the district and is bought direct by the consumers or, if arrivals are heavy, by local merchants to be stored till required. The merchants usually have sufficient money of their own to finance their purchases. In cases where they have not enough money they experience no difficulty in borrowing on the security of the grain from the local money-lenders or shroffs (indigenous bankers) at very moderate rates of interest—6 to 9 per cent. Many respectable small merchants can borrow at these rates without giving any security.

The financing of the jowari crop requires no assistance from joint stock banks.

The cotton crop is a money crop and is grown for export, only a very small portion of the lint being used by the two spinning and weaving mills in the district.

The crop is sown in June and picking of *kapas* usually begins in October. The *kapas* after picked is loaded on carts and taken to the cotton markets, of which there are seven in the district, where it is sold through brokers to the cotton merchants who get it ginned and pressed in the local factories. In this district probably 50 per cent of the cotton grown is sold in the cotton markets by the growers themselves and the balance by small merchants who buy the *kapas* in small lots in the villages and bring it to market in the hope of making a profit on their transaction. The cotton market system of selling cotton appears to be the best that can be devised and so far as the Amraoti market is concerned, there can be no doubt that the cultivators get a fair price for their *kapas*. In Amraoti there are some 40 to 50 buyers and competition for carts is nearly always keen in fact the *kapas* may be said to be auctioned. The price quoted by the buyer in the market is for a certain quality of cotton and if the *kapas* is not up to this quality when the carts are opened out in the ginning factories the seller's broker is called in to arrange a price. If the seller is not satisfied he usually takes his carts to another factory. It is quite usual for low grade *kapas* to be found in the middle of a cart consequently no buyer could possibly agree to pay the full price quoted by him before the *kapas* is opened out and inspected. It has been suggested that the contents of the carts be inspected in the cotton market but his suggestion is not practicable. The cotton after being ginned and pressed is immediately despatched to Bombay for sale. I have only a little personal knowledge of how the cotton crop is financed in the fields, but I understand that the cultivators obtain loans from the co-operative societies and local money-lenders and also from their landlords who in some cases are advanced money by the Imperial Bank. The financing of the crop after it reaches the markets in the district is almost entirely done through the local branch of the Imperial Bank of India, the merchants, ginning factory owners, and shroffs who finance the smaller merchants, obtaining money in the following ways:—

- (1) By selling to the bank their demand drafts drawn against credit opened by other officers of the bank.
- (2) By selling their demand drafts against credits opened by other banks.
- (3) By selling their demand drafts against credits arranged with the local agent of the bank.
- (4) By discounting 61 days bills drawn on other parties in Amraoti, Bombay, Calcutta, etc.
- (5) Cash credits secured by the Demand Promissory Note of another party.
- (6) Overdrafts on current accounts.
- (7) Loans against gold ornaments.

Demand drafts are usually drawn on Bombay and Calcutta. The rates charged by the bank for discounting the demand bills is usually one anna and six pice to two annas per cent and for usance bills, cash credit and overdrafts bank rate to bank rate plus one per cent. Interest on loans against gold ornaments is charged at seven per cent. In the past year the lowest bank rate was five per cent and the highest eight per cent. The smaller cotton merchants are to a

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large extent financed by the local ginning factory owners and shroffs who hold the cotton as security till it is sold in Bombay. Judging by my 22 years' experience in cotton-growing districts I am not in favour of the cultivator being encouraged to hold up his *kapas* for better prices for any length of time. Prices of cotton are regulated by the American market and the outturn in America can usually be accurately estimated by the time the Berar crop comes in the market and prices adjusted accordingly. During temporary falls in prices the cultivator should and does hold his cotton.

The establishing of a licensed warehouse for cotton in Amraoti is not practical. The real market for cotton is Bombay and only rich landlords, who do not mind a gamble can afford to keep bales up country. There is ample accommodation for storing bales in the ginning-factory godowns in this city but stocks held during the monsoon season seldom exceed 6,000 bales.

I am not in favour of pools or co-operative effort generally in marketing in the cotton-growing districts as they would only lead to victimization of the cultivator. Prices are regulated by the large exporting firms in Bombay who are influenced by world markets and the fact that some of these firms can buy cotton cheaper in Bombay than in up-country markets shows that the Indian up-country buyer is content with a very small profit. The business is best left in the hands of the merchants.

The cotton seed market is largely in the hands of the big firms. The internal trade is, however, carried on by small merchants who send the seed to various parts of India. These merchants draw demand hundis on the buyers and attach the railway receipts thereto and negotiate them through the Imperial Bank. The bank rate for discounting the hundis varies from two to four annas per cent. Some of the merchants store seed in godowns throughout the monsoon and borrow money from the bank on the security of the seed, the bank advancing up to 80 per cent of its value. Banking facilities in the district appear to be sufficient for the present. The value of the cotton crop in Amraoti district last season was estimated at Rs. 3,58,00,000 and so far I am aware no difficulty was experienced by any respectable merchant on any day in finding sufficient cash to finance his purchases. In the slack season money gradually finds its way back to Bombay. Small shopkeepers buy hundis from the shroff at two to three annas premium and the shroffs after collecting, say, Rs. 10,000 buy drafts from the Imperial Bank at one anna premium.

**QUESTION 2.**—The shroff (Indigenous Banker) plays a very important part in the credit of the country. They have been carrying on banking for hundreds of years and many of the present proprietors of firms are extremely shrewd and keen businessmen who do a fairly safe business. In Amraoti there are several good firms and it is difficult to see how this city could get on without them as owing to their intimate knowledge of the inhabitants they can transact business on safe lines that no joint stock bank dare touch. They own properties and usually have a large part of their assets in cash. They accept deposits at rates seldom exceeding six per cent and grant advances against—

- (1) Demand promissory notes of the borrower.
- (2) Gold ornaments.
- (3) Grain or cotton seed.
- (4) Cotton bales.
- (5) Immoveable property.

Their ordinary rates of interest vary from 7 to 18 per cent per annum according to the security offered, the respectability, and financial position of the borrower. They often advance money to first class parties at seven to nine per cent. They also do a large amount of exchange business buying and selling hundies drawn on Bombay, Calcutta, etc. When they need cash they get it through the Imperial Bank and when they have a surplus, remit it through the bank. They keep most of their surplus cash in Bombay.

In the district towns and villages where there is no branch bank the shroff is a very important person as nearly all money transactions have got to go through him. In the past these firms advanced considerable amounts to the agriculturist on the security of land or crops or even on the personal Demand Promissory

GENT, IMPERIAL BANK OF INDIA.

Notes of the borrower, but they tell me that owing to the forming of co-operative societies in the villages they are now curtailing advances to the members of such societies owing to the risk involved in financing a man who may be called on to pay his neighbours' debts to the societies. Each member of a society is liable for the debts of the other members. The result is that respectable small landowners are now finding it very difficult to borrow money at reasonable rates of interest in the bazar. If they borrow from a co-operative society they have to pay interest at the rate of 12 per cent and in addition shoulder a considerable liability in connection with the debts of the other members of the society. Their position now appears to be worse than before co-operative banking came into existence as it is certain that the agriculturist cannot afford to pay 12 per cent and also accept the other responsibility. A great deal is said about the high rates of interest charged by the shroffs, but considering the risks they run and the amount of trouble they have to take in getting decrees against debtors from the courts and executing them I do not consider their rates exorbitant. They tell me that over a period of years the interest they earn on their capital after allowing for bad debts, etc., works out to about 6 per cent.

Many shroffs are taking to business and now own ginning and pressing factories, etc., and do commission business.

The shroffs are well supplied with funds and it is only in the cotton season that they find it necessary to get additional money by discounting 61 days bills with the Imperial Bank.

I give below samples of the various hundis, etc., in use in the bazar :-

1.—Demand draft in English.

Rs. 10,000.

Amraoti, the 18th October 1929.

On demand pay to Imperial Bank of India or order the sum of rupees ten thousand only for value received.

BHAGWANDAS MEGRAJ.

To

Ramkisanadas Balkisanadas,

Bombay.

2.—Demand draft in vernacular.

ए. सुगनचंद ढागा हुंडी लीखे मुद्रब स्वीकार दिजे. सिद्ध श्री सुनंद बंदर सुवाने पूज हिरस्वाल गोपीकित्तन जाग. श्री अमसवती से लिखी सुगनचंद ढागा के जयगोपाळ बाजीजी उपरंच हुंडी एक-रु. १०० अक्षरी रुपये एकसोका निमे रुपिया पंचासका दुणापुरा हटे राख्या. कसरीमल अद्र पास मिति काती बरी एकमुसुं पुगा तुरत पीछे नाये सहा बोब रुपये हुंडी चलनका दिजे संस्त १९२९ का मीनी काती बरी एक.

3.—61 days bill in English.

<p>Hundi Stamp</p> <p>Rs. 4-8-0</p> <p>Rupees four</p> <p>and</p> <p>annas eight.</p>	<p>Accepted at Due 20th December 1929 :                  Amraoti, 17th October 1929.</p> <p>Rs. 5,000.</p> <p>61 days after date pay to Imperial Bank of India or order the sum of rupees five thousand only for value received.</p> <p>Imperial Bank of India                  Amraoti Branch for Ramji Kale                  Laxman &amp; Ramji Kale,                  Amraoti.</p> <p>18-10-29</p>
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## 4.—61 days bill in vernacular.

हुंडी लिखी मदन गोपाल डागा लीखे मुजब स्वीकार दिजे. दः खुद. सिद्ध श्री मुंबई बंदर सुथाने भाई मगनमल जोग श्री उमरावती से लीखी किसन गोपाल मुंबई के जोगोपाल बाचीजो. उपरंच हुंडी एक-रु ५,०००/-) अत्तरी रूरीया पांच हजार के निमे रूरीया अडाई हजार के दूणे पुरे अठे राख्या मदनचंद बंधा पासू मित्ती फादक सु. १३ ता. १६-६-२६ सुदीन ६१ पीछे नामे सहा जोग रूपीये हुंडी चलन का दीजे संमत १६८६ का मित्ती फादक सु. १३ ता. १६-६-२६.

## 5.—Deposit Receipt in vernacular.

श्री गणेशजी.

सिद्ध श्री अमरावती सुथाने भाई नंदकिशोर चौधरी जोग अमरावती से लिखी नंदकिशोर चौधरी मल का जयगोपाल बाचीजो उपरंच रु. ५,०००) अत्तरी रूपया पांच हजार तमे भेजीया सो दुगा छे तुमारा जमा किना छे ब्याज पढत पांच आने का देणे सो जानीजो. संवत् १९८६ का मित्ती चैत सुद्धी ३.

It would probably lead to a greater use of usance bills if the stamp duty was reduced. The general opinion is that it is much too high. The shroffs should not be confused with the ordinary money-lender who does no banking business and works on a small or moderate capital and charges exorbitant rates of interest.

QUESTION 3.—The only institutions of importance in the district accepting deposits are—

- (1) Imperial Bank of India.
- (2) Post office savings bank.
- (3) Co-operative banks.
- (4) Shroffs.

It is only in recent years that the people in this part of the country have realized the advantages of thrift and deposits are now slowly increasing. Up to a few years ago savings were invested in gold ornaments or land, but with the advance of education the folly of putting money in a metal that brings in no interest will be seen and the people will take advantage of the savings banks run by the post office and Imperial Bank. Land is not now the favourable investment that it was and prices are dropping rapidly to their economic level. It is doubtful whether any kind of propaganda would change the habits of the older people but lectures on the benefits of thrift would no doubt encourage the younger people to save money.

There is undoubtedly a large amount of money lying in hoards in the district, but as education spreads the hoards will gradually find their way into investment. Investments in Government securities in this district are absurdly small considering the amount of money that is brought into the district every year for the purchase of cotton. Most purchases and sales are made through the Imperial Bank.

In the past year or two owing to the abolition of the stamp duty on cheques many merchants have taken to making payments in different parts of India by cheque; and such cheques up to Rs. 5,000 being usually negotiated by the Imperial Bank's branches at par. The cheque is gradually taking the place of cash for payments between merchants. Government officers and the professional classes also now largely use cheques for making payments. The Imperial Bank allows cheques up to Rs. 5,000 to be drawn in the local vernacular.



**RAI BAHADUR GANESHIDAS KUNDANMAL, Banker and  
Landholder, Amraoti**

**Reply to the Questionnaire**

The agriculturist at present obtains loan by mortgaging his fields. Sometimes when the kaskar happens to be well off the loans are obtained on agreements or promissory notes.

The loans are obtained mostly from those doing money-lending business in private.

In these days grain seed is not advanced.

Reduction in the rate of interest and the simplification of procedure in obtaining loans from Government and other credit agencies are, in my humble opinion, necessary to improve the credit system existing today. An individual approaching the co-operative societies for a loan has to get some 10 others to stand surety for him. This requirement of the co-operative societies puts the needy man to immense trouble and his sureties to pecuniary loss besides. Kaskars would be inconvenienced a good deal if money could be advanced on individual responsibility. The plain fact is that nobody likes to be victimised for any other.

Banks and bankers have to effect internal remittances by means of cheques and hundis. The hundis or bills are a means of maintaining business relations with foreign countries. A year or two before the exchange rate in England was 1s. 4d. Since then the Government have altered it to 1s. 6d. with the inevitable result that the Indian exports suffer by about 12½ per cent. Take, for instance, amongst many others, the case of Amraoti. That trading centre exports approximately one and a half lakhs of cotton bales. Now taking one bale to be approximately worth Rs. 125, the Amraoti kaskars in exporting his goods lose something like 23 lakhs of rupees. The same is the case with the export of wool. It is thus that I am inclined to think that if the same coin is made current both in England and India all troubles will disappear.

The hundis are not discounted at the local centres they emanate from, but have to be sent outside for encashment.

If the Government, after securing in due measure its own interest, were to start a bank to do business on a large scale, money at a low rate of interest will certainly be available.

The indigenous banks and bankers pay from Rs. 2 to Rs. 6 per cent interest on deposits.

Generally, the agriculturist obtains loans at 15 per cent. If it is intended to put some money into the purse of the farmer enabling him to improve his standard of living then the rate of interest would have to be reduced to the lowest possible limit.

Also the kind of primary education that is imparted in these days should not be made compulsory for boys who are to be farmers eventually. The boy-farmers attending school should receive instructions in husbandry twice every week by having actually to work in the fields.

The legislation alone can never succeed in bringing down the rate of interest. The starting by Government of a bank to lend money to farmers at the lowest rate would compel the private money-lender to lower down his rate of interest. The exemption from court-fees stamp duty and similar other concessions, if granted, would serve as incentives to the public in general to start indigenous banks. The proposed bank should get award from Registrar just in the same way as the co-operative societies do.

As the indigenous banks and bankers do not have adequate funds to meet all demands for loans, they have of necessity to take help from foreign banks.

**MR. RAMRAO, Secretary, Agriculturist Relief Association, Itki, taluq Daryapur, district Amraoti.**

**Reply to the Questionnaire.**

**QUESTION 1.—(a) For expenses during cultivation finance is obtained from—**

- (1) Money-lenders.
- (2) Relatives.
- (3) Co-operative Society.
- (4) Agriculturist Relief Association, Itki.
- (5) Taccavi.
- (6) Mortgage and standing crops.

**(b) For capital and for permanent improvement it is obtained from—**

- (1) The central bank.
- (2) Taccavi or money-lenders.

**(c) For other special needs, e.g., failure of monsoon, for land revenue and for ceremonial purposes, etc., it is obtained from money-lenders, relatives and co-operative societies.**

In this district the rate of interest on loans varies from Rs. 12 to Rs. 24 percent per annum; in addition to this there is the minimum 10 per cent of discount (batta) which the money-lenders deduct before advancing loans. Loans have to be repaid within a stated period (i.e., duration of the standing crops), or for more than a year or till the original amount of the loan is doubled.

For these loans the security of standing crops and other persons is given. The conditions of repayment of loans are settled before hand and on default thereof interest is charged at increased rate according to written agreement. If in the mortgage deed there is a condition of foreclosure the money-lender takes possession of the land (in whatever condition it may then be) or obtains a civil court warrant against the borrower who has thus to go in for voluntary insolvency. Sometimes the money-lender applies to the court to declare the borrower insolvent and during the pendency of such an application takes possession of all his property (moveable or immoveable) and sells it by auction through Government agency.

For advancing money required for agricultural purposes the Government, the Central Bank, Daryapur, and the professional money-lenders are prominent in these parts. Of these the Government only gives taccavi advances, the central bank advances money to the co-operative societies only within certain limits and after a very careful investigation, while the money-lenders who advance loans to cultivators impose many a hard condition. It is not possible to give an estimate of the capital necessary for the above purposes for the whole district or the province, but in our village, Itki, for the redemption of all old debts, the approximate minimum would be Rs. 70,000.

The grain or seed that is given for sowing purposes is valued at the current market rates and such sum is treated as cash advance and interest is charged on this sum. The whole amount is then realized when the harvest is collected.

The present system of getting loans has the following defects:

**(a) Taccavi.**—From the date of application it takes a long time for investigation and payment of money and the applicant has to go to the taccavi office for a number of times for the purpose.

**(b) Money-lenders.**—The present rate of interest is high and should be reduced. When once the principal amount is doubled no interest should be charged on such an amount. Penal interest should not be allowed; very often the borrower goes to the money-lender with full or partial amount for payment, but the latter refuses to accept it on the ground that the repayment of money is not yet due according to agreement. It must be made legally binding on the money-lender to accept such a repayment and he should be legally prevented from charging interest up to the date of repayment agreed upon in such cases. Similarly there are some unreasonable conditions laid down in the bonds, e.g., penal interest on default and the execution of the condition of foreclosure. The money-lenders should not be allowed to take advantage of the borrowers' carelessness and the civil courts should give them proper help in the matter. In

**MR. RAMRAO.**

cases where the decretal amount is small the court should not allow the foreclosure of a land of higher price, but should order the disposal of only a portion of land sufficient to satisfy the debt.

(c) *Formation of co-operative societies to relieve indebtedness.*—Where the people come forward and volunteer to transfer their lands to the management of such societies for the redemption of the debts thereon, they should be immediately formed and registered according to law and their working started. Similarly, these societies after taking over the management of all the landed property of their members should apply to Government for the free services of an expert from the agricultural department with a view to taking out the maximum crop. Out of the income from this crop the member should be allotted a share for the maintenance of his family and the balance credited to the society for repayment of his debts, and in this manner he should be relieved of his indebtedness. The rates of interest of such societies should not be higher than those for deposits prevailing at present in the central bank and the balance with the society should be treated as his deposit.

Amongst the different agencies (including Government) for advancing loans there is no co-ordination. In that direction the following improvements are necessary:—

(1) Banks should not advance loans to money-lenders, because they take loans at a low rate of interest from the banks and charge higher interest to the cultivators.

(2) Provincial Government should keep their deposits in the provincial or central banks only.

(3) In the money transactions between the money-lenders and the cultivators the rates of interest are much higher than those of other banks. In order to bring co-ordination among them it is necessary that the money-lenders should charge just a little more interest than what they pay to the bank, just as the central banks advance loans to co-operative societies at a little higher rate than they pay to the provincial banks.

QUESTION 2.—The principal crops of these parts are cotton, juar, wheat, gram, etc.

The present method of marketing these crops may be described as under:—

*Cotton.*—Some cultivators sell it locally to retail dealers who either fix up the price then and there and pay it and take delivery or pay it the next day, after selling the cotton in the market. Some cultivators take their cotton to the markets at Wanoa, Anjangaon, Akot or Amraoti and sell it there through a broker. They sometimes gin the cotton and then sell it by headloads or finding their cotton not yielding a good price press it and then sell as pressed bales. There being no representatives of the cultivators on the cotton market committees they suffer great loss, i.e., (1) owing to the mischief of the weighmen who is more favourably inclined towards the purchaser, (2) sometimes the cotton is declared as of an inferior quality and (3) the non-receipt of the full consideration for his cotton, the broker keeping some for himself. The Indian Cotton Committee had inquired into the present cotton market system in Berar and several defects in the working thereof were disclosed. (See the Committee's Report.) If the middleman and the purchaser act in collusion the poor seller has to give more discount for his cotton and is thus put to a great loss. In order to put a stop to these practices obtaining in Berar cotton markets it is necessary to remove the defects pointed out in the report of the cotton committee who have based their conclusions on full inquiry.

*Grain.*—Is generally sold in the weekly markets near about. There are no middlemen in the business, but the purchasers themselves are generally trouble some. The chief trouble is of the measures which vary in different places. To remove this trouble it is necessary to have a uniform scale for all places. It would be of great advantage if co-operative stores on the model of Akola and Amraoti are established in all places where there are cotton markets for the sale of grain. These stores should raise up their capital by sale of shares and by receiving deposits and if necessary obtain loan out of the Government deposit in provincial bank through the central bank and out of such a capital fixed advances should be given to the cultivators on the security of their grain. The

MR. RAMMO.

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**MR. RAMRAO.**

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MR. RAMRAO.

grain should be sold when the market rates are high or the cultivator asks to do so. This arrangement is feasible in our opinion and would surely be beneficial to the cultivators.

At present it is not possible to secure loans unless the grain taken out from the fields is sold away. Some brokers do advance money after taking possession of the grain, but this arrangement always results in quarrels in respect of the selling price of the grain. During the period of marketing the different banks and bankers or merchants play no part. It is only the middlemen and purchasers that come in contact with the cultivators.

During harvest time arrangements should be made for the payments of money by cheques to the sellers at their places or at places near about where there is a co-operative bank on the purchasers depositing it in the co-operative central bank of the place where the crops are sold.

QUESTION 3.—Ordinarily the price of kharif land per acre is Rs. 225 at the most in private negotiation.

(a) The value obtained from sale of land in Government auction for non-payment of revenue is always low because such action generally takes place when the people are hard up and because such sales are set aside if the land revenue is paid in the fixed time.

(b) The value of land in the event of sale by court decree is similarly low as such lands are generally encumbered and such auctions do not take place at harvest time.

QUESTION 5.—The total indebtedness of our village may be approximately Rs. 70,000. The economic investigation of our village was made by Mr. Mutkekar, Deputy Director of Agriculture, Amraoti, who has with him all the necessary figures in this connection.

The introduction of a higher rate of interest will discourage the cultivators.

QUESTION 6.—In order to utilize his spare time fully the cultivator should do the following business:—

- (1) Plying of cart and the work of labourer.
- (2) Spinning yarn and weaving.
- (3) Trade.
- (4) Preparing agricultural implements, etc.
- (5) Improvements in the methods of the welfare and breeding of cattle.

The cultivators stand in urgent need of facilities for getting loans for their secondary business and for this purpose it is necessary to start business societies on co-operative basis.

Supplementary.—The present system of obtaining loans has the following defects in it:—

(b) (2) *Co-operative credit society*.—In the business of such societies there is the condition of keeping a reserve of  $\frac{1}{4}$ th of the total net profit of which  $\frac{1}{4}$ th has to be deposited with the Registrar, Co-operative Societies. This money the Registrar keeps in some banks but the interest on such investment is very low which retards the growth of the capital of the society. If this amount is allowed to be kept with the society itself, the members thereof will not be unnecessarily required to go in for loan to the extent of this reserve fund from the central bank. This will naturally enable the society to stand on its own legs in some time. It is, therefore, necessary to make some such arrangement in the rules of the society's laws.

The audit of the co-operative societies should be more thorough and frequent than at present.

MR. M. B. GANORKAR, High Court Pleader, Amraoti.

Reply to the Questionnaire.

## II.—Indigenous Banking.

(1) The indigenous banker in Amraoti district transacts the following business:—

- (a) Advance of money on the security of lands.
- (b) Advance of money on the security of houses.
- (c) Advance of money on the pawns of gold and silver, pearls and gems.
- (d) Advance of money on the pawns of moveables that are marketable commodities.
- (e) Advance of money on the personal security of the supposed solvent farmers and merchants, and needy well-to-do and honest gentlemen.
- (f) Arrears of lease money recoverable from tenants.
- (g) To invest money in the purchase of the items mentioned in (a), (b), (c), and (d).

(2) In Amraoti district agriculture is in two types. Home cultivation and cultivating lands of owners on rent mostly cash and partly in kind. The former type requires nearly Rs. 40 to Rs. 60 per tiffan of four acres except where the owners actually work by hand; in such cases the expenses vary from Rs. 20 to Rs. 40. The expenses vary according to season and rates of wages. In 1928-29, the expenses were heavy. In 1929-30 though the wages were high in the beginning the draught of a month and a quarter resulted in curtailing expenses.

The latter type requires Rs. 30 to Rs. 50 per tiffan of four acres. The latter type at times delays the costs of cultivation on the lay by at the cost of debts carrying even higher rates of interest. They experienced sad incidents of no advances from bankers at opportune time resulting in the loss of crops. Some meet the expenses at higher rate of interest.

Indigenous banker may be financing nearly both part of the expenses of agricultural lands let out. In exceptional cases the advances are on mortgages, but mostly they are either on the personal security or on the security of the standing crops.

Trade is mostly carried on credit. Nearly both part may be financed by the Imperial Bank.

As to industry nothing is financed as there is no industry worth the name in Amraoti district. By industry is meant raw material changed into marketable commodity. There is no avenue in that line in these parts except carpetting to infinitesimal extent and khaddar.

(3) There is no organization of the indigenous banking system in Amraoti district. Each banker is independent and tries his fate in the business—

- (a) The amount may be from Rs. 50 to Rs. 25,00,000.
- (b) The business is chiefly money-lending.
- (c) The expenses may at most be 10 to 15 per cent except where relief through court is required for recoveries where the expenses reach even 50 per cent.
- (d) The relations between individual bankers are not generally cordial. They accommodate themselves to the whims of the other banks mentioned if necessary.
- (e) The facilities afforded by the Imperial Bank to indigenous bankers are inadequate.

(4) There are two types of hundia. One payable at sight and the other payable at maturity say from two months to twelve months.

Another credit instruments are akada and promissory notes.

Lately, almost no advance is made without any such writing.

B. C. to drawee X of Bombay from Y of Amraoti. Rakhe Z be paid Rs. 2,000 at sight. (Sample of darshan hundia.) (In such cases the drawer, drawee and acceptor or Rakhe are concerned.)

Mr. M. B. GANORKAR.

If the drawer has his firm at Bombay the sample may be: I have today received Rs. 2,000 from Z. Pay him the amount at sight.

Sample of hundi payable at maturity.

*Sample of pro-note.*

I promise to pay Rs. 1,500 to Z on demand.

*Sample of Akada.*

B. C. to X I have sent my servant Y for Rs. 500. Please pay and debit to my account.

*Sample of deposit note.*

B. C. You have today deposited with me Rs. 1,500. I will repay it when required with or without interest.

The hundis were mostly used in cotton season. As the credit of the premier city merchants is endangered, they are hardly made use of by those who have no access to the Imperial Bank. Cloth, sugar and kirana merchants use the hundis all the year around.

(5) This is indirectly answered in the replies to question No. 1.

The terms of repayments are from 6 months to 15 years.

There are no special means to meet demands which are generally not specific. They advance money to their debtors to the extent they can spare. They have to refuse the debtors when they are short of money and in famine days.

At times one individual banker borrows from another banker on short terms.

There are hardly any deposits as such with the individual bankers. There are no fixed deposits. A deposits with B Rs. 100 and allows it to remain for a year or so for safe custody. At the time of need gets it back. This is after the type of the current account of the Imperial Bank. Thus there are no rates of interest for such deposits.

If the debtors want commodities, they are given to the debtors. It is not customary not to pay cash and to give commodity instead.

Repayments are hardly made by sale of goods through creditors. The debtors at times sell goods at a higher rate to creditors who purchase them for the purpose of satisfying debts.

(6) Rates of interest are from Rs. 6 per cent per annum to Rs. 75 per cent per annum. The decrease in the rate of interest seems impossible. If the debtor increases his credit by punctual repayments and banishes the suspicion of the bankers by never reaching the insolvency courts and the seasons are good and the foods fetch better prices, the rates may go down.

The debtors have learnt the art of borrowal, but they are deaf to the art of repayment. If they are educated and if they are trained to adopt frugal ways of living, there may be some wholesome change. The attractions of the city life are a curse to them.

There must be a radical change as under:—

- (1) There must be compulsory primary education.
- (2) In the school there must be a common study up to fourth Marathi. There must then be a bifurcation for several avocations.

Only the competent be sent to the Anglo-Vernacular School.

Out of the rest, some be devoted to agriculture, some to smithy, some to carpentry, some to brick laying, some to brick and tile-making, some to carding and weaving. Elementary basis of this be taught from third Marathi.

Thus at the age of 16 excepting the competents others will not be a burden to their parents, but will maintain themselves.

In this way economy will be observed and rates of interest will necessarily go down.

MR. M. B. CANORKAR,



Another way is to pay off all creditors. Say, the Government shall advance four crores of rupees to all the debtors in Berar who may repay their creditors. Creditors will want some avenue for investment. They will never like the idea of allowing the capital to lie idle. Government should issue some writing to them and they will thus be obliged to invest their capital in such business. This proposal is beset with only one difficulty, i.e., the debtors must be made to repay when possible.

Agriculture is not a profitable concern. Home cultivation expenses lead one to let out lands to anybody who comes forward for it without caring for the solvency of the tenants. In the year of good crops rents are fully recovered. In other years they add to the prior indebtedness.

The tenant who actually works in the field with the help of the other members of the family is never a loser. The rent varies in accordance with the change in crops and rates. Such family requires costs for maintenance which is repaid in the form of work in the field.

Other tenants and farmers get work done through servants and inow expenses for their living. In this way they add to their indebtedness and expenses.

If the outturn per acre is improved, the rates will go down. If there be a subsidiary trade with the agriculture, rates may go down.

Reduction of rates of interest in general will promote tendency to incur reckless debts. In special typical cases such as investment in tractors, etc., may give some relief. Reduction of rate will not in general improve the standard of living.

If the Government instead of Imperial Bank supplies on credit monies to indigenous bankers and farmers, rates of interest will go down.

(7) There are prejudices against indigenous bankers. These bankers are not sufficiently protected in law.

There is a legal or other facility which can be extended to them.

The dealings of this class of bankers with their clients, etc., are not conducted on sound lines.

The existing defects are--

(a) Anybody and everybody, whether male or female, can carry on money-lending from Rs. 5 to any amounts. Just as there are lists of voters there must be a list of all money-lenders.

Some money-lenders keep no books. This must be made compulsory. Every advance of cash over Rs. 5 must bear at least the signature of the debtor or his thumb-impression or both when feasible.

The books must bear some special marks on each page. No other account books be held admissible under section 35 of the Evidence Act and recitals in deeds unless corroborated by such account books should have no probative force.

Non-money-lenders should transact any business through persons of unblemished character.

Village panchayats should be empowered to check these books, etc.

(8) There are five sub-divisions in this question. The reply to sub-division No. 1 is that the Government should issue debentures in the name of these bankers for the good debts they have to recover with Government security on condition of getting those debentures satisfied by long-terms and the same rate of interest through the debtors. This means the bankers will have a credit for their debts and the debtors will get more time to repay at moderate rate of interest.

Sub-division No. 2 is answered already.

Sub-division No. 3's answer is that the Imperial Bank that has vast amount of money lying idle be recommended to advance money to these bankers on the security of the debentures and the personal liability of the creditor after proper inquiry.

Sub-division No. 4.—There is no fixed system of account keeping. With some there is the kachha rokad and khata. With some there is in addition a nakkal. With some there is merely a pathani book and khata.

In the former the balances are struck daily or weekly. In the latter no balances are struck. Some maintain only ticket book and bonds and mortgages.

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There may be private inspection allowed. None generally insist on verification. Through the court agency both are possible.

*Sub-division No. 5.*—The honest indigenous bankers will hail the introduction of any measures for regulating their operations and for giving publicity to the same.

(9) Six per cent per annum to 12 per cent per annum.

(10) Indigenous bankers are not able to meet all demands on account of insufficiency of working capital.

There are very few refusals on account of unacceptable nature of security.

(11) *Part 1* is answered. Instead of Government debentures the debentures of the banks proposed in *Part II* be floated.

*Part 2* is answered with the variation made above. Yes.

*Part 3.*—The credit of the bank will inspire confidence of the indigenous bankers. Their association with bank and the working of the bank will supply local knowledge and experience.

*Part 4.*—Competition cannot be avoided unless they are bought as suggested above. Just as there are several bankers in one village and they carry on their business, the banks mentioned in *Part II* will invest. The customers will flock to honest and kind creditors.

(12) *Part 1.*—No.

*Part 2.*—The little that is available is flocking to provincial capital for want of credit in the general body of debtors.

*Part 3.*—Persons having cash in hand deposit their moneys in provincial banks for safety at low rate of interest. If these investors get good security and a bit higher interest, they will fly to this new arrangement. This can be made by a district agricultural bank, linked with pargana banks. The money would be utilized, but as to the benefit of the district, there is no certainty.

**MR. K. G. MOHARIR, Landholder Thugaon,  
district Amraoti.**

**Reply to the Questionnaire.**

**QUESTION 1.—(a)** For expenses during cultivation a well-to-do cultivator either spends money saved for the purposes or sells away his grain. Such cultivators as cannot lay by anything for these purposes have to go in for debts.

(b) Such cultivators as are unable to raise their own money have to run into debts for all purposes. Except in the days of famine debts for all purposes have not to be incurred simultaneously.

The rate of interest in these parts varies from Re. 1 to Rs. 6-4-0 per cent per month. Such debts are repayable within a period of six months. For such loans moveable property is mortgaged. For loans not covered by mortgage some well-to-do cultivator has to stand as surety. Where there is no such mortgage or surety the creditor keeps a watch on the sale of the produce and as soon as it is sold the first on the sale-proceeds is that of the creditor. This is the condition for the grant of such a loan. If, with all these conditions money is not recovered, legal steps are taken.

In the transactions of loans required for agricultural purposes, the professional money-lenders, business-men and co-operative credit societies play a prominent part.

For purposes of seeds, etc., grain is advanced on "sawai" (i.e., the debtor agrees to pay 25 per cent more as principal and executes a bond or a pro-note. The loans are sometimes oral as well).

For the loans taken for the disposal of the produce a higher rate of interest has to be paid. Some loans are taken on "lawani". The disadvantages of this "lawani" system are (1) cultivator has generally no idea of the produce as the crops are not fully ready, (2) the "lawani" rate is  $\frac{1}{4}$ th of the real rate, and if the cultivator is not aware of the prevailing rates, the creditor gains more. If the crops are ready and loan is required till their disposal has to be taken from the merchants and in such cases when the produce is taken to the bazar for sale it has to be sold through the agency of such a merchant. If the required loan cannot be raised even on such terms the produce has to be sold to the petty merchants for whatever rate they may pay and the cultivator has to suffer a great loss.

**QUESTION 2.—**Out of the principal crops of this district, cotton is sold either to the local merchants or in the cotton markets of bigger towns through the broker. Juar, wheat, tili, etc., are sold either to the local merchants or in big towns. The sellers have often to suffer losses through the mischief of the weighman in towns.

Grain is disposed of in the local bazars and during harvesting and sowing operations labourers are given grain for cash.

Unless there are facilities for raising money on the surety of marketable articles co-operative unions will not thrive. Unions ought to be formed for selling the produce.

When once the crops are taken out from the fields the cultivator cannot afford to wait for favourable rates. He cannot get loans at such a time and is compelled to sell the produce. If he can manage to secure loan, it is from the middleman only and in that case he has to sell his cotton through this middleman. A person who does money-lending in villages is generally the middleman in bigger towns.

Traders and shop-keepers are concerned more at the time of selling the grain, the banks or the bankers play no part till the grain has been sold.

**QUESTION 3.—**In this district the value of land per acre for different kinds of crops is as follows:—

		Ra.
For cotton land	...	... 250 per acre.
.. wheat ..	...	... 250 ..
.. juar ..	...	... 200 ..

**MR. K. G. MOHARIR.**

Any fluctuations in the above rate are dependent on the fluctuations in the rates of cotton. So far such fluctuations have been due to this reason.

The price of land is higher in more populous villages.

Besides the following causes the value of land varies in the following cases:—

(a) The value of land in Government auction for non-payment of revenue is lower than the price in the event of sale by court decree or purchase by private negotiations.

(b) In the event of sale by court decree the value of land is lower than in purchase by private negotiation.

(c) In purchase by private negotiations the value of land is higher than in the above two cases.

**QUESTION 4.**—There are no land mortgage or agricultural banks or any other banks giving long term loans.

In the event of failure to repay the debt within time the mortgage banks recover their dues either by foreclosure or sale of the mortgaged property. This practice should be replaced by "patta" of the mortgaged property and thus the debts redeemed.

The agricultural mortgage banks should raise monies by accepting deposits at a maximum interest of Rs. 4 per cent per annum and lend out money to agriculturists with a margin of Re. 1 or Re 1-8-0 per cent per annum.

**QUESTION 5.**—It is possible to reach an accurate estimate of the existing indebtedness of the agriculturist class by explaining the importance of the subject and appointing a committee of a local leader and a Government village official in each village.

Good cultivators have been reduced to a state of ordinary tenants or labourers owing to their properties having passed into the hands of creditors.

This process is taking away from the actual cultivator the incentive to produce more and in an efficient and better manner.

Owing to the above circumstances the incentive in the cultivator is diminishing.

**QUESTION 6.**—Subsidiary industries allied or supplemental to agriculture (excepting that of an agricultural cooly) are in evidence to a very little extent. Some industries starve for want of capital, while others are not going on satisfactorily for want of education. Arrangements should be made for the compulsory education in agriculture and industries allied to it through the primary and high schools.

The rates of interest on loans are unreasonable. Interest more than Rs. 6 per cent per annum should be prevented by law.

**MR. KHETULAL MAHADEO BUBANA, Member of the District Council, Landholder Anjansingi, district Amraoti.**

**Reply to the Questionnaire.**

**QUESTION 1.—Agricultural credit and credit facilities for small industries.—(a)** Some of the agriculturists in my district obtain finance from the co-operative credit societies, but most of them obtain it from money-lenders. There is no other source from which they borrow money.

(b) The rates of interest charged vary from annas 12 to Re. 1 but the common rate ranges between Re. 1-8-0 and Re. 2 per cent per mensem. The money-lenders not only charge the interest, but also deduct 10 per cent as "batta".

(c) The periods for which loans are taken range between one to three years in cases where no securities are offered, but for longer period, i.e., four to eight years, loans are given on the security of immoveable property and compound interest is charged. No condition other than that of foreclosure is imposed and no other securities are accepted.

(d) Grain advances are given after fixing the rates of the grain and interest is charged on the amount of the total price of the grains advanced. There are no other conditions attaching to such advances.

The financial condition of the agriculturists is at present very miserable as there is no other industry on which they can depend. They have therefore to carry on their agricultural operations by taking loans on any conditions. Money-lenders therefore take advantage of the helplessness of cultivators and compel them to execute bonds imposing high rates of interest. Such bonds are declared valid in law courts and claims are decreed. In order to prevent this, a law should be enacted by which the following safeguards may be ensured:—

(i) Compound interest should not be charged on such loans.

(ii) Interest in excess of 6 per cent to 9 per cent per annum should not be charged on the capital.

(iii) Interest should not be charged on the decretal amount and the mortgaged property should not be foreclosed.

(iv) The attached property should be kept by the court in its custody given to the creditor for a period of time in repayment of the debt and thereafter it should be returned to the owner, or the mortgaged property should be given to a trustee who should pay off the debt from the produce of the land and then return the land to the debtor.

**QUESTION 2.—(a)** Many agriculturists keep the agricultural produce with themselves after the harvest and dispose it off when some merchant or dealer approaches them. The merchants settle the bargain with the agriculturists and take the produce to the market. Some agriculturists sell their produce in the market.

(b) There is a possibility of forming pools for marketing the produce.

(c) The agriculturists have thus to deal with the merchants and dealers going to their houses and also with merchants, agents, brokers, etc., in the market.

(d) With the exception of a few agriculturists all of them have got facilities for internal remittances by post. There are no other facilities existing. Warehouses will work well and they should be opened by Government.

(e) The produce belonging to agriculturists should be deposited in the warehouses and an advance should be paid to them in order to enable them to avoid the contingency which they have to face at present by selling the produce for any price owing to financial stringency.

**QUESTION 3.—**The value of land per acre varies from Rs. 50 to Rs. 250. The fluctuation in the prices depends upon the yield of the crops. If they are in a good condition and the intending purchasers are moneyed men the prices have a tendency to rise. If the lands are sold by auction as a result of a decree or non-payment of revenue the prices go down to one half and even one-fourth.

(a) Besides a few credit societies and sowkars who advance loans on the security of land, there are no facilities for long term loans.

**MR. KHETULAL MAHADEO BUBANA.**

(b) Government should establish banks on the capital raised from local men who should be the shareholders of such banks. There should be a majority of Indian shareholders in the body of directors, these banks should advance long term loans to agriculturists at 6 per cent simple interest. In the case of non-payment of such loans the banks should take a temporary possession of the lands and get them cultivated. They should be authorized to divert the produce towards the repayment of the loans advanced and restore the lands to the owners, but under no circumstances the lands should be sold.

QUESTION 5.—At present 90 per cent of the agricultural population is indebted. The mortgage debt is heavier than unsecured debt.

(a) Loans are generally taken for (i) marriages and other ceremonials, (ii) payment of land revenue, (iii) purchase of seeds and manures, (iv) sinking wells, and (v) effecting other agricultural improvements. These loans are received either from sowkars or co-operative societies. The rate of interest and the terms of repayment are as mentioned in part (b) of my reply to question 1.

(b) A large number of agriculturists and tenants are turned into labourers owing to the passing of their lands into the hands of the creditors.

QUESTION 6.—In order to supplement his income it is highly necessary that a farmer should be able to follow some subsidiary industries in his leisure. At present there are no credit facilities existing and he is therefore greatly in need of these.

QUESTION 7.—The Usurious Loans Act is not availed of in the province. A law should be enacted in order to make provision for licensing money-lenders and making it obligatory on them to supply their debtors with copies of accounts.

SUPPLEMENTARY REPLY TO QUESTION 2.—(f) In every cotton market the owners of the ginning and pressing factories form a guild or "a joint" and charge exorbitant rates for ginning and pressing cotton with the result that the purchasers are compelled to offer low price for the cotton. This reacts on the cultivator. To prevent this Government should every year assess and fix ginning and pressing charges allowing only a reasonable margin of profit (i.e., a rupee per bale) to the factory owners. This will encourage the purchasers to offer higher price for the cotton and thereby the farmers would be benefitted.

(g) When the farmers take their cotton to the market for weighment it is not properly weighed. This is almost a universal complaint. The alternative practice of weighing the cotton at the farmer's house is equally defective. The Government should therefore take steps to educate the farmers. It should also instruct the local police and the market authorities to inspect the weights and measures in the villages and cotton markets from time to time.

**DR. T. W. JOSHI, L.M.&S., Private Medical Practitioner,  
Amraoti.**

**Replies to the Questionnaire.**

**QUESTION 1.**—The agriculturist in this district obtains finance for his cultivation, capital and other needs mostly through the local sowkar. A small number get it through the co-operative banks. The rate of interest in this province varies from 9 per cent per annum to 30 per cent per annum, but the average will probably work out at 18 per cent per annum. In most cases where big loans are concerned, the security offered is generally the land of the debtor. Gold and silver ornaments are also pledged at times. The average period for which loans seem to be taken on mortgage bonds would seem to be about five years. As is well known, the Government finance the agriculturist by giving him taccavi in times of stress. The Imperial Bank does not finance the agriculturist as such, but he can borrow from the Imperial Bank by pledging gold. No joint stock banks or other indigenous banks finance the agriculturist in this district. As said above, he has mainly to depend on the local money-lender and a few of the agriculturists get their money from the co-operative societies. There is absolutely no co-ordination among the various credit agencies in this district, though much could be done in this direction.

**QUESTION 3.**—The main crops in the district are cotton, juar and wheat. The value of land per acre in the district would range between Rs. 100 to Rs. 400. The average value today per acre is about Rs. 175. Rs. 100 per acre indicates the low water mark, Rs. 400 the highest value. The factors determining the value of land are the quality of the soil, the general upkeep and condition of a field and its proximity to the market. As a rule fields when they are auctioned either for non-payment of revenue or through civil courts are knocked down for a comparatively small price. Prices fetched by private sales are certainly higher.

**QUESTION 4.**—There is no impediment to mortgage of lands in the district. Lands could and are as a rule freely mortgaged. There is no land mortgage bank in the province, but the question is under consideration. There are no other banks which could be styled "Agricultural banks" except the co-operative banks.

**QUESTION 6.**—There seem to be no subsidiary industries allied to agriculture in the province to speak of, except perhaps a little of rope-making. It is a matter of regret that the people in general are too slow to move in the matter. Persistent training and propaganda alone will give rise to a few cottage industries. If an experiment is made in the line, it should not be difficult for the co-operative movement in the province to finance such cottage industries.

**QUESTION 7.**—The Imperial Bank in some place accommodates the co-operative bank with funds on Government securities. Beyond this, there seems to be no business relations between the Imperial, the co-operative or other banks.

The co-operative banks have to a certain extent met the needs of the agriculturists, but not of small traders and industrialists. The agriculturists are, however, too slow to benefit themselves by the movement.

It is not desirable that co-operative borrowing should be done on a provincial scale.

## II.—Indigenous Banking.

**QUESTION 2.**—It is the indigenous bankers or sowkar who mainly finances the agriculturists and the small traders and industrialists.

The rate of interest allowed on deposits by local bankers is on an average about 6 per cent per annum in busy season, otherwise it is about 3 per cent per annum.

**QUESTION 3.**—There is no organisation in the province of the indigenous banking system.

**QUESTION 4.**—The agriculturist community has to pay between 12 per cent per annum to 30 per cent per annum to local sowkars on the sums they borrow. These rates could be brought down a little if the agriculturists organize themselves.

Dr. T. W. Joshi.

into well-formed associations. Reduction of the rates of interest would no doubt give them some relief, but it is no remedy that will cure their economic evil to any appreciable extent. They must be trained to business methods. Good and honest agriculturists who are prompt in their repayments get loans at reasonable rates of interest.

QUESTION 7.—There is certainly some prejudice in the district against local sowkars as a class, but with all this prejudice the agriculturists do resort to them. There are at the same time sowkars, who have been dealing with the same families of debtors for generations and who yet command their complete confidence. It seems desirable to make it a rule that in every case when a loan is advanced the document must be attested by a witness who at least is literate where the debtor is not.

QUESTION 8.—Accounts are as a rule kept according to the Mahajan method and reputed and good sowkars never deny their clients the privilege of inspecting the accounts any time.

QUESTION 9.—After deducting all the charges the net income is not more than 12 per cent per annum.

QUESTION 12.—No money seems to be lying idle.

### Part III.

QUESTION 1.—People in the interior are not provided with sufficient investing facilities nor is there any method or institution to encourage them to make small savings. It is desirable to do something in this direction.

QUESTION 2.—Postal cash certificates do not seem to be very popular in the district. Savings banks are mainly resorted to by middle class literate people.

QUESTION 3.—The agriculturists as a class, as also the middle class people, are too easy going to put in any effort beyond the routine to improve their lot. They are found complaining of chronic economic pressure, but they have neither the strength of mind to reduce some of their surplus expenditure nor the will to work more.

QUESTION 4.—Cheque habit is not very popular in the district.

QUESTION 5.—Certainly, banking and investment habit is very slow at least in this district.



MR. M. H. NANAVATI, M.A., LL.B., Assistant Professor of  
Economics, King Edward College, Amraoti.

### Part I.

An agriculturist (or any other producer) will flourish best, when by degrees he builds up his own capital from the surplus profits of previous years; and this becomes easier when the whole or the main part of the rent of land remains with him. But if the state takes a large portion of the rent (say one-half), although the step is perfectly justifiable from the standpoint of public finance, it would become more difficult for the agriculturist to build up his capital. This is put in, not to condemn the present system of land revenue—no economist would venture to condemn the nationalization of unearned income, if secured gradually and scientifically—but to point out that in India the State ought to be prepared to do more than what is being done in other countries to secure credit at reasonable rates to the agriculturist.

The average Indian farmer is poor, and, in spite of the fact that his standard of living is low, has no staying power. In bad years he must borrow for consumption as well; and in good years, at least for productive purposes.

This brings me to the point which I should like to emphasize that it is very desirable to distinguish productive from unproductive debt. If a factory or a mill borrows capital for productive purposes, we do not condemn the step; but if an agriculturist borrows for productive purposes, still we describe it as a load of debt round his neck. Provided the interest charges are not excessive, there is nothing to condemn in a loan taken for productive purposes. We have therefore to enquire:—

- (1) how much is borrowed for unproductive purposes;
- (2) how much for productive purposes, but at unproductive rates;
- (3) how much for productive purposes, at reasonable rates from the standpoint of the producer.

### Part II.

But whether the loan is for production or for consumption the farmer finds the urban joint stock banks useless for his purposes. They are not always situated near to his place; they do not care to lend in small sums; or for long periods. They have money to spare at the time the agriculturist requires it, but for a much shorter period than would suit the latter. There is little doubt that there should be special institutions for this type of loans, e.g., the co-operative societies and the village money-lender.

From the evidence tendered by witnesses before the Bombay Provincial Enquiry Committee, I learn that the tendency has been for rates of interest charged by the village money-lenders to rise. This should not have surprised them. If we comb out agriculturists into those who are good and those who are not, and assign the former to the co-operative societies, necessarily the rates charged by the sowkars to the latter are bound to go up. The only check, I can think of, would be from a freer competition amongst them, and a more widespread education amongst the borrowers. But ultimately the rates will depend on the risks involved; and it is worth while enquiring how far the difficulty can be remedied by increasing the size of the money-lending unit, e.g., by inducing the sowkars to form themselves into partnership firms. By joining hands, they will not only increase their credibility, and would then be able to borrow more from the urban jointstock banks than in their several capacities, but what is more important, the insurance against risks would fall. Other things being equal, the larger the number of loan transaction by sowkars, the lesser the percentage of risks.

### Part III.

It is more difficult to attract rural funds for investment to the towns, when they are not wanted in the country. It is worth considering how far the Government or the Imperial Bank can be induced to issue short period postal certificates, say for the duration of six months. When the farmer does not want the money, he will invest it in these certificates and when he wants it, he will turn them into cash.

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he will invest it in these certificates and when he wants it, he will turn them into cash. The investment habit is bound to be of slow growth, but can be accelerated when loans are made to the Government or a semi-Government institutions rather than to private banks, and when they are made for short periods. Besides there is private banks. On the one hand, the Government is the only agency which can inspire sufficient trust for the tapping of the savings outside towns; on the other hand, to the extent to which these funds (otherwise immobile) are available for Government finance, there would be lesser pressure on the urban markets at the time of issue of a Government loan or treasury bills.

In this connection, I should also like to point out that the regulation that in case of postal savings bank deposits, no interest is to be paid for a month unless the money is deposited between the first and fourth of the month is a hardship. A better course would be to pay interest from any date to any date fractions of month not counting. For example, the deposit may have been made on the 7th of a month, but if it remained with the post office for 35 days, interest should be paid for 30 days; if for 85 days, interest should be paid for 60 days, and so on.

MR. P. V. DESHMUKH, Banker and Landholder, Ellichpur,  
City, Berar.

PART I.

QUESTION 1.—Finances for expenses during cultivation are mostly raised by either agreeing to pay Rs. 125 to Rs. 150 per hundred received, and the promissory note for the value of Rs. 125 or Rs. 150 is generally given which bears interest at the rate not less than 12 to 36 per cent per annum after the agreed period which is generally not more than four months, but in majority cases the interest runs from the beginning; the repayments are generally agreed within four to six months, but such transactions are very rare and petty too.

2. Sometime agriculturists sell their produce forward, that is, to give delivery on a fixed date, rate being fixed the amount is received and such loans are generally utilized for picking or such other purposes. In this case some form of document is taken which is generally called *sawada chitthi*. Many people deal in such transactions in order to facilitate their business in season time either of cotton or stapled crop, and these persons are always on the look of these agriculturists and they are mostly petty money-lenders whose individual capital is not more than Rs. 5,000 or so. These money-lenders do not generally take any more security except of standing crop or personal security. The tendency of the agriculturists in general is to pay such debtors first before paying their landlords or their other creditors who advance money on security of land. They of course, before paying to their landlords or such creditors, will generally make complete provision for themselves for the year to come, and for this they mostly depend on the grains produced by them.

3. For capital and permanent improvements of the land and other requirements the agriculturists generally borrow on some securities such as of gold ornaments, land mortgage and so on, and they make no difference in the purpose at the time of borrowing. The rate of interest in such cases is generally between 9 to 24 per cent per annum and the penal rate of interest goes in some cases up to 36 per cent, but this is not general case and interest is generally charged by compound interest in case of non-payment.

4. The agriculturists in general do not materially spend over the permanent improvements of land in proportion to what they spend for other purposes mainly for ceremonial purposes.

5. In most cases we find the condition of foreclosure of land mortgaged and seldom we find the discretion left to the borrowers of repayments by way of sale of lands and the terms of repayments of the whole debt along with the interest is limited to a period ranging from three to five years, but it is the general tendency of some of the money-lenders to wait for the repayments and do not like to go to the courts of law till the value of the land mortgaged is not equal to the loan advanced is doubled, so that it may not pay the ordinary borrower to redeem his land by paying off the debts with interest due thereon.

6. In some cases we have the money-lenders insisting on having a good security equal in value to the advanced, but it is enforced when the repayments in natural course even are doubted.

6. (a) Government in some cases advance taccavi loans for the improvements of the land or when there is need for the sowing purposes after the year of famine and generally, though the rate of interest is not more than six per cent per annum, the agriculturist has to incur other charges before receiving such loans such as taking the witnesses to the tahsil, stamps on the application for taccavi and so on. The proportion of such loans to the value of the land is very low and it goes very difficult to meet the requirements for which such loans are generally taken and the money-lenders fight shy in dealing with such agriculturists as Government's lien over the land or the crop stands first. The distribution of such taccavi loans depends on recommendations of the revenue authorities who very rarely use discretion about the necessity and in many cases they are advanced on the recommendations of the village officials.

7. The Imperial Bank of India or the Joint Stock bank do not advance loans to agriculturists or the landlords on the strength of the landed property however it may be free from encumbrances, even in the proportion of the value of the land. There is therefore general belief prevailing that the landed property is not considered good asset for the advancing loans by these banks.

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7. (a) This has in many cases handicapped the real intending persons to have the improvements in lands and this tendency of the banks have some way or the other affected the rates of interests indirectly ruling in the markets.

8. Co-operative banks are doing little work in these direction, but the general experience is that there too without going into so many formalities of joining the societies and taking over the burden of joint responsibility and subscribing for the share capital and making payments on many counts such as federation fee; etc., the needy agriculturists do not get such help at cheaper rate of interest and there also he has to undertake the risk of loosing his lands in case of failure once or twice of the yearly instalments. The money-lenders think twice before advancing loans to such members of the society as in many cases persons after making the full payment are not let loose as they are responsible for joint responsibility of other members of the society. To my knowledge in some cases the mortgages after full satisfactions are not returned and also the share money and other deposits are not also returned even desired by the member to cease the membership of the society. Moreover if the member gets in displeasure of the sarpanch or some members of the society owing to some village factions and if he is a defaulter for a year or two, he is speedily brought into troubles and is dragged into award and his lands are sold without giving him any chance to improve irrespective of the value of the land held by the society under mortgage; and no chance is left for him to represent his grievances, which he can in many ways do while dealing with the money-lenders by raising pleas.

9. Usual charges for cultivation generally vary from Rs. 17-8-0 to Rs. 20 per acre and the unusual charges vary according to the nature of work such as ploughing, removing kundha, fencing, levelling the land, putting the bunds in the fields and digging wells. These charges vary according to the purpose of work and the land to be used such as for seasonal crops or *bagait*.

10. The system of grain advances to some extent is prevalent in villages and they are carried on the principle of *sawai* or even double at the time of new crops. The big farmers pay their workers on the field in the form of grains and to their domestic workers also.

11. The Imperial Bank should finance the agriculturists through the media of their solvent constituents having direct touch with the agriculturists. Co-operative banks should be permitted to advance loans on personal security of one or more individuals. Effective co-ordination of banking agencies should be brought about. Government should encourage the workers in the co-operative movement by giving grants for education propaganda. Bankers' association should be started in co-ordination with Imperial and co-operative banks and these associations should be developed into indigenous banks. There is very little co-ordination between the Imperial Bank and co-operative banks as far as credit agencies working is concerned. Co-ordination between the Imperial Bank and cotton dealers and merchants exist, but not between any two of other agencies.

QUESTION No. 11.—12. The principal crops are seldom, sold by the agriculturists in the village and they take their crops to big markets and not to nearing markets for selling at their costs. In some cases the tendency of selling in the villages exists and they sell their kappas or grains to those persons who take them to big markets and make business out of it. In such cases they do not get the exact market price, but in the first case they loose much either in delivery or unnecessary expenses of feeding the bullocks and men at dearer places and in making purchases of unnecessary things. Stocks taken at the spot by rural creditors in repayment of loans are sold by them in markets.

At cotton and grain markets there are brokers who are middlemen, the seller and the buyer seldom come in contact and the former does not get idea even about the rate his commodity is sold at till he gets money in his hands. These brokers charge for their labour of selling or buying and adat is also charged for payments made and it does not exceed rupee and half per cart of kappas which comes to nearly one rupee per khandi of 784 pounds and it is very insignificant. These brokers though receive for their labour from the seller and buyer they always side with the buyer as buyers are few and the sellers many as they do not sell through an association.

13. The system followed in Egypt about the warehouses should be introduced here with such modifications necessary for the purpose, this will facilitate much in improving the quality of the cotton, holding out the stocks for getting good prices particularly when outside influences work on the price of the commodity which for the time being are out of control of either of the produce on the consumer.

Effect of forming pools will be beneficial to the agriculturists provided such pools are arranged in a way that every agriculturist will be in a position to the advantage of such pools. District agencies will have to be organized who will be able to purchase or advance on the produce of the agriculturists, stock them and they should be in a position to carry on the duties of the sale agencies giving a homogenous rates with due margin for its own expenses, to gin cotton at nearest factory and store the cotton seed to be supplied to the agriculturists. By this agriculturists will save time, trouble and temptations of incurring needless expenses of making purchases of attractive goods and articles within the town areas and thus they will be saving considerably in feeding their cattle and men at dearer places while taking their produce for sale at such bigger places and the return they get is considerably very low. They would thus gradually and unwillingly learn thrift lessons to some extent. These district agencies will have to maintain warehouses as suggested above and the payments should be made promptly through money-lenders or bankers within the same area and they should be given some shroffage and should be re-imbursed from central financing agencies as is the general practice followed in foreign firms dealing into cotton and making purchases through their local agents. These agencies if worked independently so far better, but if they are linked with co-operative department having its branches spread over rural areas will be worked with much advantage to agriculturists as well as to the co-operative department. Remittances will have to be arranged in cheapest possible manner. Special form of hundi or cheque should be utilized and it should be available for credit to the account of any of the banker with any bank and no discount should be charged by collecting bank which should have its offices at district or taluq places. Postal department is a more useful agency for such collection and many of its forms can be collected from the nearest post office and number of agriculturist might not even demand cash payments and might choose to credit their accounts with the price of their commodities. Shroffage will also be reduced proportionately if agency of postal department is available. To bring all these suggestions in practice capital expenditure will have to be made for constructing warehouses. The banking agencies will not be in a position to meet this capital expenditure and the Government will have to meet the demand of this capital expenditure.

14. Imperial Bank prefer advancing to their recognized constituents on sixty-one days' drafts, but they demand double securities and in many cases persons do not like the idea to stand the security for others and thus their business of financing cotton is hampered to some extent. Imperial Bank finance big trading firms during the process of marketing. They also finance bankers and merchants who are their constituents and who are adatyas of such big trading firms requiring to finance their local agencies charging them some shroffage. They generally pay money directly to the sellers at the instance of local agents of those trading firms and they are re-imbursed by their head officers, but the restriction put on the Imperial Bank are stumbling blocks for such financing and thereby they having such a big financial source at their command cannot secure as much business, however sounder as they could have. Other banks can secure such business, but they have no sufficient funds to meet the requirements and they have not got advantage of branches like that of Imperial Banks. There is a certain class of money-lenders who advance loans for shorter periods to merchants who deal in market on the basis of waiting for the rise of the value of the commodity. A portion of such advances is indirectly financed by the Imperial Bank as creditors are generally constituents of the bank. Co-operative sale agencies are started at some places as experiments and these adatyas are financed by the Central Banks during the process of marketing, but the extent of such financing is at present very small.

15. Internal trade is generally financed on the lines mentioned above, but the foreign trade is financed chiefly by exchange banks whose working is always in central places and they do not come in touch with rural market and the credit facilities are obtained to such approved constituents of the exchange banks.

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16. Facilities for internal remittances to bankers or bank and to merchants dealing through banks are somewhat satisfactory. Still there is some scope for reduction in exchange rate which should be at least 1/16th per cent and the minimum charge should be 4 annas. The cheques between the branches of the same banks should be cashed free of any discount. Dealers, leaving at the places where branches of Imperial Banks do not exist or other banks find it very difficult in transmitting the remittances and such remittances always go through the post offices, but the charges is too much and in business they cannot be made use of, hence postal department should be made to have these remittances in co-ordination with banking rates and they should be made to make collections on their terms. Payments of cheques or hundis at sight at the counter should be made to wait for payment after ten minutes from presentation of cheque or hundi and this system will remove one of the impediment in the popularity of banks and thus will avoid unusual detention. The system of asking the constituents to receive payments directly from the persons who come at the counter for making payments to banks is most troublesome, risky and takes much time of both the payee and the receiver, hence it should be abolished altogether. Telegraphic transfers from the bank to the sub-treasuries should be made available at nominal charge of 6 pies per hundred for the approved constituents of the banks.

17. The reduction of duty on Mudati hundis or bills payable after sight would surely encourage extensive use of hundis as is evident from the fact that after abolition of stamp duty on cheques there has been a satisfactory rise in their circulation. Moreover these Mudati hundis are encashed by Imperial Bank at one per cent above bank rate and the duty on these hundis if taken together the drawer has to pay unnecessary charges of duty for a period of 12 months while he has to deal mostly for not more than two months. This rate is also one of the impediments and people are not attracted to go in for such hundis.

18. There are two or three sorts of forms of hundis always found in markets in which particular mention is made of payment to proper and responsible persons at their shops and there are wordings which facilitate for accurate amount mentioned. These latter forms are followed generally by Marwaris in their hundis payable on sight. Some hundis are dated according to Marwadi calendar which is a peculiar one and different from Marathi or English calendar.

19. Imperial Bank and joint stock banks if made to accept hundis instead of cheques against the drawings of the constituents these hundis will be popular otherwise present rate of encashing the cheques and hundis are different on the only ground that the bank does not accept the responsibility of payments to proper persons as other private firms accept. The signatures on these hundis must be in Modi script and not in Balbodhi which is easily imitated. The process of returning hundis without proper presentation and without some control over its acceptance or otherwise by responsible and independent body entails lot of troubles and expenses either to the drawer or to the drawee, hence without proper presentation to the association so authorized for the purpose no claims for non-acceptance, etc., be maintained in courts of law.

19. (a) The hundis are encashed generally in the market either by private firms or banks, but ultimately they are to be sent to the place of residence of the drawee and agents, merchants or banks charge their commission for encashing such hundis and rate differs according to the principle of demand and supply of hard cash required on a particular day for marketing the products.

20. Railway receipt, deposit notes of the goods, pronotes for the value, and godown slips are generally used for raising money for financing the products in the process of marketing.

21. Licensed warehouses for storage and holding stocks are necessary and the system in practice in America or Egypt if followed here with due modifications the producers will get good prices for their products, but this will need state help to greater extent without which the warehouse system will not be profitable to the producers.

22. As mentioned in paragraph 21 above, the State help for encouragement of these warehouses or some such organized associations who can control the prices by holding stock and making payment to agriculturists either by getting their produce bought or making advances on their produces. Such associations should be one for each district and the capital of the Agriculturist should not be

less than one fourth and the remainder should be raised by the issuing district loans which should be guaranteed by the Government, the capital as well as the interest and the control should be according to the capital of the agriculturist as well as the investing public and the Government. In short there should be district bank for each district separately and should have their lien over the crop financed by them and on the land thus first charge should be of such banks who will have their warehouses where they can hold the stocks and sell it whenever the prices are favourable.

23. QUESTION NO. 3.—The value of the land chiefly depends on the production of the crop, that is, *juar*, land value is not say more than Rs. 100 to Rs. 150, so also cotton tracts are valued from Rs. 150 to Rs. 200 while wheat lands are valued from Rs. 200 to Rs. 250 and *bagait* lands having special advantages of water fountains already dug can fetch Rs. 400 to Rs. 500, but all these prices depend on the situation of particular land nearing towns and where there are persons capable of investing in land purchases and the vicinity of people who can till the land. Generally, the valuation is fixed by private negotiations not much on the basis of demand and supply, but principally on the necessity of selling and buying. I do not know any instance of land auctioned for payment of land revenue. But in execution of civil court decrees the value is generally between one-half to three-fourth of the value at private negotiation mentioned above.

24. The valuation depends chiefly on following factors amongst others:—

- (i) The nature of encumbrances on the land.
- (ii) The nature of the harvest of the preceding year.
- (iii) The fetching value of the yield in the year preceding.
- (iv) The principle of supply and demand as between the vendor and vendee.
- (v) The proximity of the land to be sold either to the village or to the holding of the intending purchaser.
- (vi) Conveniences of the tiller, including availability or otherwise of leases.
- (vii) The level of the land, including the existence or non-existence of the *nallas*.
- (viii) Proximity of land to the river and existence of the well.
- (ix) Proportion of unculturable area.
- (x) Prospective impediments in the title of the vendor, *i.e.*, if he be a Hindu, the minority of the co-partners existing.
- (xi) Dishonesty of the vendor or of the adjoining farmers, threatening delay in possession or loss of crops by encroachments on land or by thefts.

25. QUESTION NO. 4.—*Inam*, *jasir* lands and *palampat* lands and lands in *Melghat taluq* cannot be mortgaged or sold owing to legal impediments. There is no mortgage bank in this district or any other bank which gives long-term credit loans to agriculturist.

26. Does not arise.

27. In case long-term credits are arranged through the district banks suggested above to the agriculturists and in case the holdings are let out to them, arrangements could be made for liquidating their liabilities from the lease money and thus the agriculturist can save their properties. Personal solvent security of another for regular payments of lease money would safeguard the interest of the financing banks.

28. The procedure of having the entries on the register of records of rights one month after the registration and then the comparing work done by the revenue authorities which decides finally about the entries takes too much time and in the meanwhile by this procedure there is every possibility of allowing a fraud to go undetected till it is too late and naturally the money-lender or the bank cannot ascertain about the right title over the land in transaction.

29. Title deeds of the lands should be required to be produced before registering documents and these deeds should contain the latest entry of record of rights or the certificates from such revenue authorities should be required to be produced at the time of registration of the documents and the transaction should be on the line of equitable mortgage in which the title deeds when once

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Given in the possession of the mortgagor, it is said, cannot be remortgaged second time. All transactions affecting mutation of fields should immediately be reported to the office of the Sub-Registrar within whose area the fields are situated and the village officers of the village. Fields affected by any such transaction should be noted down on statement affixed outside the office of the Sub-Registrar or the *chawdi* concerned. Progress reports of these mutations should be noted from time to time on statements at these two places. Fields should be removed from these statements only after the mutations are certified and transferred to the book of record of rights. Certifications and enquiries leading thereto should not be held in abeyance until the next circuit of the Revenue Inspector. All these certifications of mutations should be made within one month of the transactions. This should be entrusted to any revenue officer who is expected to visit the area in near future or by calling the parties to the tahsil within a short time. The gist of statements including progress reports should be advertised from time to time by beat of drums in villages. Statements mentioned above to be posted to the *chawdi* and Sub-Registrar's office of transaction upto certification should be open to inspection without any charge.

Some percentage of the capital should be invested in the Government securities every year to ensure against the unnecessary loss to Government and the Government auditors should from time to time report specially on the financial condition of the bank in relation with the value of the lands mortgaged with such banks. Registrar, Co-operative Society, should guide such banks in matter of policy.

32. Debentures issued by the land mortgage banks should be included in list of trustee securities and this will in one way substantiate the value of such debentures. The deposits should be accepted for a period of not more than two years at interest  $3\frac{1}{2}$  per cent to  $4\frac{1}{2}$  per cent. Central institutions should advance money to such banks at 4 per cent the utmost. The debentures should carry interest not more than  $5\frac{1}{2}$  per cent. The advances to agriculturist should be made at 9 to 12 per cent, considering chiefly the amount advanced, security pledged and the term of repayments.

33. QUESTION NO. 5.—The figures of indebtedness can be obtained from the registration offices record of rights registers and Income-tax Departments and civil court registers. Unless and until the money-lenders cooperate and offer information in their possession these estimates cannot be taken as definite leases. Co-operative societies to whom the debtors are expected to give correct information about their liabilities will to some extent facilitate to have as far as correct estimates.

34. Major portion of creditors are professional money-lenders, then come the co-operative banks and to very little part is played by Government in form of taccavi, etc. Imperial Bank or other joint stock banks do not help the agriculturist on the strength of the land assets.

35. The method of calculating interest is in majority of cases on compound interest system. Co-operative advances are expected to be repaid every year, but there also it is found that a calculation of compound interest is forced with annual rents. Imperial Bank of India charge the interest on loans every six months and in case of over draft they charge interest every quarterly and their rate varies from 5 to 8, average rate is 6.08, but when calculated every quarter it goes to an average of 6½ per cent nearly by compound interest, but these advances are not made to agriculturist and they cannot take any benefit of such advances.

36. Indebtedness is chiefly due to ignorance extravagant habits of expenditure, inexactness in forming the estimates of income and expenditure and absence of insight of looking to any particular profession as to whether it really pays or not and utter carelessness of realizing the liabilities and mode of the payments till the matters are stretched to law courts where the burden of expenses becomes nearly the double of the real liability if paid outside courts.

37. Rates of interest vary from 6 per cent to 24 per cent and in rare cases upto 36 per cent as penal interest, and the method of calculating interest is simple with one year rest, but in majority of cases there is no regular repayment agreed to and then compound interest is charged and sometimes petty bonds of sawai system are charged interest on these bonds from the actual date of payments and in that case sawai amount becomes principal. The payment of debt

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is enforced in many ways such as at regular and interval demands are made, and if the payments are not made old debts are renewed in first transactions and there is no speciality except of Pathan money-lenders, but they do not now appear in the field of money lending in recent years in this area.

37A. It is an admitted fact that number of efficient farmers are gradually turned out as tenants by loss of their holdings and this is chiefly due to their lack of education, thrift and last by absence of foresight while spending cash in hand and not proper judgment of spending over the necessities of life. The effect of this is seen chiefly when the lands are leased out, the tenants are not careful about its tilling, particularly when the tenancy is for one year only. In case of five or more years the tiller takes the same interest in tenancy as if it were his own holding, but in former case the idea that efficient tilling might possibly not give him the fruit of his labour, threatens him from putting on more than average labour in the annual tenancy. There are other reasons of efficient farmers being turned out position of tenants in addition to above, namely, irregular monsoons, absence of benefits of irrigation, unsteady market tendencies controlled by so many factors outside irrespective of the principle of demand and supply, etc.

38. Industries on big scale as well as cottage industries as would absorb the wastage of harvest would pay the farmer better return for his produce. Linen-producing factories or the paper factories might consume stocks of some of the different crops produced in Berar.

39. The working capital for such enterprises would be obtained by issuing notes by the district banks and by obtaining money from local money-lenders. These notes should carry interest not above 4½ per cent and they should have easy circulation and these notes should be cashed by any banking agency when needed, thus local money-lenders whose money generally lies idle and in waiting for four to five months will be utilized in financing the marketing of these wastages.

40. For capital investments the finances should be raised by share capital to be organized by big banking concerns and working under the supervision of representative directorate guiding the policy of the working.

41. QUESTION NO. 5.—Cottage industries if opened in the villages, making a group of 10 or 15 villages which are at a distance of not more than two miles from such centre; where these industries are opened this will give much relief to the agricultural class, specially when there is a crop failure, and this will be useful to them in extra earnings and they can utilize their time when there is no special work on their fields. They will thereby learn the business tactics and they will know the value of time and personal labour for which generally they do not attach any importance in the agriculture and not look to that as business. Garden produce, hand spinning, weaving, carpet-making, the paper factories and metal-making are probable industries in which their waste products can be well utilized and they can earn their livelihood in addition to the work of agriculture.

42. These industries are to be financed from central funds through co-operative banks or district bank and the working as well as dead capital can be raised either by shares to be subscribed by them and investing public and the Government will have to guarantee the principal and the interest both.

43. Such facilities, if given, will surely benefit the agriculturist in all respects and he will get great assistance also in reducing his indebtedness to some extent. The marketing of these products will have to be arranged by the financing agencies either by taking those articles where there is a demand for them and if it is arranged on business lines there will be no difficulty in obtaining markets for such enterprises.

44. Specially for Ellichpur, Akot and Balapur there is large number of weavers who can weave good marketable cloth and there is always a demand for their cloths, but there is certain period every year when they get no market for their cloth. There is always a necessity of financing those weavers by purchasing their cloth and stock the same for two or three months at most when our experience is such that there is a good demand. This industry is gradually dying for want of sufficient working capital only and the weavers are seen turned to the position of coolies working in either fields or in seasonal factories. In last

two famines the Government has established a Relief Committee for these weavers and that committee was first financed by local money-lenders who were guaranteed for interest at 6 per cent by the Government and second time Government financed this committee who purchased the cloth and stored it for three to four months and sold both the times with considerable profits after deducting the interest that was guaranteed by Government and second time the interest was paid to Government for the advance made to the committee. In short, this industry requires badly financial facilities, and if they are arranged through co-operative banks or district banks, this industry will survive hereafter. These weavers weave cloth which is used by all sort of people and the carpet-making industry is also not in that state which it was before 20 years back. Still there are certain weavers who are called momins who can weave very fine carpets and they can easily compete mill carpets and their durability and artistic work is far superior to any of the mill carpets.

45. QUESTION 7.—The relations between the Imperial Bank of India and co-operative banks are to my knowledge not so much satisfactory as they ought to be, but there is no competition between these two agencies as their respective fields are different. But, as far as I know, the co-operative bank, stands in competition with the Imperial Bank as far as deposits are concerned, and it is now a high time to, have some restraint on these co-operative banks on accepting deposits, irrespective of the proportion of their capital otherwise in near future when there are failures of crops and thus failures of repayments these banks will have to come to grief one day for accepting these deposits specially for short periods. I know there is one restriction that certain proportion of these deposits are locked in Government security but that proportion will not be able to meet the demands when the repayments by the societies are not regularly paid owing to failure of crops, etc.

46. The educative work done nowadays by the co-operative movements should be financed by the Government from provincial revenue as suggested by Royal Commission of Agriculture in their report.

47. The co-operative societies cannot finance long-term capital at present and they finance to short-term capital there and too they are not in a position to meet the demands properly. The system of advancing is defective, as far as I know, in many ways such as preparing a haisiyat register, binding over a member for joint responsibility though he is not a borrower or even he ceases to be member after satisfying the loan he has taken from the society.

48. Exemption of income-tax would surely be a good incentive to investors and professional money-lenders would come forward to invest their money in banks to a larger extent. Inclusion of the debentures in the list of trustee securities would also increase the capital in the movement.

49. Co-operative movement has, to very little extent, met the financial needs of agriculturists, but their field being limited, they have not helped small industries and as long as they are not entering on commercial financing, they can hardly be useful to some small industries and advancing on loans in commercial field on personal credit of one or two individuals. In case the co-operative movement get sufficient funds and sufficient number of sincere honorary workers having full insight in commercial financing, they can surely be in a position to help the agriculturist in better ways than at present, as their money, when not required in financing societies, can be well utilized in commercial financing as the time is such, say, for four or five months, when this money, if looked in business transaction as suggested above, will fetch more interest than what it gets by keeping idle or on little interest. In short from December to May the money received from societies can be well utilized in commercial finances such as advances on cotton or loans to cotton dealers on personal credit of one or two individuals and this money in natural course of business is returned by the time when required for financing the agriculturists.

50. I am not aware of the English money-lenders' Act, 1911. The licensing of money-lenders would be, I believe, useful and the provision of supplying the debtor a copy of his accounts every year is welcome idea which reduce the rigour of indebtedness to some extent, and thus reduce the litigation over genuine or false plea of repayments. The provision will have to be made that when a copy of account supplied to debtors should be taken as *rxg* by him after a period of one month from supplying such copy.

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51. The financing of societies as done at present through central banks in my opinion is not satisfactory as pointed out above, but it will not be advisable to have this done by provincial bank as they will be still far away to know the state of affairs of the society and its members. The proper care should be taken in respect of preparing the haisiyat registers and they ought to be verified with actual state of affairs and these advancing business should not be an attractive work for those who are not in the field to meet their aims and objects. I mean that the quite independent men who know the actual state of affairs of particular society or its members should have this work of financing the society, and it must be in the interest of the agriculturists and the motive of the advances should not be of realization by selling the holdings of the agriculturists, but it should be so arranged that the bank should have the right over lease money for their repayments and when such repayments are satisfied the land should go to its original holder. Thus the agriculturists will not loose their holdings and will save much. In many cases it is found that private factions in the villages ruin the individual member and the society comes to the bank for taking awards against such individual and the poor man has to loose his holdings ultimately and then he thinks that co-operative movement is not little bit better than a professional money-lender as both snatch away his land in one way or the other. Hence this movement, though is of a long standing for more than 20 years, is not so popular as it ought to be.

## Part II.

52. QUESTION NO. 1.—There are about seven classes of persons of firms who are doing some sort of business or the other and they can be classed as under:—

(1) Professional money-lenders whose business is purely of financing on the strength of landed property and they mostly prefer to take lands either by foreclosure or in court sale if the debtors fail to repay. They never expect money back, but the land in lieu of money, and these individuals never form into association, their principal aim being to take land in lieu of money. They are not careful for punctual payments. They wait for the time till they can get the land for their money and never prefer to go to courts for exacting the condition of regular payments. As soon as they see that the land in their mortgage is worth double the amount they have advanced, including the court expenses if required they will at once take lands by foreclosure or in court sale against their decree.

(2) There are some persons, and association too, who intend to do banking business purely, they never choose to take the land in lieu of their money. There is only one such bank in our district to my knowledge, viz., Berar Bank.

(3) There is a class of individuals doing banking business of some sort or other and they accept deposits to have at their command sufficient capital for bettering their individual business or trade.

(4) There is one class of persons who are doing the business mentioned in class third at the same time they do money-lending business also as mentioned in class I. But present circumstances of business are such that the person wishing to carry other business cannot afford to lock up their money in the transactions mentioned in class I or even II.

(5) There are some firms or associations who carry on business mentioned in class III.

(6) Certain class of individuals take to financing traders or dealers in cotton only at the time of marketing season of this commodity, this class of persons always require fluid resources at their hands and they cannot, under the present circumstances having relations with Imperial Bank, depend on their assets of landed property or the land mortgages or anything else, but they have to take up their money in gold-edged securities, on the strength of which they can raise money at a moment's notice or must have personal credit with the bank to raise necessary money for their business and they have to secure equally solvent party for endorsing their Mudati hundis which are generally accepted and cashed by the Imperial Bank of India.

(7) There are certain associations of individuals who join in partnership and carry on dealing or trade in cotton or other stapled crops. Each partner has to supply his own capital according to share or in absence of capital he has to undertake the burden of all sort of work in the partnership business and has to receive half the share in profit as well as has to pay half the loss if there is a loss at all. This is a general classification and it cannot be said that it is all complete.

MR. P. V. DESHMUKH.

53. Agriculturists are generally financed by classes I and II mentioned above. Persons of class IV also finance agriculturist, but to very little extent in comparison with the trade or business they carry. Persons of class VII deal with agriculturist, but their aim is of securing clientele for ensuring their business. Persons of classes III, IV, and V finance industry only in the case the commodities produced have got a good demand at their shop. Class I also finance local industries to a slight extent by advancing money to local weavers or artisans, but they generally prefer their business of advancing against landed property as their eye is on the land. Trade is financed by persons mentioned in class VI as they prefer financing trade.

54. It is generally the case that there exists usual rivalry between banks of classes I, VI, and VII within their class. Outside their class there is no co-operation or rivalry. In case of similarity of business co-ordination is found between persons of classes IV, V and VI.

55. Imperial Bank has got constituents amongst the class VI. They and the persons of class VII can derive the benefit of little facilities afforded by the said bank. The facilities afforded by Imperial Bank are not adequate and there is much to be done in this respect such as prompt payment at the counter, paying and receiving the money direct by bank officials fixing limit of credit of single individual for advances, opening the cash credit accounts against goods of the persons where there are no branches of Imperial Bank, reducing the rate of exchange and collection charges on interest and commission charges on buying or selling the securities in market on account of their recognized constituents accepting the cheques without discount between the branches issuing receipts for the securities pledged and so on.

56. The system of Marwadi hundi writing is excellent as far as figuring and mode of payment, that is, at the recognized shop, is concerned and for this reason in the bazars these hundis are always sold at a higher premium than the cheques on banks. The cheques also should not be made payable until an advice is received from the drawee and it will serve as a safety concerning the bank's interest as well as the constituents. Then there will be less no occasion to commit frauds of forged figuring, etc.

57. In dealing of persons of class I the rates of interest for unsecured debts advanced on *khata* or *ruij* are 12 to 18 per cent per annum. On pro-notes or bonds 12 to 24 per cent with terms of penalty raising rate to 30 and in few cases to 36 per cent per annum. The period for which unsecured debt is contracted varies with the amount of loan. Small debts are generally contracted from four months to a year, while large sums are generally embodied in instalments bond payable within one to three years' period. The secured debts are generally contracted for longer period and with idea of repaying after three years and before five years, if no breach of condition is made to bring into operation the penalty clause in the bond. It is also generally the case with persons of class IV as far as they carry on money-lending.

60. Answers to the first query are given in paragraph 57. In very few cases where the creditor advances seed for sowing, he insists upon repayment in kind of the corn supplied and they are generally limited to advances of juar and wheat.

61. Licensing money-lenders with provisions of licence for certain homogeneous rate of interest keeping margin for their expenses on the business and wear and tear in general. Supplying half-yearly statement of account to the debtor and to the licensing authorities would be in the buying help in mitigating the rigour of indebtedness and will thus save lot of trouble at the time of assessment of income-tax of the assesses as well as the department.

62. It is very doubtful that the reduction of interest would confer a great benefit to agriculturist unless and until they realize importance of thrift and their resources would be increased and whether they would have efficient attention to their holdings. Unless and until the problem of wages is satisfactorily solved in my opinion there is very little chance that great many agriculturists will make any investments in purchasing improved implements and the reduction of interest would not only serve an incentive for desired improvements in their conditions so far indebtedness is concerned. There also appears a long rooted tendency of not supplanting new implements for old ones. Moreover no improvement on these lines can be expected unless and until Government department of agriculture by new method and implements show is possible and practicable taking a business point of view.

There exists some prejudice against a section of money-lenders, especially those who always show Jewish obstinacy while getting their debts satisfied, go beyond necessity in certain cases. The genuine money-lenders are not sufficiently, I believe, protected by law. The facilities now offered to co-operative banks, in my opinion, if offered to approved and licensed money-lenders they can surely afford to give real help to agriculturists in reducing their indebtedness.

64. The system of taking *batta* and *chittawan*, etc., is found in some rare cases while making advances of loans. Penal clauses of interest in cases of non-payments at a particular time are generally inserted, but in some cases, say 50 out of 100 cases, are not executed. System of maintaining double sets of accounts book afford scope for fraud. Not passing receipts for repayments, not returning the document at all or returning without discharging the same on its back, charging interest for the full month for a period of a fraction of a month are in general impediments.

70. Schemes of irrigation where possible at cheaper rates will be largely beneficial to the successful working of those associations. Organization of labour unions available in need for a schedule rate of wages to facilitate the sheep cultivation of their lessees will have to be organized.

71. Acceptance without enquiry of remission or suspension of land revenue on the recommendations of these associations, income for ten years in the beginning not to be taxed and after that lower rate of income-tax are examples of some of the facilities if given to these associations will ensure their popularity.

72. Accounts maintained by professional money-lenders in so far as they deal with the agriculturists are in certain cases far from satisfactory and are in very few cases not open to inspection by customers.

73. Best creditors regarded to be so by the debtors as trustworthy would welcome any such measure, but they are very few, while majority of them whose aspirations are very high as to be rich within a very short period and without least trouble and those aspiring for landed estates will not naturally like any attempt of organization which would regulate their business and whereby their aspirations would not be satisfied.

74. From personal experience of the firm keeping regular and systematic accounts of each of the various business separately and calculating the profit and loss of each concern for the last 25 years it can be safely said that in no business concern either of banking, money-lending, trade or commerce there is a return on average not more than 6 per cent per annum after making all usual allowances such as wear and tear and losses, etc. In very rare cases if the exceptional clientele is obtained all through this may go to 7 per cent the utmost.

75. The indigenous hankers cannot accommodate all the demands made on them either for insufficient capital at their control or for unacceptable nature of the security offered. They have to refuse advances to their customers mostly on the latter ground, viz., unacceptable nature of security.

76. An answer to this has been suggested in paragraph 52 and 65 above.

Out of the three banking agencies suggested above, the institution of local district bank with a local directorate having organizing societies thereunder for supervision and other works would alone inspire confidence and would be able to link the local capital with the main banking agency. The co-operative banks with their societies if they take up this work with such necessary modifications and changes would surely relieve any necessity of establishing any other bank or organization as suggested and they, if run on the lines suggested above, will, in my opinion, attract and mobilize local knowledge and experience. These institutions must have men on their board having direct touch with the agriculturists or who are themselves agriculturists. Men who are out of the field should have no say at all in the matter as is the case at present. For avoiding the competition measures are suggested in paragraphs 65 to 70.

77. It is a fact that for some months after realization of debts the money with the creditors generally lies unemployed, but it does not remain in any case so idle throughout the year, but this sort of capital flows for a very short period to the Imperial Bank in some cases.

This money can be utilized for financing the cottage industries for a shorter period if there is some sort of guarantee of return of this capital at the requisite time from such industries which will have to be conducted under the direct supervision of the associations mentioned in paragraphs 65 to 70.

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87. The Imperial Bank and other banks do the business of sale and purchase of securities and collections of interest, but they charge four annas per cent as commission on this business, taking each of these transactions of sale and purchase of one individual at one and the same time as separate transactions. This charge is too much and prohibitive also to deal through Imperial Bank. Central banks have not so far as I know undertaken this sort of business, but the provincial bank, I believe, is doing this business. In bigger stock and exchange markets this sort of work can be arranged with equal guarantee and safety at one anna per cent only. Moreover, the Imperial Bank charges commission on interest collection though the interest is payable by them on Government account, and this does not sound well in principle at least. Government do not offer any special facilities except that while floating any loan they arrange them through postal department and district treasuries to some extent for subscribing such loan. Interest on securities is paid by the district treasury only by way of order on Imperial Bank, no arrangements are made for payment of interest at the sub-treasury or the post office. There are some difficulties realized at the time of renewal of the securities and when the notes are lost. Public Debt Office do not accept notes for renewal direct, but they ask the non-constituents of the bank also to send these notes through Imperial Bank.

88. Government securities should be brought in easy reach of the agriculturists' and small investors by reducing the face value to Ra. 50 and its sale and purchase at any time should be arranged through any treasury, sub-treasury, post office or the banking agencies at cheaper rates and the interest also should be made payable at all above places and, if collected, the charge should not be more than one anna per cent; minimum charge should be annas four and also the renewal fee should not exceed in any case more than eight annas per paper and not one rupee as is the case at present. The district bank or the organization suggested above should undertake this work, and their rate of commission should be cheaper than that which is charged by Imperial Bank, in any case not more than two annas per cent. Two transactions should not be considered separate when the sale and purchase is of the same individual, of the same value and at one time. Income-tax should be reduced and in some cases a proportion of income-tax free securities should be floated every time when such loans are floated to make them popular with agriculturists and small investors as an encouragement for savings habit. The Imperial Bank nowadays leave no margin for the discretion to be used by the local agents and it is gradually becoming a Government concern more than a business concern which should not be the case in the interest of the investing public as well as who have to deal with them, and as pointed out already this affects the working of the bank also to some extent.

89. The agriculturists' class which get proceeds of their produce is in general indebted to a large extent. They will, as suggested above, reserve something as provision for some months to come and pay off the the creditors as much as possible and do not keep anything with them for future cultivation and they depend mostly on the favour of creditors of farther advances. They will never keep as reserve for future expenses or for the unforeseen expenses at all.

90. Of the educated classes most of them are servants of the state or of the trading concerns or private firms and individuals. These persons as a rule get barely sufficient for the maintenance of their family and dependents. Such persons of the above class who get decent and fat salaries and who are in a position to save deposit their surplus saving in savings bank accounts and when sufficiently collected invest their savings in building houses, purchasing landed property and in rare cases it is found they deal in securities or shares also. Pleaders and doctors, about 40 per cent, are in no better financial position than the servants of the state of higher grade. The grade class also put their savings in immoveable property in the form of money-lending business of the landed property and such other sorts. Persons in commercial lines often transact in an advantageous way and aspire generally to get rich at a stroke. They at times take a risk to the extent of being declared insolvent in amassing wealth at a stroke and they take pride in doing so.

These persons have their capital always floating in commercial and money markets. The result of such daring is natural that such persons are dragged to poverty and there is no rise whatsoever in the national wealth. Thus the wealth in commercial and money market is always in the process of changing hands.

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92. The tendency of hoarding is decreasing and in these hard days of competition every year, inside and outside and when the money market is becoming tighter day by day, it is not possible even to think of the idea of hoarding.

93. Some of the farmers help their fellow-farmers in times of necessity with a principle of mutual help in the form of money, labour and grains and the terms are very easy.

94. The agriculturist, as general, cannot even think of investing his surplus profits as they are none, and if got at all, they will in a prosperous year in very rare cases invest in purchase of lands, but mostly in satisfying their long-felt instinct for comfort, enjoyment and merriment, as for years together these instincts remain unsatisfied.

97. It is an admitted fact that the banking and investment habit in India is very slow which is chiefly due to general ignorance about money markets. There is also supposition amongst many persons that money, if deposited with banks, would be taken away by Government any time and the Government will know the financial position of the person so investing and there would be heavy taxation also or at least some nuisance would be caused. People think that there will be no strict secrecy as Income-tax Department and others will come to know about the earnings and savings and undesired circumstances would creep in resulting in knowledge of the income to all.

98. People generally think that the investment in Government security is a bad one as it yields very little interest. Fluctuations in prices is one of the impediment in absence of any guarantee for the prices not going down than its issue price. The floating of non-redeemable securities in the past caused repugnance to number of persons who went in for them. Issuing of loans every year creates an impression that the Government is not in sound position financially and thus the money invested would not be very safe. In case of loss of securities there is a great deal of trouble and it has become an important fact to prevent the people from purchasing them.

99. The educative propaganda for this purpose will certainly create the tendency in the people for investment and saving, but this will have to be done by non-official agencies and preferably by district banks or the societies there-under or the central banks and their societies. The people will begin to look with suspicion towards Government if Government agency carries this work of propaganda, however the aims and motives would be good and in the interest of the public.

100. Opening of branches of the Imperial Bank have facilitated commercial financing to some extent at small centres and remittances at low cost, but there is one other side of this question, namely, that this has created competition between the merchants doing hundi business and such other banking business. It has facilitated much for the free circulation of Government money and very little in comparison has been done for the public.

100. Opening of branches of the Imperial Bank have facilitated commerce that speculative business of buying and selling activities of firms and companies dealing in export and import trade control the prices and this does ensure the better return to the growers of produce in India. In my opinion it is absolutely necessary to have the speculative business of buying or selling to some extent and that only can control the prices and give better return whatsoever to the growers of produce in India in absence of which the prices would be controlled by the consumers only as a class and they would be dictating their own terms and conditions at the time of buying such produce whether it may be for exporting or for consuming in India. One instance in the matter would, I believe, clear my point on the subject, namely, that Indian mills can consume not even one-fourth of the produce of cotton, and if there is supply in excess of demand, specially at the time when there is no demand. Speculative buying or selling enables in a way to producer to sell his produce when the prices are favourable in forward contracts and give delivery at the stipulated time. It is also a fact that *salta* business only cannot increase the national wealth, but the *salta* business coupled with ready business help much in getting the prices for the commodity irrespective of the principle of actual demand and supply and thus help in a way to increase the national wealth.

MR. P. V. DESHMUKH.

Mr. D. M. BOKEY, Landholder and Banker. Amraoti.

Reply to the Questionnaire.

**Part I.—Agricultural credit and credit facilities for small industries.**

**QUESTION 1.**—The present system by which the agriculturist obtaining finance for the purpose mentioned in (a), (b) and (c) is mainly borrowed from bankers. Lately the credit co-operative is giving some relief, but it is shortly likely to be unpopular owing to its members losing their lands fast—

- (a) mostly cash credit and in some cases mortgages;
- (b) mostly cash credit and few mortgages;
- (c) mostly mortgages and few cash credit.

The present rate of interest for agriculturists is not below 9 per cent per annum. At times *sawai* is charged for four months. In many cases the security is personal and in few cases standing crops are security. Other conditions attaching to such loans are generally stringent and hard in proportion to the need and solvency of the debtors.

Government may be financing agriculturists to the extent of  $\frac{1}{10}$  part in the form of *taccavi* loans. Imperial Bank and joint stock banks do not finance agriculture. The co-operative banks and indigenous banks do lend some support like Government. Bankers and professional money-lenders and dealers mostly finance agriculture. Other organization fertilisers do not help.

There is about 800,000 acres of land in Berar. One acre requires on an average Rs. 10. Other purposes may require Rs. 5 per acre. Total amount comes nearly to Rs. 1,20,00,000.

There may be  $\frac{1}{10}$  grain advance on *sal sawai* system.

Defects are want of money and credit of the agriculturists. The reason for it is that Government allows vast amounts lying idle in the Imperial Bank without any interest and does not lend to needy agriculturists on moderate rate of interest.

The effect of the advances on the disposal of crops is not uniform. At times, it benefits the agriculturist if the market be high at settlement and low at delivery time.

Government should open a big bank having connection with small banks at several centres which will meet the needs of the agriculturists at low rate of interest is one of the remedies.

There is no co-ordination among the various credit agencies and debentures system may prove beneficial and improve the situation.

**QUESTION 2.**—The method of marketing principal crops is through agents.

Pools are formed and co-operative effort is made to reduce the prices.

There are so to say no credit facilities for financing of products during marketing. The bank may be generally advancing Rs. 75 on goods worth Rs. 100. The dealers are generally short of money. If the Government advances their idle money in the Imperial Bank to these dealers at 3 or 4 per cent per annum, the tone will be improved. The existing facilities are railway receipts and 75 per cent advances on conditions.

**QUESTION 4.**—I cannot answer this.

**QUESTION 5.**—Dealer purchases through brokers and sells to merchants who deposit the goods with banks and secure advances or borrows on credit from bankers and meet the demands.

The facilities for internal remittance are *hundis*. Stamp for the *hundi* be abolished. They may all the year round be sold at par.

The negotiable instruments only carry on internal trade.

*Hundia* are of two kinds. *Darahani* and *mudati*, i.e., at sight and payable at some future time.

The drawer should always be held liable to pay notwithstanding the several endorsements so that in case of dishonour the drawer will not be able to escape liability.

Mr. BOKEY.



Very few are discounted in our local centre. Mostly they are discounted at provincial centre. Some are held by middlemen, merchants and commission agents.

Bills of lading and railway receipts are the instruments of ownership of goods. Money is generally advanced on railway receipts.

Cannot answer next portion.

Licensed warehouses should be opened by Government wherein all marketable commodities be stored and the supplier be given some percentage on the goods supplied. When markets are high the goods be sold and the suppliers be given the prices minus the advances made.

The Government must take lead in opening warehouses. Else the needy and poor agriculturists will be totally ruined.

QUESTION 3.—The value of land varies from Rs. 25 per acre to Rs. 6,000 per acre.

The factors affecting value is situation and productive capacity—

- (a) 75 per cent of the market price.
- (b) 50 per cent of the market price.
- (c) 100 per cent of the market price.

4. Excepting inams and jagirs there is no impediment to mortgage of lands. There are no land mortgage or agricultural banks in Berar. Nor are any banks for long-term credit loans.

The debtor personally or through mediatory approaches creditor and borrows money by mortgaging his lands. Cash credit is allowed in very few cases.

There must be a Government mortgage bank. It shall buy off all debt and charge the debtors at most 6 per cent per annum. Government shall resell the same to the several creditors in the form of Government notes or Government debentures repayable by the time the recoveries may be made by it from the debtors.

The Government money lying in the Imperial Bank may also be given to these men on condition of repaying at short intervals.

5. Yes. It is necessary to have an accurate estimate of the indebtedness of agriculturists.

They say the agriculturists in Berar are indebted to the extent of Rs. 4 crores. Respectable and honest persons in a big village be empowered to minutely go into the question. Village panchayats be formed and they may be given like powers—

- (a) can be ascertained from Registration Department. This may be 75 per cent.
- (b) This also can be had from Registration Department. Scrutiny of the persons mentioned above will try to have truth. No such deeds are made in Berar.
- (c) The persons mentioned above will try to have approximate figure of indebtedness on the scores. This may be 20 per cent. There may be 5 per cent bogus debts either registered or unregistered deeds.

The purpose of the debt.—Nearly 40 to 50 per cent debts were paid off by 1921. Since then, these are increasing—

	Per cent.
(a) Repayment of earlier debts	60
(b) Marriage and other social occasions	50
(c) Famine and other distress	7
(d) Payment of land revenue	3
(e) Seeds and manure	6
(f) Improved implements	1
(g) Sinking wells	3
(h) Purchase of lands for raising fallow lands	15

This debt is largely due to professional money-lenders, i.e., nearly 80 per cent. Government banks have no investment in these lines. The co-operative society may have 10 per cent. Indigenous bankers may have 10 per cent.

The extent of indebtedness due to compound interest seems to be very small.

Mr. BOKRY.

Berar is dependent solely on agriculture. If the seasons are favourable and cotton rate is over the average, the indebtedness goes down.

The farmer does not get sufficient to maintain from the yield of the lands. High rate of interest also promotes indebtedness.

High wages in agriculture and poor yield promotes indebtedness.

Rates of interest are charged from Rs. 6 to Rs. 75 per cent. The rates mostly are yearly. Repayments cannot be enforced. The willing debtor at times sells his goods to the creditor if the latter be willing to pay a bit more than the market price.

Even if this process goes on, the incentive to produce more is not checked. on rent which is far less than the interest on the sum for which the lands passed. Thus the farmer is not badly circumstanced. This is true about area not generally liable to famine.

Even if this process goes on, the incentive to produce more is not checked. Stomach and need drive the owner and the farmer to be able to produce best; but the uncertain rains and prices have a bad effect on the farmers in general.

6.—No such subsidiary industries are allied to agriculture. Such industries can be encouraged if the farmers get money at cheap rate of interest and there is guarantee that his goods would be consumed at less expense of conveyance.

There must be high duty on non-Indian sugar and non-Indian cloth else Japan purchases raw cotton here and sells the cloth at cheaper rates in Indian markets.

Dairy farming and hand spinning and weaving are the subsidiary industries which a farmer can do at less capital. He cannot travel in foreign countries with a view to trade and undertake enterprise.

These require credit facilities. The Government should withdraw its idle money in bank and invest it on these lines. There should be no taxation on these productions.

The other method to secure working capital may be by way of debentures with Government security.

7. Imperial Bank is generally the creditor. Co-operative banks are in need of money for investments both for short and long terms.

Co-operative movement as at present stands is becoming unpopular owing to its policy to deprive the farmers of their lands. At such juncture Government should lend money either to the debtors or to the co-operative society to avert the sad state of farmers.

Unless the indigenous banks and professional money-lenders merge in the co-operative movement the discordant elements and the professional antipathy is likely to prosper.

The movement is always short of money.

The Usurious Loans Act is availed of in the form of pleadings in a court of law, but they say the Act is not made applicable to Berar. The village panchayats should be empowered to decide small suits and they should be taught the use of the law.

I do not know about the Acts, but I am in favour of licensing money-lenders, etc., as suggested in answering questions in Part II. Copies of accounts be made obligatory.

### III.—Investment habit and attraction of capital.

1. The existing banking resources are nil. If subsidiary industries are started as adjunct to agriculture, capital will be required. The farmers are in need of money, mostly in autumn. At Rs. 10 per acre Rs. 8,00,00,000 will be required. The well-to-do farmers that may be nearly 5 per cent. may not require to borrow.

All the creditors must be bought off and formed into a bank which will issue debentures to the creditors to the extent of their contribution. In this way only banking resources can be created.

MR. BOKRY.

The average income for farmer is very poor. Some do not get full meals twice. The so-called professional money-lenders or indigenous bankers have lands and very little cash. Their paper is every year inflated by paper entry of interest or by foreclosure they get lands. These persons have not sufficient funds for being deposited in bank so those funds are barely sufficient to meet household demands and demands from debtors.

Savings and investment come in after bare maintenance and clothing. Many farmers are half clad and half fed. Public are provided with facilities for investment of their savings. The existing facilities can be improved by opening larger number of post offices in the interior small places.

In this century when people have to struggle for maintenance there are no habits possible to invest in silver and gold except few pots and ornaments. In old days when there was no safety there may have been these habits.

2. Postal cash certificates are popular among the well-to-do men. The average man cannot buy them. There are three classes of men, viz., very rich, middle men and labourers. The farmers are mostly included in middle men with very few exceptions of big landlords. The labourers can at times afford to purchase postal certificates, but none from the middle men.

If the rate of interest of cash certificate be a bit higher, there may flock in more capital.

Savings banks afford facilities to the public, but they do not deposit the moneys of the minors privately.

The men who need money at any time resort to saving bank as it can be withdrawn once a week or so.

The credit of the banking institutions and bankers is low and as such people flock to postal cash certificates. If the Government increases the credit, there will be less competition.

3. There are sufficient facilities for the purchase and sale of Government securities. I am in favour of granting special facilities to small agriculturists. They may be educated to understand these investments.

There are no facilities for the purchase and sale of other securities except the railway receipts. No purchaser can be had for the transfer of mortgage bonds and promissory notes.

The middlemen, that may be nearly 50 per cent, have no money. As soon as produce is sold part goes to liquidate the debts to make ready the produce and out of the rest part for purchasing provisions, etc. The average income in Berar may at most be Rs. 3 in ordinary years.

When there is no money how hoarding is possible? The little money that is at hand is washed by luxuries such as motors, etc. Farmers do not generally lend to fellow agriculturists except a farmer may be both an agriculturist and a money-lender. In such cases lending goes on on short terms. In case of default, it is changed into a mortgage.

In prosperous years some marriages are generally celebrated. In rare cases gold and silver which can be easily sold, when necessary, are purchased.

4. Cheque habit is wholesome for the educated. The illiterate and one unacquainted with the bank broker is put to much trouble.

Government servants and professional men use cheques. These may be paid by cheques.

Vernacular script must be used in banking.

5. Yea. The habit is slow and the circumstances do not permit bettering. The average poverty and general district are the causes of it.

**MR. N. C. TILAK, Landholder, Rajapet, Amraoti.**

Reply to the Questionnaire.

**QUESTION I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES FOR SMALL INDUSTRIES.**—The agriculturists may be classed under three heads—

(1) Good cultivator; (2) ordinary cultivator; (3) bad cultivator.

An agriculturist under class (1) is one who is not indebted or who does not require any loans.

An agriculturist under class (2) is one who is indebted to a limit within his means and who is in a position to repay his debts with interest every year.

An agriculturist under class (3) is one who is unable to repay all his debts, including interest, and has to sell his property for the repayment of the debt.

Their proportion is as follows:—

1 per cent class (1).

4 per cent class (2);

95 per cent class (3).

It is needless to describe the conditions of agriculturists classed under (1).

The remaining two classes depend for finance on indigenous bankers or Government. They rarely take taccavi loans as the procedure is troublesome and expensive. Moreover, the amount granted is very inadequate. The other fault is that the recovery is strict and at times results in the humiliation of the cultivator. Government is not as sympathetic as it ought to be and therefore the cultivator has to resort to the sowkar. The Government does not also take much interest in the system as it should have done and the result is that the agriculturists have to go to the doors of the sowkars for obtaining their finances.

Money advances are taken for a period of four months at 2 per cent per mensem or at Rs. 25 or 12½ per cent. For such loans solvent securities are demanded. Penal interest from Rs. 4 to Rs. 6 per cent per mensem or 1 anna per rupee per mensem is charged in case of default. Standing crops are rarely sold in this part of the province.

Agriculturists mainly obtain finance from sowkars. Of late joint stock banks have also started advancing money to solvent agriculturists. The entire wealth of India taken together will not be sufficient to finance agriculturists for purposes stated above.

The practice of advancing seed grain is not general in this part. If, however, some one is found to advance it, about 75 per cent of the cultivators will take such loans. Seed is advanced on sawai or its price is calculated and 25 per cent interest is charged. This practice is more general in the Central Provinces than here.

Poverty is the root cause of the trouble. Government can reduce it if it determines to do it.

Crops are utilized for the repayment of advances. The advance taken, no doubt, helps the agriculturist to raise crops but it enriches the sowkars eventually.

(2) Principal crops are sold through dalals. An agriculturist with poor means is forced by his circumstances to sell his produce as soon as it is ready at whatever rate he can get in the market or in the village.

Agriculturists of the first two classes can afford to wait for the prices to go up and then sell it to big merchants. But number of such agriculturists is negligible.

Societies for sale on co-operative lines will be beneficial to the agricultural classes. How and on what lines such societies should be organized, cannot be dealt with in the short space available here. But it is clear that these societies will diminish the agricultural indebtedness by half.

People do not take loans for the marketing of their produce, because they meet their requirements by selling their produce immediately it is ready. Moreover, there are no facilities in existence for such help. Sowkars begin to demand their money as soon as the crops are harvested and none is prepared to advance money at that time. If, however, advances are made at such a time, agriculturists will certainly gain much.

**MR. N. C. TILAK.**

**QUESTION 3.**—In some parts of the district the value of land is Rs. 100 per acre and in others from Rs. 200 to Rs. 250 per acre. Lands sold by auction for arrears of land revenue or in execution of a decree fetch only half of three-fourths of the real price. If cultivator can get money either from Government or from bank on a low rate of interest, occasions for such sales will be few.

**QUESTION 4.**—There are no legal impediments to mortgage land. There are land mortgage banks which advance money on the mortgage of land. A very large number of such banks are necessary in this province. Branches of such banks should be established at every 25 miles to enable cultivators to obtain money without much trouble and expense. The branches should advance a loan up to Rs. 100 and not more. Loans above Rs. 100 should be given by the head bank. If these banks stand in need of funds, they should be supplied by Government treasuries, at moderate rate of interest. The interest should not exceed 3 annas or 4 annas per cent, so that the banks may be able to advance loans to the agriculturists at the rate of 8 annas per cent. Probable demands of such banks should be estimated every year and sanctioned. Government should not look at this from a business point of view. Interest on these funds should be as low as possible in the interest of both the Government and the agriculturists. I would make bold to suggest that no interest should be charged for the first five years. The loss that Government may suffer during these five years will be made good by the enhanced return due to improvement in agriculture and industry.

Government is wasting considerable sums in several ways. If that waste is stopped and the money is spent in the above manner, both the people and Government will gain. To expect to raise capital by deposits in this country is a mistake, because deposits on low rate of interest will not be forthcoming, the country being poor. If the Government is desirous to improve the condition of agriculture and industry, it should not depend for funds on the poverty-stricken people of the country, but should be prepared to give as much financial assistance as possible.

**QUESTION 5.**—I estimate the rural indebtedness at Rs. 30 per acre. Inspection of the stamp vendor's and petition-writer's registers as well as of the patwari papers will be of immense value. This debt is taken from the professional sowkars and to some extent from the co-operative banks. There is absolutely no doubt that agriculturists will take loans from Government banks if they are advanced on a low rate of interest and the conditions attaching to loans are not strict.

It is not possible to give any estimate of the indebtedness due to growth of the debt by compound interest, interest not having been paid, but I think about half the number of cultivators are indebted. The following are the reasons of indebtedness:—

- (a) Low fertility of the soil and shortage of water.
- (b) Sole dependence on cotton and juar crops which require the same quantity of rain.
- (c) Want of capital.
- (d) Ill-fed cattle and men unfitted to do efficient cultivation.
- (e) Dearness of labour.
- (f) Little variation in cotton prices.
- (g) Decay of morality among the agricultural classes.
- (h) The present method of education which undermines the constitution of boys, making them bookish and unfitted for manual labour. Agricultural and physical education should be given instead.
- (i) Mode of recovering land revenue. The cultivator is required to sell his produce at any price in order to pay the land revenue in time through fear of having to pay sawai land revenue. The unlimited powers of Government to recover land revenue even when the outturn is only 4 annas without any legal right to the cultivator to produce his accounts of cost and profits of cultivation and resist recovery entail great hardship on the cultivator.
- (j) Enhancement of assessment according to the yield of crops.
- (k) Weak and ill-fed cattle due to insufficient pasture and inability of the cultivator to keep sufficient number of cattle.
- (l) Absence of arbitration courts. In law courts justice is technical and dear.
- (m) Subletting of land for short periods with the consequence that the land deteriorates, the tenant having no interest in the land.

Besides these, there are several other causes of poverty. Sympathetic institutions should be started to remove them.

Very high rate of interest is being charged at present. Under the existing state of affairs, the maximum rate of interest for the cultivator should not be more than 8 annas. If the sowkar and credit societies are supplied with more funds the rate of interest is bound to go down. The sowkar does not accept repayment before the due date or if he does, he charges interest for the entire period. Compound interest is charged. If the debt is not satisfied, suits are filed and attachment orders taken. This entails heavy burden on the cultivator. If this is stopped and if the rate of interest is lowered and if Government invests money in the country instead of investing it in foreign countries, all will gain. Malguzari system does not exist in my part of the province and therefore many big and efficient cultivators have sold their lands for the discharge of their debts and become poor. This is increasing every day. If this state of affairs continues, the real cultivator will lose all his enthusiasm for agriculture which is bound to re-act on the world outside.

QUESTION 6.—It can be said that there are no subsidiary industries allied or supplemental to agriculture, but on the contrary such industries are being crushed. If financial help and encouragement is given, several such industries will grow up in villages. If a small and backward country like Japan could improve her industries within the last 30 years why is it that a civilized country like India having the advantage of British rule could not do so within the last 150 years. I leave this question to the Committee and the Government which appointed the Committee, to solve. Why is it that thousands of educated and uneducated are without employment today. There are indications of absence of industries and the Government knows it.

Industrial education should be imparted in village schools and markets found for the articles made locally. This is the way to encourage industries. Stores of locally made articles should be kept at every 20 miles and models for new articles provided and instructions given. Shops to sell these articles should be opened at big centres. The work of giving instructions should be entrusted to the Agricultural Department and executive officers should help in popularizing and advertising these articles. People willing to open shops should be financed.

A good cultivator can find no time for subsidiary industries, but his dependants can certainly engage themselves in preparing ropes, toys, colours, etc., and thus supplement the income from agriculture.

It is essential that credit facilities should be increased. At present none exists.

I suggest the following methods to raise funds for subsidiary industries:—

- (a) To give all the possible help to artisans.
- (b) Income from cattle-pounds.
- (c) The tax recovered from the rural artisans should be abolished. There was no such tax before.
- (d) Every cart coming to the cotton market should be lightly taxed and the reasons for the tax explained to the owner so that they may not protest against the tax.
- (e) Every kabjedar owning more than 4 acres of land should be made to purchase a share of Rs. 5.
- (f) To recover one pie on every rupee of land revenue at the time of revenue collection.
- (g) Industrial institutions should be financed by Government at low rate of interest.

There should be no kind of tax on the locally prepared articles and railway freight on such articles should be considerably reduced. Government should purchase only the local made articles. Sale of such articles should be enforced by legislation. People would not protest against such a law. On the contrary they will praise the Government for it.

## II.—Indigenous Bank.

No reply for questions from 1 to 5.

QUESTION 6.—The agriculturists are required to pay interest at the rate of Re. 1 per cent. It has already been explained that the agriculturists would be greatly benefited if the rate of interest could be lowered and thus their financial position improved.

MR. N. C. TILAK.

### III.—Investment habit and attraction of capital.

It is a mistake to think that Indians have a habit of hoarding. One out of a thousand can save a little which he invests in gold or silver for a rainy day. I do not think any good can come out of the attempts made to raise capital out of this fancied hoarded wealth.

Question 2.—Cash certificates can only be popular when people have got cash. In order, therefore, to popularize cash certificates cash should be made available to people by giving them industrial training. Those who have got money invest it where they get better return for it.

Following attempts should be made to create investment habit among the cultivators:

- (a) Branches of banks should be opened at every fifth mile.
- (b) People should be instructed in the banking procedure.
- (c) People should be able to withdraw deposits with the least trouble.
- (d) Banks should transact their business in the vernaculars of the province.
- (e) Cultivators should be convinced that they will be benefited by depositing their money in banks.
- (f) People should be occasionally assured that the bank would not fail.

QUESTION 3.—A first class cultivator spends his savings in improving his land or invests it in purchasing new land or in money-lending. A second class cultivator after paying his debts and keeping sufficient for his cultivation and expenses spends the balance on the improvement of his land. The cultivator of the third class cannot save anything and is a habitual borrower. If by any chance he is able to save, he does not go to the bank, because of the expenses he has to incur to reach it.

The cultivator of the first class lends money to the cultivators of the second and third classes at Rs. 4-8-0 per cent per mensem. If the principal is not repaid with interest within due date, penal interest at the rate of Rs. 3 per cent per mensem is charged, mortgage security is demanded and the condition of foreclosure is imposed.

If the crops are good and prices favourable, the profits go towards the employment of debts and accumulated interest. Whatever little remains is spent in luxury which is quite natural for a man leading a hard life all the year round.

QUESTION 4.—In dealing with agriculturists and small artisans banks should employ the vernacular of the province. Hindi should be used when a co-operative bank deals with a co-operative bank of another province.

QUESTION 5.—I do not endorse the view that banking and investment habit is of slow growth in India. Backwardness of Indians in banking business is due to want of capital. Failure of Indian banks owing to the competition of Government banks, treasuries and other foreign banks has created a distrust in the minds of the people with regard to Indian banks. "Tata Factory" is the latest instance of Government indifference towards indigenous banks and industries.

Government knows all the various means of educating the people of the country to invest their savings in productive undertakings, better than the people themselves. If the Government is sincere about the welfare of the people, it should co-operate with the leaders of the people in carrying out their programme of natural religious and social reforms.

**MR. R. G. DESHPANDE Ganori, district, Yeotmal—(Berar).**

1. *Agricultural credit and credit facilities for small industries.*—The farmers in this district and throughout the province meet expenses of cultivation from funds obtained by loans on written agreements on stamped paper. Money transactions of this kind can be found in the account books of money-lenders even so far back as 1900. When monsoon fails or for marriage or other ceremonies they have to mortgage land to obtain money. For a loan below Rs. 500 interest is charged at Rs. 6-4-0 per cent per mensem and for those exceeding Rs. 500 it is charged at Rs. 5 per cent per mensem, the period for repayment in both cases being four months. The repayment takes place some time between November and December. Though fields with standing crops are not expressly mortgaged yet implied as the crops mature the money-lender advances funds to his clients in small sums on acknowledgments. The acknowledgment is always for the principal and the interest. When crop failure is apprehended the money-lender stops giving loans to the farmer. If the loan is not paid by the stipulated time, interest is charged at Rs. 3 per cent per mensem on the figure entered in the agreement.

The taccavi loans are seldom given in time to be of any real use. The dilatoriness of Government officers in conducting investigation, their unfriendly behaviour with the farmer make it very troublesome for the farmer to approach Government for taccavi.

The taccavi distributed under orders of Government in 1926-27 by officers touring in villages in this district was availed of by many. The period of repayment was, however, felt to be very short. As no individual farmer could obtain more than Rs. 200 the taccavi proved insufficient.

The Imperial Bank does not care for the farmer and the farmer has received no help from it. There is no organization in this province except the co-operative bank to afford credit facilities to the cultivator. Co-operative bank finances only those who have made agriculture their principal business.

The farmer has not come into any contact with companies trading in fertilizers, etc.

The total amount required for the various purposes stated above is estimated at 25 lakhs.

Cotton seed is advanced on condition that double the quantity of cotton will be returned. Rabi seed is advanced in trifling quantity.

*Defects in the present system.—Taccavi grant by Government.*—We are as sorry as surprised to see Government evincing so little solicitude in regard to the grant of taccavi. Since the beginning of the British rule not a rupee can be shown as bad or irrecoverable debt against the farmer of this province. All the same, the revenue officers hold a protracted investigation and put the farmer to tremendous trouble and loss of time. The applicant feels disgusted and wishes that he had not sent in his application at all. With all this he stands the risk of being refused taccavi and sent away empty handed. A change for the better in the present state of affairs is urgent.

*Loans from professional money-lenders.*—In my opinion the practice of taking loans from professional money-lenders must be stopped somehow or other. The farmer cannot by spilling every drop of his lifeblood pay even the "interest" that ever goes on accumulating let alone the principal.

Co-operative bank and societies have done some good to this province. But these banks should not give "big" loans since the repayment of such loans stretches over comparatively long time. These banks, (i.e., their directorate) singularly lack in patience. Consequently these banks have in this respect become a source of trouble to the members inasmuch as they find it difficult to meet their liabilities to these banks in full even by putting to sale their property and possessions. There are no credit agencies other than the one mentioned above. The Department of Agriculture doles out some taccavi, but that also comes under Government taccavi.

Cotton and juar are the staple crops in this district. Cotton is sold in the market. The sale has to be effected by relying on the good faith of the middlemen. The various agencies scattered all over the districts purchase cotton in bulk.



Juar is not generally sold. The farmer requires it for his own use. The labourers who help the farmer in cultivating the field have to be paid wages in kind and considerable quantity of juar is consumed on this account. If at all available for sale, it is sold in the nearest market.

The farmer suffers great loss owing to the middlemen making common cause with the merchants in bringing down the price.

Weights and measures are also not properly looked into. It would therefore conduce to the great benefit of the farmer if grain shops were opened at principal tahsil and district market centres working on co-operative lines. The representatives of the farmer community should be represented in such shops.

Till the produce is sold the farmer comes in touch with none else except the middleman.

Cheques of Imperial Bank and commercial hundis are used for internal remittances.

Only the cotton traders deal in hundis.

Mr. A. R. Sakle, Honorary Secretary, Yeotmal District Association, Yeotmal (Berar).

QUESTION 1.—The agriculturist obtains finance for (a) from—

- (i) village sowkars like money-lenders, Rohillas, Marwaris, Komtis, etc.,
- (ii) co-operative societies,
- (iii) bankers,
- (iv) brokers and dalals,

for (b) from—

- (i) Government by way of taccavi loan under the Land Improvement Loans Act,
- (ii) co-operative societies,
- (iii) bigget sowkars and bankers,

for (c) from—

- (i) Government to a small extent,
- (ii) co-operative societies,
- (iii) sowkars,
- (iv) shop-keepers who provide necessaries for ceremonial purposes, etc.

(a) Loans for cultivation purposes are borrowed at *sawai* for a period of about four months and 2 per cent or 3 per cent after default.

(b) For capital and permanent improvements loans are borrowed on mortgages usually at 1 to 2 per cent.

(c) For other special needs, etc., loans are borrowed in the same manner as in (a).

(d) Government and co-operative societies charge fixed and lower rates. Mortgage-deeds are generally payable within two or three years or by instalments ranging from three to ten and securities offered are generally that of land.

Co-operative banks take a considerable part in agricultural finance and have given some relief to the agriculturists who, in absence of their help, would have been ruined under the heavy debts of the usurious money-lenders. Government plays a small part in agricultural finance. During the five years 1922-23 to 1926-27, the Government has given on an average Rs. 40,000 per year in this district under Land Improvement Loans Act and the Agriculturists' Loans Act. The machinery is very slow and cumbrous and the deserving people do not always get help in times of necessity. The Imperial Bank of India and other joint stock banks do not take any part in agricultural finance. There are no indigenous banks in the district.

Total amount of capital required for the various purposes stated above for my district is Rs. 1,25,00,000.

Grain advances are made on condition generally of *sawai*. Their extent cannot be given.

There is at present no system in the banking and one bank or banker holds no sort of relation with another bank or banker. This gives facilities for rash borrowings. One man may be debtor to a number of creditors borrowing from each, amounts to the extent of his credit. Thus once his real situation is exposed many of his creditors have to repent for advancing loan to him on credit.

4 Licensed sowkars should be created and money-lending should be carried on by only the licensed money-lenders in the manner and on conditions to be laid down by legislation.

The producer, when he is in money difficulty, agrees to any conditions imposed by his creditors, and disposal of his crop through the creditors medium is one of the ways in which the producer has to suffer a good deal in the price of his commodity. The agriculturist being ignorant and uncalculating he hardly ever feels this loss, but in reality the loss is very great. Not only this system deserves to be discouraged, but it deserves being prohibited by legislation.

At present there is no co-ordination among the above mentioned different agencies, but it is desirable and it can be brought about, as suggested above, by the system of licensed money-lending and by registration of bankers.

QUESTION 2.—(i) Cotton is sold through *adatya* generally. A small quantity, however, sold in villages without the direct intervention of a dalal. The proportion of cotton sold through *adatya* to that sold privately is about 75:25 or 3:1.

MR. A. R. SAKLE.

(ii) Grain is sold generally in open markets or sometimes also through *datya*.

There are possibilities of forming pools if efforts are made on co-operative lines, i.e. if co-operative sale societies in the real sense of the word are formed and the agriculturists pool their commodities and sell them only through these societies on wholesale basis.

There are at present very few facilities to the producer during the marketing of his agricultural produce. Such facilities are a necessity, because it is only if he gets such facilities that he can wait till he gets reasonable price of his goods. He must get some percentage of the estimated cost of his goods as advance before the goods are actually sold—

1. Remittance Transfer Receipts are available only to a small class of bankers such as co-operative banks.

2. Hundis are largely made use of by town people and merchants with established credit.

3. Cheques are freely used, but by educated people and city bankers.

4. There are, however, no special facilities offered for small remittances by or to the agriculturist. This difficulty has been causing him great inconvenience. Remittances from and to the members of primary co-operative societies at specially low rates of money order commission is the remedy and this concession will also bring a considerable income to the post office.

QUESTION 3.—In the Yeotmal district value of land does not generally depend on the different kinds of crops. It depends on the average Government assessment per acre. It is generally 100 to 150 times the land revenue.

Other factors that go to affect such value are—

(1) Vicinity of the town and railway.

(2) Condition of land.

(3) Prevailing rates of cotton.

(4) Good season, etc.

In Government auction for land revenue and in sales in court decree the value fetched by land is generally low as the seller has no choice of selling the land away.

The value fetched in sale by private negotiations is full and proper, because the seller is here free to guard his own interest and demand full price of land.

QUESTION 4.—In ryotwari holdings there is no legal impediment for mortgage of land. But in alienated villages like jagir and permanent tenancy in *izara* villages land is not alienable. The number of such villages is small.

There is no provision in the province for long-term credit to the agriculturist. The question of establishing land mortgage banks is being considered by the Government and the report of the committee appointed by the Government to consider the question of establishment of such banks has recently been published.

Land mortgage banks should be established as widely as possible on the lines of the scheme suggested by the Land Mortgage Bank Committee.

Where such banks would not be established, facilities should be given by the Central Provinces and Berar Provincial Co-operative Bank and the Government by providing long-term loan to the existing Central Banks—

(a) Mutations ought to be effected and certified at least once every quarter in order that the record should be up to date.

(b) As the land mortgage banks do not exist in this province, this question does not arise.

(c) The concessions and exemptions in respect of registration, inspection of records, exemption from stamps, etc., at present conferred upon the co-operative institutions are sufficient to safeguard their interest against defaulters, etc., and reduce the costs on good constituents.

The report of Land Mortgage Banks Committee deals with all these points in detail and their suggestions may be given effect to at once with the exceptions (1) that the rate of interest guaranteed should be 5 per cent instead of 6 per cent so that the banks may be enabled to lend at lower rate of interest; (2) the Government should apply capital to such banks free of any interest or at a nominal rate.

**QUESTION 5.**—The total indebtedness for this district may approximately come to Rs. 5 to Rs. 6 crores.

Economic survey in some villages in different parts of the district has been undertaken by the co-operative institute, and if the Government also supplements these efforts, such estimate with reasonable accuracy can be obtained.

Mortgage debt with land as security comes to Rs. 2 crores.

Debt against any other security comes to Rs. 1 crore with house security and pledge of gold, etc.

The information regarding different purposes of loans can hardly be found out except in so far as the loans are taken from the Government under the Land Improvement Loans Act or Agriculturists' Loans Act and from the co-operative societies which look to the purposes of loans and their proper utilization. Private money-lenders never care to enquire into the purposes of loans provided their money is well secured.

As the Government concessive loan and loans from co-operative banks contribute to a comparatively smaller extent to the general indebtedness of the agriculturist, it is obvious that the debt is principally due to indigenous bankers and professional money-lenders.

Many cases can be cited in which the debt is due to the compounding of interest, but an estimate of such indebtedness cannot be given.

Indebtedness of the agriculturists may also be attributed to—

- (a) Want of education.
- (b) Want of estimation of income and expenditure.
- (c) Agriculture is not carried on on business lines.
- (d) It does not pay its way without being supplemented by another profession.
- (e) Want of proper facilities for easy and safe investment.

The method of calculation of interest is generally by compounding every year.

The debt is recovered by—

- (i) Taking over land either on lease or by sale.
- (ii) By voluntary repayments.
- (iii) By sale of produce through the money-lender if he is an adatsya.
- (iv) Through courts by foreclosures or sale in mortgaged debts.
- (v) By attachment and sale of moveable property and immoveable property through courts.

Lands are passing to the creditors and farmers are being turned into tenants for period or at will. These results can be obtained even from the records of Government.

Naturally when the actual cultivator has only a temporary interest in the land he cultivates, he does not take to permanent improvements in his land and is satisfied with what he can get out of it by the least labour.

There are at present no subsidiary industries in this district allied to agriculture. Whenever they are undertaken they are only for meeting their household or agricultural wants.

- (i) They should be encouraged by forming non-credit societies on co-operative lines and should be financed by central banks.
- (ii) Facilities for dairy farming and cattle-breeding should be given by Forest Department.
- (iii) Government should advance loans under the two Acts, viz., Agriculturists' Loans Act and Land Improvement Loans Act, for financing subsidiary industries and provision should be made by law for such advances.

**QUESTION 7.**—No sort of direct connection exists between the co-operative bank and the other banks except that the co-operative bank obtains loan from the local branch of the Imperial Bank of India against Government and other securities and get facilities of remittance by cheques.

The only difficulty that is at present felt by the co-operative bank in the interest of the indebted agriculturist is the want of funds at its disposal for advancing long-term loans even to members of societies.

MR. A. R. SAKLE.

Exemptions from income-tax should be extended even to the income derived from interest on securities.

Co-operative movement has not succeeded in meeting the financial needs of small traders and industrialists and even of the agriculturists. Only a very small number at present gets advantage of the movement.

If properly extended, the movement would capably meet the needs of the agricultural as well as industrial classes of the district.

Usurious Loans Act is very rarely used in the province. Some legislation is quite necessary to check frauds by money-lenders and this can be successfully done by introducing the system of licensed money-lenders and imposing certain conditions on them in respect of maintenance of accounts, and supplying them to their constituents every year.

Co-operative business on provincial scale is not desirable. Local units should be retained. In administration by local units the work is more efficiently done owing to the advantage of the knowledge of local conditions and the necessity of the agriculturist. For imparting education also local units are more useful than the provincial organization. Financing on provincial scale is also becoming unpopular in the Bombay Presidency and there is a tendency of forming central banks in areas at present served by the branches of the Provincial Bank of the Presidency.

## PART II.

QUESTION 1.—There are no indigenous banks in this district. There are very few indigenous bankers. The term indigenous bankers means the persons belonging to the soil who have saved money from efficient agriculture and have taken to money-lending on a large scale. These persons have a real desire to help their fellow-agriculturists in times of necessity and expect a moderate rate of interest. This class of indigenous bankers is vanishing and their place is taken by outsiders, like Marwaris, Bhatias, Katchis, Rohilas or Pathans, etc. This second class of bankers which is now called indigenous can be divided into two—those who are dealing in urban area and those who have entered in the mofussil and carry on their business in the rural areas.

In our district the indigenous banker does the business of hundi, receives deposits, lends money to others, including agriculturists. They deal in cloth, grocery, grain, cotton seed and cotton sale and purchase business.

QUESTION 2.—The indigenous banker is the principal person who finances agriculture and trade. He finances at least to the extent of 2/3rd of the total amount lent.

He advances money by taking promissory notes, bonds, khatas for current needs and on mortgages for long-term loans.

They do not assist in financing any industry as there is no industry as such in this district.

QUESTION 3.—(a) About Rs. 4 crores or so.

(b) Their money-lending about Rs. 3½ crores.

(c) Their expenses are very limited not exceeding one fourth of their income.

(d) There are no indigenous banks.

(e) The facilities afforded by the Imperial Banks to these bankers as such are not adequate. They give at present hundis to their approved constituents on solvent security for a period not exceeding 90 days.

QUESTION 5.—They advance loans on promissory notes, bonds, mortgages. For current needs the amount is payable at the next harvest. For bigger sums they take mortgages of land or houses which loans are payable in three or five years or in five or 6 instalments.

No cash credit system is prevalent in our district. The loans are advanced for agricultural purposes or to traders such as shop-keepers, grocery dealers and brokers as short-term loan.

They have got their own capital and they also accept deposits or sometimes borrow money from other bankers.

They allow interest on deposits from 6 to 12 per cent per annum which depends upon the period of the deposits.

Mr. A. R. SAKLE.

**QUESTION 6.**—The agricultural community has to pay *sawai* or 2 to 3 per cent per month for current needs. For bigger amount on security of land they pay 1 to 2 per cent per mensem interest.

(i) These high rates of interest can be brought down only by imposing restrictions of law on money-lenders and the rates of interest.

(ii) Loans beyond the rate of 18 per cent per annum should be considered as exorbitant and relief should be given under the Usurious Loans Act.

(iii) There should be wide expansion of the co-operative societies.

Yes, it would confer a great benefit to the agricultural community and increase their resources and enable them to spend on agricultural improvements, etc.

**QUESTION 7.**—There is prejudice against the indigenous bankers, but the agriculturists in need have to run to them for want of another money-supplying agency.

The bankers are sufficiently protected in law, as any other subject.

They do not require any special facility except that they should be allowed to make use of Remittance Transfer Receipt free of any cost.

Their dealings with their clientele are not conducted on sound lines. They do not keep proper accounts. Repayments made are not credited and no receipts are passed. They charge very heavy interest to their clientele and that too with compound interest. The debtor never knows what is due from him and the account books are not open for inspection by the debtors.

These defects can be remedied only by legislation. Either by licensing the money-lenders or by a system of registered bankers with conditions that they must keep regular account books. Such account books must be open for inspection by the debtors, that a copy of the account must be furnished to every debtor once every year, the rates of interest should be fixed by legislation.

**QUESTION 8.**—If the remedies suggested in reply to question 7 are brought into force, this class of bankers will be more serviceable to the district and this would also improve and consolidate the banking system in the district.

The Imperial Bank should be made to advance loans to these banks for a term extending nine months, one year or two years. Free use of Remittance Transfer Receipt be allowed to these bankers.

Some bankers keep accounts and follow Mahajani system. Their accounts are strictly private and customers have no facility for inspection.

They will oppose the introduction of any measures for regulating their operations for giving publicity to them. At present usurious money-lenders find it easy to gull the ignorant and needy cultivator and exact from him exorbitant rates of interest.

**QUESTION 9.**—The bankers make about 15 to 18 per cent per annum net return on their capital. There is no loss in any transaction except bad debts which is not much.

**QUESTION 10.**—Generally the bankers do not find any difficulty to raise money. But he has to pay heavy interest. In times of scarcity practically the whole of his capital is locked up and he finds it very difficult to finance his customers. He refuses to finance where he considers the security offered is insufficient or inadequate.

**QUESTION 11.**—Provincial co-operative banks or Imperial Bank should be made to accept the securities of indigenous bankers such as their mortgages, bonds, promissory notes, etc., and advance them money on these securities.

There should be a branch of the Central Reserve Bank or in its absence a branch of the provincial bank for financing indigenous bankers at low rates of interest.

Loans should be advanced to indigenous bankers at very moderate rates of interest and their securities such as mortgage bonds should be accepted.

Such banks should not deal directly with agriculturists as far as possible. Indigenous bankers should be allowed to deal with the agricultural community.

**QUESTION 12.**—There may be some amount with the indigenous bankers which does not find employment throughout the whole year, but it is not large.

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Owing to this cause money does not flow to the provincial centre, but this money is deposited with other bankers of central places or deposited in co-operative banks or societies.

### PART III.

QUESTION 1.—(i) There are branches of the Imperial Bank of India at all principal towns and cities of the province.

(ii) Branches of other joint stock banks also are opened at Nagpur, Jubbulpore and Amraoti.

(iii) In each town there are big firms and indigenous banks who deal in deposits and issue hundis, cheques, etc.

(iv) Co-operative banks have been started and are being started at various centres.

(v) Village co-operative societies accept deposits at attractive rates and this is the only facility available at present to the village agriculturist to deposit his surplus funds when he has got them. But this is also very rarely availed of.

(vi) Government savings bank department is useful in more or less smaller towns where there are no banks, etc., and no other convenient place for safe deposit of small reserves.

As regards means and institutions, the towns have got sufficient means of investments as mentioned in the reply of the first question above.

Co-operative primary societies are the only institutions that are at present available to the villages for investment of surpluses and there is now an increasing tendency among villagers to make use of societies as a means of investing surplus money.

The facilities available at present are very poor and they do not adequately meet the requirements of the public. Because there are some persons who do not find convenient and safe investment for their overflowing surpluses which, if properly invested, would be usefully utilized in meeting the wants of the agricultural class and small trader.

(i) By expansion of the co-operative movement and by spread of education among the villagers the facility offered by the co-operative societies in respect of deposits will be further extended to the village population.

(ii) Formation of co-operative thrift societies in villages would give another facility to the village people to save money and invest it with benefit.

(iii) The experiment of home safes is also worth trying in this direction.

(iv) Post office savings banks should be more freely opened in smaller villages.

(v) These offices should issue cash certificates of smaller denominations.

The small trader, bigger merchant and other business men cannot afford to make an unproductive investment like that in gold. Agriculturists are as a general rule indebted and whatever money they get out of the produce of their harvest, they have to pay to their creditors. Only a few agriculturists who can save something in their business buy gold.

QUESTION 2.—Post office cash certificates are popular only with bigger merchants and local self-governing bodies. They are hardly ever purchased by the poorer classes.

To increase the popularity of these cash certificates they must be issued and advertised through the branch post office in villages all round, and cash certificates of the denominations from Re. 1 also may be issued so as to bring them in the reach of the poorer villagers.

Interest at 6 per cent compound should be given on post office cash certificates.

Postal savings bank does not afford any facility to the public as the interest is very low and there are difficulties in withdrawing, etc.

Only higher officers of the Government and Government servants at places where there is no other place for investment of their small savings take resort to the postal savings bank.

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Savings bank department should be opened in all branch post offices and the rate of interest should be increased.

There is no competition between Government and other banking institutions on account of the attractive rates of post office cash certificates.

QUESTION 3.—The existing facilities for the purchase and sale of Government securities are not sufficient. They should be smaller denominations and facilities should be afforded by Government for their purchase and sale through all post offices and sub-treasuries. Besides advertisements and spread of knowledge about this sort of investment among the village population must be done on a very large scale.

The co-operative banks also may be authorized to do this business for the small agriculturists and small investors.

(i) Traders and merchants always invest all money that may come to them in their business. They would never keep it idle.

(ii) Agriculturists in the first place can hardly afford to save any money. When they receive money by the sale of their produce, they first pay up the dues of their creditors, and if there is any surplus, they spend to a certain extent for their own household and family needs or even luxury to some extent. If still there is surplus as occurs in very rare cases, they take to petty money lendings or purchase gold.

There is no tendency towards hoarding.

Farmers lend to their fellow-agriculturists to some extent and when they at all do so they charge *sawai*.

If agriculturists have large surpluses in prosperous years, they generally purchase land even at a high bid. If however they have not got funds enough to purchase land, invest the surplus in purchase of gold.

QUESTION 4.—People in general are very little prone to use cheques for money transactions. It is in vogue to a certain extent only where Imperial Bank or other bank exist.

Abolition of stamp duty on cheques has only to a certain extent facilitated the use of cheques by the public.

Only literate classes and particularly merchant class use cheques.

All co-operative banks should keep current accounts with a small interest and the people will take advantage of this account and naturally with facility the cheque habit will grow.

Vernacular script should be used on cheques so that even vernacular-knowing people may understand what the cheques indicate and thus his suspicion about the cheque system having disappeared may be induced to use them more than at present.

Looking to the insignificant number of people taking advantage of the existing banks and to the fact that only a limited number of citizen keep deposits in banks shows clearly that the habit is of a very slow growth.

Want of education and a feeling of a sense of insecurity in investments are the causes of this.

Opening of the new branches of the Imperial Bank of India has resulted in giving greater facilities to the public and particularly to the business men for transmission of money to and from various commercial centres and has also told upon the rates of commission on hundis, etc.



**Mr. S. P. Dehankar, Agriculturist, Chandpur and Member,  
Local Board, Kelapur, district Yeotmal.**

**QUESTION 1.**—To meet financial requirement of agriculturists the Government should provide land mortgage banks with an annual capital of Rs. 60 lakhs and arrange for its distribution in the following manner:—

Banks should advance loans to agriculturists for purposes indicated under (a), (b) and (c) in the question to the extent of Rs. 60 lakhs annually on the following terms:—

(a) Without mortgage at 8 annas per cent interest for period of five years.

(b) With mortgage of 4 annas per cent for a period of 15 to 30 years.

Repayment of these loans should be by annual instalment (both principal and interest).

In the district the rate of interest charged by Marwaris, brokers and other money-lenders varies from Re. 1-8-0 to Rs. 4 per cent per month. Even on mortgage of landed property their rate of interest is between Re. 1 and Rs. 2-8-0 per cent. The central co-operative bank charges interest at 3 annas per cent to societies, but it does not advance loans to individual agriculturists. Hence, the Government should provide loans for the various needs of agriculturists at the minimum rate of interest of 4 annas or 8 annas per cent, i.e., 4 annas on loans with mortgage and 8 annas on loans without mortgage.

For this district for various purposes the Government should advance loans to the extent of Rs. 1,00,000 annually on mortgages for 15 to 30 years and without mortgage for 5 to 15 years.

In this tahsil the seeds, etc., are sold at bazar rate or brokers advance them on suwai (i.e., 25 per cent profit).

There are many defects in the present system prejudicial to the interest of agriculturists for which there are many reasons.

There is no co-ordination among various credit agencies. In fact there are no such credit agencies for granting loans at concession except the co-operative bank, but its capital is very inadequate. The Government should provide capital to this bank, in order to relieve the indebtedness of agriculturists continually for 10 to 20 years. They should also arrange for permanent improvement of land and for increasing its productive capacity in the following manner:—

(1) With a view to improve the economic condition of agriculturists, the Government should frame a questionnaire and appoint a committee of the non-official elected members of the local Legislative Council who should investigate into the extent of the total amount of debts the agriculturists have to pay, how many years would its repayment take, the amount of the annual instalment of such repayments and how much money should Government advance for the purpose. This investigation should be done with the help of the members of the co-operative societies and the Government revenue officers like Tahsildars, etc., and the particular information the people may have about it.

(2) It should also investigate how much money would be necessary per year to improve the standard of living of agriculturists, their education and the necessary annual expenditure for improvement of their cultivation with a view to increase production.

(3) The amount of taccavi loan given in the famine year for purchase of seed, etc., for sowing operations, for improvement of *bandhans*, etc., and the purchase of bullocks and other implements is about Rs. 50,000 for the district which is very inadequate and hence the purposes for which the taccavi loans are taken are not properly attended to or are left half done. It is therefore necessary that the amount of the taccavi loan should be Rs. 3,00,000 for the year and Government should press agriculturists to complete the works for which the taccavi loans are taken by them.

(4) For advancing long-term credits the co-operative central bank should be provided with Rs. 60 lakhs annually for 10 to 20 years and the directors and the managing board of the bank should have half their numbers from amongst the agriculturists whose chief business in life is agriculture. Out of 14 seats of the directorate of the bank, 7 should be reserved for agriculturists and for the rest 2 pleaders, 2 traders and 3 from other professions should be selected. The agriculturists should gain experience of working of the bank.

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(5) The sons of agriculturists should be given such higher education in villages themselves as would make them successful in life and facilities should be increased for their instruction in economy, worldly knowledge and industrial education.

(6) For all purposes mentioned in question 5 above, sufficient capital should be advanced.

(7) This bank should have its own cultivation bullocks, kothas, cows and cattle at all places.

(8) For storage of grain depôts should be opened in different places through societies or the people should be given necessary assistance in the matter.

(9) The banks should open their own ginning factories and presses or should give capital to agriculturists for the purposes.

(10) For all the four districts of Berar a weaving mill should be started with capital from shares of the central co-operative banks.

(11) With the help of the societies seeds, machines, implements, etc., should be supplied on hire.

(12) The people should be encouraged to open co-operative stores of tin, iron ware, steel, stationery and other articles useful to agriculturists.

(13) The Government agricultural farms should be transferred to the central bank who should economically manage them and convince agriculturists of their utility.

(14) The bank should supply artificial manures to villages through societies.

(15) English machinery, tractors, etc., useful for agriculture should be purchased and supplied to agriculturists on hire.

(16) Sons of agriculturists should be given scholarships in foreign countries for getting higher education in agriculture. The experts in agriculture should be useful to agriculturists and should give them practical benefit of their expert knowledge.

(17) The economic committee should see that there is sufficient stock of grain to face famine conditions in the district and capital should be supplied for collecting stocks.

(18) The present rates of court-fee stamps and pleaders' fees should be reduced by 50 per cent.

(19) A committee of 7 members from the directors of the bank should be appointed to try and settle all family disputes of partition by arbitration and they should charge only one-fourth expenses of the existing courts of justice for the purpose.

(20) No dependent should be made to pay his creditors interest more than 8 annas per cent on mortgage loans and 12 annas per cent on loans without mortgage.

Mr. D. M. DAMLE, B.A., LL. B., Pleader, Wun (Berar).

Reply to the Questionnaire.

QUESTION 5.—Before going into the causes of indebtedness of agriculturists in India it would be necessary to say that the Indian agriculturists compare favourably with their compeers in European and American countries as regards hard work and as regards their knowledge of sound agricultural methods suitable for their conditions. The Royal Commission on Agriculture says that the Indian cultivators are quite ready to adopt new crops or methods of production when they are convinced about their practical and actual results (*vide* paragraph 96 Report of the Agricultural Commission). In spite of their low standard of living and in spite of their hereditary knowledge of the indigenous methods handed to them for generations, they fail in getting good results as regards produce from their exhausted lands. Indian cultivators cannot afford to buy any artificial manures and all talk of artificial manures for Indian soils is waste of breath more or less. Cases of cultivators buying and using artificial manures are merely a drop in an ocean; agriculturists have to rest satisfied with the little farm-yard manure that may be available to them to supply the necessary plant food to overworked soils. They realize the value of deep ploughing, but cannot afford to buy strong bullocks for iron plough (says the Indian Sugar Committee).

The Agricultural Commission says (paragraph 82, page 82) that the view is generally held that it is the absence of a sufficient supply of fire wood which, over large parts of India compels the burning of cowdung as a fuel. Cultivators would conserve all stock of cowdung if cheaper fuel had been available. So, the process of exhaustion of the lands from which crops are raised annually but to which little manure is given, is going on. Cultivators are required to pay heavy rates of interests to the indigenous bankers, as they can never get taccavi money from Government in their pressing needs of agricultural requirements. The preliminary inquiries of Government take a very long time before cultivators can expect to get these loans under the Agriculturists Loans or the Land Improvement Loans Acts. The heavy burden of these interests is unbearable to the over taxed cultivator. Poverty hampers agricultural production and no good results can be brought about by the activities of the Agricultural Department till supply of capital at a reasonable rate of interest is assured to the Indian agriculturists. Debts are incurred at heavy rates of interest from indigenous bankers to meet different exigencies of life; that class of bankers alone advances money to cultivators at sick of time. Crops have been failing for the last 4-5 years continuously and the low prices of cotton leaves, but a small margin to cultivators to meet their liabilities. Government has indirectly dealt a great blow to Indian Agriculture by manipulation of the exchange ratio: in spite of a strong opposition to the present ratio, Government carried out its desire. A sound school of Indian Economics led by Sir Purshottomdas Thakurdas rightly or wrongly thinks that Government has practically levied an indirect tax of 12½ per cent on all Indian agricultural produce. Instead of coming to the relief of the poverty-stricken cultivators, Government considered it prudent still further to tax them with this indirect taxation. Can any reasonable person expect to make good this loss of 12½ per cent by better agricultural production or by developing other economic potentialities in agriculture? The Royal Commission on Agriculture cannot suggest any practical ways which would come to the help of the heavily indebted cultivator. I would at once say that this adverse fixation of ratio is one of the most direct causes of general indebtedness: it reduces the income of every cultivator by 12½ per cent and he can never expect to come out of his present plight in spite of the voluminous recommendations of committees and commissions. Till the angle of vision is changed, and till Government sees the supreme necessity of keeping the general mass of cultivators happy and contented by timely liberal help, by way of financial advances it is hopeless to expect any relief from a chronic state of indebtedness. Government must help Indian agriculture by money advances at reasonable long periods of repayment: if cheap capital is not made available to the cultivators, it will be a hopeless task to expect better condition. Exchange question requires modification and if it is not done at least by way of a trial (to see the actual results by fixing ratio according to the popular Indian demand), it remains to be seen how this Banking Committee can suggest remedies to make good the deficiency of 12½ per cent in the income of all cultivators. It will be necessary to change the ruinous ratio as it stands at present to the figure suggested by sound economic like Sir

Mr. D. M. DAMLE.

Purshottomdas. It will be worth our while to see and mark the results on Indian Agriculture by changing the exchange ratio 3-4 years: a fair trial to the ratio asked by the opposing school of economic thinkers would clearly show the harm or good done to India by the present ratio. Leaving aside the abstract and complicated questions involved in this Exchange Ratio, one thing is clear to common cultivators. It is the fact that there is a deficiency of 12½ per cent in all their agricultural income and the cultivators cannot pay their creditors from their low margins of profits. This subject causing a heavy annual drain on Indian agriculture was not discussed or even touched by the Royal Commission on Agriculture, it should have given its finding on this point, as all its bulky report (even if literally carried out in practice) cannot solve this knotty point or suggest remedies to improve the depleted agricultural income in India. The activities of the Agricultural Department cannot show an increased production to make good the loss inflicted by fixation of adverse ratio. It will be thus clear that indebtedness of cultivators cannot disappear, if the present poor incomes continue. Till this indirect tax and a mile-stone tied to a floating man is removed no change worth mentioning can be brought in the present acute state of indebtedness.

I have to positively say that the present land revenue policy is another contributory cause of the indebtedness of Indian cultivators. Land revenue system differs almost in every province: no uniformity is to be seen in different parts of India. Some parts have their land Revenue increased every 15 years: others every 30 years. Different tenures prevail. In Burmah land revenue is assessed on crops (varying with the nature or crops per acre, *vide* report of Indian Sugar Committee). It will be worth while mentioning that all questions affecting land revenue and tenure were omitted from the terms of reference of the Royal Agricultural Commission. It will show that the work of the Agricultural or any Commission was not meant to be a full investigation into questions affecting the improvement and state of agriculture. Connected questions ought to be considered together if a correct understanding of any subject is desired. By omitting vital questions, the scope of inquiry was purposely restricted: it was deliberately kept out of the purview of the Agricultural Commission. As the exchange ratio question and land revenue questions were not taken into account by the Royal Agricultural Commission, their report is like the diagnosis of a medical man examining a patient of tuberculosis outwardly (not examining the affected lungs at all). The late Sir Ganga Ram, himself a big cultivator in Punjab and perhaps the only member of the Royal Agricultural Commission carrying on extensive cultivation, says in his book "The Agricultural Problem of India" (page 26) that the figures of land revenue for British Territory look so small that one naturally infers that the taxation is very light, and so it is, but there are several causes such as the law of inheritance and fragmentation of land which operate to make even this taxation, light as it is press so heavily on people that a substantial part of the land remains fallow and in many cases the land owners find it more remunerative to adopt other vocations and pay the land revenue from their earnings rather than till the land owned by them. Sir Ganga Ram proposed some remedies for improving the land revenue system in order to avoid the sword of Damocles always hanging over their heads (by which Sir Ganga Ram meant the corroding and enervating fear of recurring settlements with all their attendant worries and vexation and the certainty that a substantial portion of the fruits of their industry will be wrested from them. The recurring period of land revenue settlement ought to be fixed at least at intervals of 50 years instead the present 15 and 30 years in different provinces.

A very pitiable and illustrative example of the hard and unevenly distributed pressure of land revenue system came to notice near Wun, the taluq headquarters. I purposely looked up the nature of the land in the village and saw the dire results of the present land revenue system crushing the landholders under its burden. Such a hard work would be no doubt rare in a naturally fertile tract like Berars. I know the facts personally and hence I put them on record. The land revenue assessment there is about 12 annas 6 pies per acre. Wadgaon-tip is situated at a distance of nearly 3 miles from the headquarters place of the taluq (Wun) and from rail-head. I personally took two fields on lease this year: one is 23 acres and odd assessed at about Rs. 21 for which I pay lease money of Rs. 50 per year for a five-year lease. The other is about 19 acres assessed at about Rs. 19 and the amount of lease money is Rs. 50 cash down. One of the two fields was let out only for Rs. 35 before I took the lease myself, the

MR. D. M. DAMLE.

owner getting only Rs. 14 per year for his ownership of a field of 23 acres near the taluq headquarters. The soil of the village is very poor and cannot grow the usual crops: the very appearance of the village would show the chronic state of poverty to which people are now accustomed by the Government Acts like the Land Revenue Code and the Forest Act. The letting value of the soil is low: so also is the selling value. I myself bought one field measuring 29 acres 35 gunthas assessed at about Rs. 25 in 1921 for Rs. 200 in Wadgaon-tip. In 1924, taking advantage of the boom in cotton prices of 1923, I sold this field for Rs. 700. A friend of mine purchased a small field of about 12 acres adjoining the above in 1927 for Rs. 225. This bears about Rs. 11 as annual assessment. The level of the village is very bad: the soils have been exhausted and the pressure of land revenue is excessively heavy if we take into account the poor yields of crops. It remains to be seen whether the land revenue of this village is increased or decreased in the next revenue settlement that will be coming up in a short time. I learn that similar state of things prevails in the surrounding villages contiguous to Wadgaon-tip. Indebtedness in such a heavily assessed village would be directly due to the want of fertility of soil and the extremely heavy pressure of land revenue on them. I personally thought that such poor light soils would grow good crops of groundnut which provides natural manure of nitrogen. I put 20 acres under that crop this year after consulting the best opinion on the subject in the province. I got Mr. W. Youngman, the Economic Botanist, Central Provinces Government, to see the lands himself as regards the chances of the groundnut crops. In spite of the best cultivation and all possible good care, the lands gave very poor yields. I took care to take the Extra-Assistant Director of Agriculture to see my cultivation this year. It seems that the Wadgaon-tip soil is very poor even to grow groundnuts. I invite the Provincial Banking Enquiry Committee to take up the task of fully carrying out an economic survey in Wadgaon-tip and the surrounding tract to see for themselves the great pressure the land revenue system at times puts on land; the committee will then be convinced that the present indebtedness of cultivators is partly due to pressure of Government land revenue system. I am requesting the Agricultural Department to establish a demonstration farm in soils like those at Wadgaon-tip and show to the cultivators that better methods of cultivation can produce increased crops. It would be desirable to state that Wun taluq is newly brought under cultivation and the highest assessment per acre may be about Re. 1-4-0 per acre: this would show that a village like Wadgaon-tip has been assessed quite out of proportion. Cases like those at Wadgaon-tip clearly prove that Government cares more for getting the highest possible revenue without considering the inherent capacity of production of soil: this statement would be substantiated by the fact that there is no provision in the Land Revenue Code for lessening the assessment, if it has been levied at disproportionately high rates as on Wadgaon-tip in future land revenue settlement. I should also state that Government at times gets disproportionately more income than the cultivators under its other act. Taking for instance the case of *shindi* (date) trees growing on lands of cultivators, for which usual land revenue is paid, the Government is said to get Rs. 6 per tree as tree-tax whereas the owner hardly gets Re. 1 to Re. 1-8-0 per tapped tree in parts of Central Provinces. The cultivator gets but poor income, the lion's share being taken away by Government under Excise Act. No body denies a fair share to Government; but sense of proportion is lost altogether when we consider cases of land revenue in soils like those at Wadgaon-tip and of *shindi* trees growing on cultivator's lands.

I have studied and personally thought a good deal about indebtedness prevailing all round amongst cultivators: the present low prices of cotton cannot solve this question, and cultivators cannot expect relief from chronic indebtedness by the establishment of credit co-operative societies whose work is after all quite insignificant as compared to the money-lending transactions of private bankers. Co-operative banks have touched only the fringe of the question of rural indebtedness. Till better prices of cotton can be had, people growing that crop cannot reasonably expect to come out of their present plight. The only other equally or better paying and suitable crop to help cultivators is groundnut. People fully appreciate the economic usefulness, the short ripening period and the rotation value of groundnut which provides a natural manure of nitrogen to land. It is one of the best rotation for cotton. If cultivators could grow that crop to supply nitrogen to their exhausted lands, much of their trouble would be reduced as regards poor yields from depleted soils. It is a matter of shame and utter disgrace

MR. D. M. DAVLE.

that the Government forest policy should inflict a colossal loss of over 70 lakhs of rupees per year in Berar and Central Provinces alone by breeding wild animals at the cost of impoverished cultivators in their forest estates. Has Government cared to look seriously into this question which takes away agricultural produce from starving humanity? This is the finding of the Bombay Government Wild Animals Damage Enquiry Committee itself: this is mentioned by the Royal Agricultural Commission (paragraph 116: page 121) that spent lakhs of rupees without even discussing this question in more than one page. A Royal Commission discussing this question involving direct and indirect loss of more than 3-4 crores of rupees for the whole of India in a slipshod manner in one brief page shows the regard with which the Commission thought of Indian Agricultural problems. If they had satisfactorily solved this one question alone, their money would have been properly utilized, as it is, their report cannot add in any way to the present agricultural produce in India, as they have miserably failed to consider the question with a proper regard to all other inter-connected matters. Even high Government officers admitted in their evidence before that Commission that the present policy of preserving game at the cost of poor cultivators causes qualms of conscience when one looks at the damage caused to the cultivation near preserved forests. No less a witness than Mr. C. J. Irwin, Commissioner, Jubalpor, deposed that in this province pigs could be eliminated as professional shikaris could be got hold of for this work: a certain number of wandering tribes could be employed and organized. In Bombay it was a tough job according to Mr. Irwin. He stated before the Agricultural Commission that for the prevention of damage by wild animals there is only one remedy, viz., the extinction of wild animals. Against this it is usual to urge a considerable number of more or less sentimental objections, but these are mostly based on out-of-date feudal ideas regarding preservation of game. Mr. Irwin continued and stated that provision of elaborate fencing is obviously an economic palliative only. The problem of exterminating wild animals, particularly pig, is one which has not been tackled with any great success in any area of which Mr. Irwin had personal knowledge, but it would be possible in his opinion with perfect organization, and with the assistance of the Forest Department to make the wild boar as extinct in India as it is in England. This is the gist of Mr. Irwin's statement. I go a still further and say that extermination of all game is possible and ought to be done if Government is keen in improving the economic condition of Indian cultivators. If game is to be preserved, it should be done in selected area far away from cultivation: if the present policy of breeding and maintaining wild animals continues, it means that Government deliberately wants to inflict a permanent annual loss of more than 70 lakhs of rupees in this province alone. Mr. K. P. Pande stated before the Agricultural Commission that Government forests should not be allowed to continue as breeding farms for wild animals. It will be seen that all non-official opinion was strongly opposed to the present forest policy as regards destruction of all game. If game is a valuable asset to Government, let them keep it at their own cost. To make poor impoverished cultivators to pay for the pleasure of game-hunters is inequitable and inhuman. Let the present forest policy be changed altogether as regards game-destruction, and our provincial agriculturists will be directly getting an increased income of at least 70 lakhs of rupees per year. These facts ought to convince us about the colossal direct and indirect damage to which cultivators are put by Government policy. If a more convincing proof is required to demonstrate the truth in this statement, I would request the Government to try this suggestion by way of an experiment. The present annual income from agricultural produce can be easily ascertained by Government in villages surrounding Government forests. Systematic game-destruction should be carried in selected areas for 3-4 years and the crop returns from the same villages can be definitely ascertained after this campaign of game-destruction is finished. The ascertained results would show whether cultivators are hard hit by the present unjust policy of game-preservation. I should say that a substantial part of the present indebtedness amongst cultivators in villages near forests is due to this permanent annual loss deliberately inflicted by Government forest policy. People cannot grow soil-enriching crops like groundnuts even when they are sure of getting more money value from that crop. This crop is a good substitute for cotton and provides natural and cheap manure. Till Government removes this standing blot on its forest policy of breeding wild animals at the cost of poor miserable cultivators, no better ways of providing natural manures can be found. No recommendations of any committee or Commission can solve this heart-rending problem of general indebtedness. Cultivators fully recognize the uses of forests: but the policy of making

maximum revenue at minimum cost, which is the key-note of every Government department, will have to be modified if really useful results are to be obtained to reduce indebtedness. The forest estates should by all means be fully developed by Government; but the work must be done with a clear conscience. Even the slightest trespass by cattle is heavily penalized by the Forest Department, which ruthlessly allows wild animals to commit unlimited and innumerable trespasses on the rich cultivation of this miserable country. Equity requires that a similar regard to the public rights is shown by Government; can it honestly deny the fact that their herds of wild animals bred at the cost of miserable cultivators trespass every moment of the day and work havoc? The amount of fines recovered by the Forest Department for unintentional and casual trespasses by cattle of cultivators must be amounting to a lakh of rupees at least in this province alone; but Government allows wild animals to cause a total loss of more than 70 lakhs of rupees every year in Central Provinces and Berar. Does Government ever take into account the great hardship caused to the dumb illiterate humanity that is being starved to fatten wild animals? The great importance of this question is overlooked by Government, the interest of the agricultural world is sacrificed to the game-interest of a selected few by Government which shows any amount of lip-sympathy to the economically down-trodden cultivators. If the Banking Enquiry Committee could find practicable methods to stop this continuous drain on the provincial agriculture of more than 70 lakhs per year, it will solve a good deal this pressing question of indebtedness. Actual systematic work done in diminishing this pest in Bombay Presidency goes to show that tangible results can be obtained by organized shooting. Can our Local Government sleep over this question and go on inflicting colossal loss and then inquire into the indebtedness substantially caused by its own policy? Humanity requires that this question to solved satisfactorily by Government. Want of supplementary source of income to the indefinite and uncertain agricultural incomes is another contributory cause to explain the general indebtedness of cultivators in this province. If we could only replace the present uneconomic milch cattle in this province by better live-stock, a decent annual income would be easily provided to cultivators. For doing this Government must take the lead and give facilities to cultivators to import cattle of better breeds from outside provinces. If any betterment in the condition of agriculturists is to be expected, it is necessary that the angle of vision of Government must undergo a radical change; unless more sympathy is extended to the cultivators by providing cheap capital and by guarding their interests with a clear conscience, cultivators cannot come out of the morass of indebtedness. Poverty and loss of self-respect and other good qualities due to the political and economical conditions have suppressed cultivator completely, and single-handed they cannot come out of their difficulties without State help. The State can do this easily if there is sincerity of purpose; otherwise the state of indebtedness in one form or the other is bound to continue. The points mentioned above clearly make out a case for more sympathy from Government: if the above are solved satisfactorily, the results are bound to be excellent in a short space of time. Much of the indebtedness is due to causes over which the cultivators have no control; nobody likes to be a debtor and nobody wastes money in stupid things. People spend lavishly in marriages and other social functions: but this is a state of things to be met with in all countries. People like to enjoy on such occasions, and the expenses incurred are incurred under compulsion of social duties. In short, the state of indebtedness is largely due to the present inequitable exchange ratio which indirectly taxes cultivators by 12½ per cent and to the Government policy in different departments such as Revenue, Forests, etc. Indebtedness is bound to be reduced by increased income of the cultivators. This is the only possible method to reduce the present crushing burden of indebtedness amongst agricultural classes. People have lost confidence in committees and Commissions as no real good has come out of these so far: they think that Government knows all facts and figures, but is not prepared to stretch a helping hand. Much of the accumulated indebtedness is due to the Government policy itself in the opinion of people. Much of it can be reduced by sympathetic attitude of Government: this will be the only chance of saving the whole class of agriculturists from being swamped by crushing monetary burden. Let us hope that the present banking enquiry solves this pressing question by modifying Government policy.

**Joint reply by Mr. V. B. HUNDIWALE, Landholder Balapur, district Akola and Seth Sukhlal Honsilal, Banker, Balapur, Akola.**

1. **PERSONAL.**—I am offering my opinions and suggestions to the questionnaire, sent to me, in the light of experience that I gained during the last 15 years as an actual agriculturist and as an observer of the conditions and difficulties of my fellow-brothers.

2. **SIGNIFICANCE OF AGRICULTURE IN THE PROVINCE.**—The study of the agriculture in the province of Berar is the study of the basis of practically all life in the province. The sons of the province are tillers of the soil and on the return it gives them for their labours, they must live. The total population of Berar is 3 millions and 80 per cent of the population is supported by agriculture. Totally there is a little more than 2 acres cultivated land per head of the total population, which is quite insufficient for the support of the life. Cotton and juar are the chief articles which are the mainstay of life in Berar. On an average one acre per head falls to lot of cotton production and  $\frac{2}{3}$  of an acre per head to the lot of juar and the remaining little area is occupied by mixture crop or fallow land for grazing purposes, e.g., boundary marks, etc. (vide Season and Crop Report for 1926-27, Central Provinces). From the above observation it can safely be concluded that the agriculturist must not be getting even full meal even though he may be toiling hard in his fields unless he resorts to money-lenders for help.

3. **VARIETY OF PRODUCTS AND ITS EFFECTS ON FARMERS.**—The farmer naturally resorts to the production of such crops as bring him money and food. It is only cotton and juar that meet his wants to some extent. As he is not able to satisfy his requirements on such paltry piece of land, he is per force required to approach the money-lender. I have shown above that the agricultural land falling to the lot of each individual is 2 acres and hence it is not "an economic holding". "Economic holding" as is defined by Keatings is "one which will suffice to provide the cultivator and his family and cattle with sufficient for their necessities and a small surplus for pleasure". Owing to lack of this economic holding the necessary evil of village indebtedness has crept in. The ryot is constantly in need of money to buy his seed or to pay for his social activities and this he borrows from the sowkar or money-lender either on crop or land security. So constantly does he borrow and so little does he pay back that he is constantly burdened with debt. This is not only morally bad but the ryot is not able to make any improvements on his land and if he knows that all his crops is going to the sowkar, he does not put so much energy into its cultivation as he might do. It makes little difference to him whether his crop is good or bad, as he has practically no hope of sparing any amount after repayment of his debts to the money-lender. The greatest evil, however, lies in the fact, that when his land is given as security, it can be confiscated by the sowkar when his debt is not redeemed and ultimately he has to become a landless labourer. For years past, the census returns show that the number of landless labourers is rapidly increasing which is resulting in the development of discontent among the agriculturists. If early remedies are not found to improve the lot of agriculturists, I am afraid the prophecy of Mrs. Besant of a probability of an economic revolution, instead of a political one, in India, would come true.

4. **HASTENING OF THE DOWNWARD MOVE OF THE AGRICULTURISTS.**—Yet inspite of the unsatisfactory land basis (uneconomic holding) commercial cropping (cotton producing) still goes on a comparatively larger scale. With the continued pressure of population on the land, land values rose and since more and more land is being converted into commercial cropping and food prices also rose. Further than this, the extension of the roads, railways and industries called for increasing supplies of labour which decreasing the availability of labour for agriculture, with the result that the wages rose. A rise in wages necessarily meant a rise in prices which affected the whole of village society, not, however, uniformly through out all classes. From experience I can distinguish four classes of cultivators and show the effect of use of prices on each. Firstly, there are the land owners who either cultivate the land themselves with hired labour or lease it out to tenants. These, when it has not paid them to cultivate with hired labour, have benefitted from the high rents obtained from their tenants, owing to the increase in land values. The second class is the cultivator who owns an economic holding. His land value has increased, and since his holding is

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capable of producing a good crop, he too has benefited; but unfortunately the class of such type of people is not very large. The third is the cultivator with an uneconomic holding who is most typical of this province. His is the worst case of all. His land is not sufficient to produce a good crop, and with the rise in prices he is hopelessly in debt to sowkar. The result in many cases is that he has lost his land and become a landless labourer. This labouring class has distinctly benefited from the rise in wages, though in view of the rise in prices this may not seem an advantage. And this naturally induces mobility in the landless labourer. The distressing result of this mobility has already shaken the foundations of the village—the only unity of country.

5. HOW TO STOP DOWNWARD MOVE?—REMEDIES.—(a) Out of four classes referred to above, I shall deal with the first two. First I must mention that the idea of hoarding amongst all classes of agriculturists is a myth. It is only in the first two classes that there is any probability of saving and hoarding, and if these classes be properly educated and facilities afforded, investment habits could be cultivated on profitable lines. Private banks guaranteed by Government should be opened and the money be invited at a higher rate of interest to be utilized mostly for the benefit of the agriculturists of the locality in which the bank is situated. The Imperial Bank of India, with its new branches, had not been able to provide the necessary education in thrift and habit of investment, owing to very low rate of interests, besides, it does not come in contact so much with the classes of agriculturists, as it does, with the class of commercialists. Another field for small investment is postal cash certificates, but this does not attract them sufficiently owing to smaller rates of interest and technical impediments, e.g., identification and vagaries of the issuing officer, etc.

(b) To return to the other two classes. The following remedies, if adopted earlier, would relieve to a great extent the class of agriculturist from the mire of indebtedness and poverty:—

- (1) Co-operative selling societies.
- (2) Industrial banks.
- (3) Land mortgage banks.
- (4) Inducement to intensive agriculture.
- (5) Spread of education.

(1) The chief advantages of co-operative selling societies is their attempt to sell to farmer's produce for him, without dealing with the middleman who is one of the greatest evils of trade in India. Recently it has come to my notice that the Japanese merchants have dispensed with the agencies of middleman, down from the purchase of raw commodity to the finished articles. The natural result is that they can sell their finished articles, cloth, at a cheaper rate owing to the middleman's charges being deducted. China has followed suit. The ryot, once he has grown his crop, does not have to turn it over to sowkar, but he must sell it to the merchant. The process is a difficult one, since the merchant has to receive the produce of numerous small holdings marketed generally in a very bad condition and this is very unsatisfactory in view of different grades of every crop. The co-operative selling societies are an attempt to collect the produce, grade it and see that it is marketed in a proper condition. The system is more satisfactory both for the cultivator who gets a better price for his goods when he has not the middleman's profit deducted for it and for the merchant who receives his goods in a proper condition. The system has a particular significance in the marketing of cotton, in that it is no use for a cultivator to grow a pure strain crop of cotton if it is to be mixed up with an inferior quality from another small holding. Excessive adulteration is applied to the cotton by the middleman, and it is the cultivator who suffers in the long run. The work that lies before the selling societies is of great magnitude and difficulty. Their operation are bound to raise the enmity of interested dealers if they can undertake careful grading and establish a reputation for honest dealing they will accomplish a great work, not only for cultivator but for the trade in India.

(2) *Industrial banks.*—Industrial banks should be opened with a view to help the agriculturists during their spare time. These banks should advance credit for such cottage industries as would be carried by the farmers during their leisure time, in order to supplement their paltry income. Such banks should be financed by Government and Imperial Bank.

(3) *Land mortgage banks.*—I have already shown above that the last two classes of agriculturists have completely gone into the clutches of the sowkars owing to uneconomic holdings and consequent poverty. Necessity compelled them to agree to the usurious rates of interest to meet their urgent family calls as they have no other source of getting money to satisfy their requirements. If arrangements be made to advance credit to them at lower rates of interest with longer terms of repayment, on land mortgage there is a possibility, though not probability, in view of the existing strained financial condition, of their being relieved of indebtedness. While mortgaging, the right of ownership should never be transferred from the owner to the money-lender owing to failure of debts. Failure of debt on the part of borrower is largely due to the system of compound interests charged by money-lender which tells heavily on the already slender resources of his income. This system should be penalized and be substituted by regulating such percentage of interest as could be easily paid by the farmer.

(4) *Intensive agriculture.*—Recently the rainfall has become so erratic that the long droughts and sudden down pours have become very common. The result being failure of crops. There is but very little area in this province which is doubly cropped. The way of it is that there are no facilities for irrigation. The experience of nearly decade of years leads me to conclude that an agriculturist could not safely depend on dry farming in view of the vagaries of rainfall. Thus it is necessary to resort to intensive agriculture.

(5) *Spread of education.*—The present colossal ignorance of the farming class is exploited by the money-lender to his own benefit, because of the advantages of finances and education. On the other hand, the agriculturist is without any general education not to speak of business one nor of the use of credit.

I would like to suggest that a scheme of adult education be prepared so as to train him up in agriculture with allied industries and commerce as per necessities of the region and he should be induced to avail himself of it in his spare time.

*Conclusion.*—Berar is mainly an agricultural region and hence as elsewhere, the population is bound to concentrate in fertile parts or in good rainfall region. Main factor underlying the Berar life is food availability. This enormous influence of food on population distribution gives the key to the significance of the whole of Berar agriculture, its prime function is now and must always be the feeding of the people.

Commercial cropping will progress but the care for the future must be that the area under commercial crop shall not be extended at the expense of the food area. If the commercial area is not to be extended and increased production is required, the remedy must be sought in the improvement of existing methods of production. It is held by some that the Indian ryot is too conservative a person to adopt improvement to better his cultivation; but I am of opinion that the ryot knows his job better than the west ever dreams of. (And this has aptly endorsed by Lord Willingdon ex-Governor of Bombay at the expiry of his term of office while presiding at some agricultural show or prize distribution ceremony.) All he wants is opportunity for improvement, but it must be given him in right way. It is assumed that the Indian cultivator knows nothing about his own business, that any thing that good must come from the West and so the kindly, but in many cases misdirected efforts of early workers took the line of introducing into India crops or implements of Western origin, regardless altogether in the case of crops, of the effect of climate change, or in the case of implements, of consideration of costs. Real progress will come when it will be realized that there in India we have to deal with agricultural practice, which has been built up on the traditional custom of years, in which resides, though unexpressed and unexplained, deep scientific principles.

(21) Brokers should be altogether abolished and in their place banks should appoint their own servants through cotton market committees to do the work that is done by these brokers.

(22) Banks should advance loans, repayable in 30 years, to agriculturists and labourers in villages for the purpose of building good cheaper houses.

**QUESTION 2.**—In order to secure agriculturists a proper return for their produce, the Government should adopt the following measures:—

(1) Three-fourth number of seats on cotton market committees should be reserved for agriculturists.

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(2) The cotton market committees should have no right to recover anything by way of charity fund, etc.

(3) If any such charity fund is collected, the amount thereof should be deposited with the district council and it should be spent with the advice of the district council.

(4) The brokers or middlemen should be allowed only 4 annas per cent on the sale of goods and any charge over and above this should be legally prohibited.

(5) Efforts should be made to reduce the number of middlemen such as brokers, agents, station dalals, etc.

(6) In all ginning factories, etc., weighing scales are defective and therefore agriculturists have to sustain losses in weighment of their goods (cotton). The brokers through fear to lose their jobs do not take any action against purchasers. Efforts should therefore be made to put a stop to these practices.

(7) The Central Bank should finance agriculturists to start their own ginning factories.

(8) The work done by brokers should be entrusted to cotton market darogas who may be employed in sufficient number to work under supervision of agriculturists members of cotton market committee.

(9) If any merchant or trader is found to deceive an agriculturist in respect of his accounts, etc., by taking advantage of his ignorance, the committees should take proper steps to expose him and the Government should render all possible assistance in carrying out the recommendations of the committee's report on the matter.

(10) The Government should undertake construction of roads in such a manner so that all villages in the district may have a road within a distance of five miles and this work should be completed within the next ten years.

(11) Owing to union merchants policy to lower demand for purchase and owing to ever changing rates of ginning and pressing the agriculturists have to face difficulties and they are obliged to sell their cotton at a low price. The bank should therefore advance them loans at 4 annas per cent on mortgage or security of cotton in order to enable them to wait for six or seven months till the rates go up for sale of their cotton.

(12) Wheat, juar, pulses (tur), peas etc., have to be sold to merchants at low rate to the consequence that the agriculturists lose much. In order to prevent this the banks should advance loans on mortgage of such grains.

(13) For fixing rates of grains of the agriculturists, agricultural committees should be formed on co-operative basis and in order that they may be able to compete with merchants the bank should purchase grains through these committees, taking particular care that in such transactions the bank's money is secure.

(14) Banks should purchase grains and compete with merchants. They should keep enough stock of wheat, juar, etc., so that they may be able to supply to the whole district for three years in event of famine, through agency of co-operative societies.

(15) For arranging all these things persons who have agriculture as their chief vocation and who can give benefit of their experience should be called together in tahsil or district places with a view to examine possibility of advancing loans through them with proper security for their recovery. Formation of societies of such persons should be encouraged.

**QUESTION 3.**—For purposes contemplated in this question the Government should arrange the following through the bank:—

(1) Before advancing loan banks should find value of land according to its quality and rent as well as by ascertaining from registration transaction of the past 30 years and according to the capacity and condition of land. On such valuation loans should be granted to the extent of 60 per cent.

(2) The valuation of land should be fixed on its capacity of production of different kinds of crops.

(3) In (a), (b) and (c) distinction of value of land is asked. But instead of asking this information from people the Government can have a complete information from its own courts such as papers of the 32 class (2) and auctions through Government and private transactions.

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- (4) On an average of land is between Rs. 25 to Rs. 250 per acre.
- (5) In absence of customers offering proper price if any one wants to sell his land; the bank should purchase it at the average rate as indicated above or by paying more than what is done in land acquisition transaction.
- (b) The land purchased by bank should be returned to the seller if he pays back within 60 years, the principle amount and the interest thereon.
- (7) Revision of land revenue should be done after 60 years when agriculturists are free from debts, till then the present rates should be continued.
- (8) The condition (valuation) of crops should be ascertained from agriculturists.
- (9) Exact accounts of co-operative cultivation should be rendered.

QUESTION 4.—At the time of granting loans to its clients bank should give one year a public notice to all their creditors who have advanced loans with or without mortgages. In addition to these creditors, if there be any more persons whom they owe money, their names should be asked from debtors and after paying all such creditors, if there be any amount left, it should be advanced to them and their land should be taken in mortgage. If within one year if the debtor is found to dupe any other creditor, the Government should help the bank to proceed against such a debtor without letting him know any information about such a banker. Similarly, the bankers should be compelled to accept repayments of loans within the stipulated period.

QUESTION 5.—For all purposes indicated in this question, the Government should kindly supply capital to co-operative bank for advancing loans on mortgage for different purposes at a rate of interest varying from 4 annas to 8 annas per cent for periods of 10 to 15 and 30 to 60 years, and conditions of repayment thereof should be rigidly imposed:—

(1) For making any such estimate it will be necessary to spend one or two years. The bank should therefore declare the amount it is prepared to advance as loan and call people to receive it. In this may the exact information about the debtor will be known and on the basis of such information the amount of loans should be fixed and advanced.

(1) In order to arrive at an estimate for a village or district committee consisting of non-official elected members of legislature should be appointed for finding out the economic condition of the people. They should tour all over the villages in the district for the purpose.

(3) The payment of loans to agriculturists through the agency of co-operative societies is alright. But these societies are partial to people of their own village. They advance them. Whatever amounts they like by exercising their personal influence on their colleagues and such loans are kept on for indefinite periods. In order, therefore, to put a stop to such practices, each individual should be held responsible for repayment of the loan taken by him. There should be no partiality whatsoever in grant of loans they should be given in a true spirit of co-operation and their repayments honestly made. For these purposes the bank and the committee should frame strict rules.

(4) In order to fulfil the object of such an investigation, the elected directors of the bank should devise means and try to improve at least 23 to 30 villages per year and educate cultivators in the manner convenient to them. If such an effort be successful, the credit thereof will automatically go to them.

QUESTION 6.—For all purposes set forth in this question the Government should supply the necessary capital. The bank should scrutinize schemes and plans of industries which people may have in view and supply them with necessary capital for their development.

QUESTION 7.—The committee of non-official elected members of legislature should lay down lines for improvement of co-operative credit societies to suit modern requirements and conveniences of people. They should make out an estimate of their indebtedness and profits and losses. These societies be changed into agricultural benefit societies, reserving 50 per cent seats on their directorate for agriculturists. These societies should advance loans to agriculturists at a minimum rate of interest of 4 annas per cent and maximum of 8 annas or 12 annas per cent. Charging interest over and above this rate should be legally prohibited and the civil court should refuse to allow higher rates of interest. For purposes set forth in the question and for benefit of both the Government and the agriculturists (including owners of land, tenants for periods, permanent

cultivators, workers and labourers on field and others such as merchants, pleaders, doctors, professors and Government servants, including officers and clerks, and other intellectual classes) the Government should make an effort within the next 10 to 30 years (i.e., 1930 to 1940 to 1960) to raise economic financial and intellectual standard. Although the Indian nation consists of so many castes today 90 per cent. of its population is agriculturists. These people through buried into debts any how maintained themselves on produce of the land. They supply all requirements of other classes and Government as well. The enlightened classes are indulging in all sorts of pleasures and enjoyments on labours of agriculturists and the latter, though ignorant and poverty-stricken themselves, have become benefactors of them all by means of their labour on cultivation, and if they become efficient and happy in all respects, they will raise status of the country which can be compared with the powerful nations of the world, such as America and Germany in point of intellect, bravery, social reform and growth of means of locomotion. When India gets dominion status agriculturists will co-operate with Englishmen more freely and be more loyal to the King-Emperor than at present. And when times comes they will prove to the world the proverbial honesty and faithfulness of the Indian people by rendering the Empire all possible assistance in respect of men, money, wisdom and valour and thus maintain the proud privilege of calling itself and the British Empire the first nation among nations of the world. If the much respected British were kindly to elevate agriculturists from their present miserable plight and to run the Government of the country fairly, the friendly relations existing between them, the King-Emperor and the people of India will undoubtedly continue as long as the sun never sets. The original classification of Indian people was to call agriculturists the best businessman, the ordinary and service man the worst and that should really be the case. But now it has all changed and the scale has turned topsy turvy, nowadays the best profession is regarded to be that of service and agriculture counts nowhere. The servant class has become well-to-do, while agriculturists are poverty-stricken. The servants enjoy and the master has to work hard. An agriculturist produces grain which merchants rob him through agency of brokers. Agriculturists are regarded as illiterate fools and the so-called wise men (pleaders) perform the duty of slighting and duping them. The best use of knowledge obtained in foreign countries with the help of agriculturist's money is being made in duping the agriculturists themselves. This state of things is going on from the year 1860 to the present time 1930.

There are many causes of this indebtedness such as (1) unsettled rains, (2) illiteracy, (3) want of practical wisdom, (4) ignorance of economy, (5) absence of knowledge of writing accounts and the need thereof, (6) ignorance of happenings in other countries, (7) absence of sympathy of pleaders, merchants, brokers and other classes, (8) several disadvantages in cultivation to affect the produce and (9) the uncertain market rates. In order to make all these combinations agreeable it is necessary that the Government should regard it a duty to help agriculturists by advancing loans and giving other facilities for some years till their condition improves.

The older folk among agriculturists are incapable of improvement. It is therefore of utmost importance to open facilities for practical agricultural education of younger generation, i.e., for the school going children in all the villages. They should be given instructions in accounts-keeping and general knowledge of business. The curriculum of such instructions should be fixed up by popular leaders on modern lines. In order to arrange for such education under non-official supervision, the Government should deduct one or two per cent as agricultural education fund while granting loans to agriculturists and the cost of education should be met from such an income. While fixing up the curriculum of studies the popular leaders should take into account the ancient and modern methods and pick up from them good and useful ones.

**Government agricultural farms.**—It is said that the improved agricultural system is decidedly profitable. But the managers thereof draw Rs. 3,000 per year and if the cost of buildings and interest on capital thereof and the cost of improvement of land, etc., is calculated, it can be proved that they are a source of loss instead of profit, because the profit that is shown is due to misleading calculations. But if the Agricultural Department were to insist that it is a source of profit the people will readily adopt its methods in villages. For this reason the Government should handover these farms and purchase other lands for the purpose. The existing farms be transferred under joint supervision of members of the district council and the central bank.

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*General remedies.*—(1) *Agricultural education.*—For this purpose 20 boys should be collected from a district for being trained on Yeotmal farms. The district council can surely do this. But as the staff of the farm are working under Government orders, they would not enforce the curriculum fixed up by the district council. It is therefore necessary that the Government either transfer the farm under control of the district council or advance loans, in addition to meet the educational expenses in such farms and for establishing other similar farms in villages. Money required for this purpose could be raised by any other means.

(2) In matter of giving any reliable instructions in this respect, the Agricultural Department has done nothing during the past ten years. If anything was done at all it is nothing in our opinion compared to the vast expenditure incurred. For the management of 105 acres of land the Government spends Rs. 5,000 annually, while within this very amount the district council and bank members could do the necessary propaganda and educate and convince several of agriculturists in the district through whom a great deal of propaganda work could be done. Even now if Government were to accept our suggestion, we could show decided progress in the matter. It would dispel the indifference of people and infuse enthusiasm throughout.

(3) The Government should suspend Law colleges at least for 30 years till agriculturists improve.

(4) Excepting the legal education, other education such as engineering, science, agricultural, chemistry, electrical, etc., should be given. For obtaining knowledge on the advice of foreign agricultural experts and for demonstration of their knowledge land and capital should be supplied by Government and the supervision thereon should be exercised by our own leaders along with the Government. In addition to this people should be given education in carpentry and machinery, etc., that legal education should be stopped for 30 years and its result watched. The number of pleaders must be reduced.

(5) An account of progress made by Agricultural Department should be published in the newspapers.

(6) Just as the Government has to incur any amount of expenditure annually to guard against uncertain outbreaks of war and there can be no proper estimate of such an expenditure and if unluckily there breaks out a war and the Government has to sustain losses, similarly agriculturists have also to face the five risks of (1) monsoons, (2) scale of labour charges, (3) private quarrels, and (4) uncertainty of rates and the dependence on foreign firms for them. Had there been no such disadvantages, the educated, the wise and the legal luminaries amongst us as well as the banks and leaders would have taken agriculture under their supervision and demonstrated to the world, how it could be made successfully profitable and the Government would also have rendered them help in times of need. But our leaders and wise men have not yet taken it into their heads. They could have given up their professions of definite income such as legal profession, high posts in Government service, etc., and they would have benefited themselves through agriculture. They would have given up their fashionable and costly mode of living and they would have given us, the ignorant agriculturists, the benefit of their deep learning and knowledge. But that has not happened as the Government did neither give them any encouragement nor any promise of help. Was the necessity of starting an agricultural bank ever felt when the agriculturists were not so much indebted.

Business and agriculture more or less depend on chance and just as a war has to be continued without any certainty of success or failure but in the hope of winning similarly these nation-building efforts of business and agriculture should be maintained by Government for 50 or 60 years, considering the expenditure incurred on them as bad debts. And if proper care is taken there would be no such thing as bad debts, but on the contrary these efforts will be crowned with success and the agriculturists and the other middle classes through them as well as the Government also be benefitted.

(7) Instead of the present paper currency gold currency as is prevalent in England should be introduced in this country. It would be more convenient to agriculturists and businessmen.

It is therefore the improvement of native methods to which we must turn the combination of native skill and knowledge, which centuries of practice alone can give and Western science may in future make India what she hopes to be,

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a land growing sufficient to support her large population at a decent standard of comfort, and with a surplus of produce for export as a source of income for her national expenses.

1. AGRICULTURAL CREDIT AND CREDIT FACILITIES FOR SMALL INDUSTRIES.—An agriculturist obtains money from—

- (1) Money-lender.
- (2) Co-operative banks.
- (3) Taccavi loans.
- (4) Disposal of surplus grain-store.

For (a and c)—he resorts to money-lender, co-operative banks and disposal of surplus grains.

For (b)—he resorts to taccavi loans and his own savings, if any.

*Rates of interest.*—Rates of interest range from 12 to 24 per cent.

The nature of security is of two kinds moveable, including standing crops and ornaments, and immovable property, including houses, lands, etc. (In rural areas houses do not fetch any appreciable value as they do in a urban area, hence, the sowkars are disinclined to accept house property in rural area for mortgage).

*Parts played by—(a) Government.*—Advancing loans on a very small scale for land improvement and seed purchase. The loans being very small are not utilized for the purpose for which they are taken.

(b) *Imperial Bank.*—This does not come so much in contact with the agriculturists, as it does with the commercialists, and the natural effect of it is, that the bank does not help in cultivating thrift and habit of saving amongst them.

(c) *Co-operative Banks.*—These do help the class of farmers by advancing money at low rate of interest on mortgage of fields. If these banks are re-inforced with sufficient capital by Government, they will be able to help the agriculturist more efficiently than any other source.

(d) *Indigenous Bank.*—Nil.

(e) *Bankers, etc.*—This class advances money, either on credit or on mortgage, as per credit of the borrower, and the rate of interest is generally higher.

*Grain advances.*—Grain advances are generally given in rural areas and that too on terms of "sawai".

*Defects in taking advances.*—Granting that these advances are monetary ones, the system is ruinous, as it does not provide for short rate of interest and long terms of payment. The farmer does not get proper remuneration for his produce when advances are made, in advance, on crops.

2. METHOD OF MARKETING.—Through the agency of dalals.

*Formation of pools, etc.*—Berar being predominantly a fibre field, warehouses and co-operative marketing societies should be opened for pooling cotton, grading it and securing it good prices. This would result in—

- (1) Deducting the middleman's charges.
- (2) Bringing in good prices to farmer.
- (3) Securing good quality for purchaser.
- (4) Yielding unadulterated seed.

*Part played by bankers, etc., during marketing.*—These men do help the farmers as dalals by advancing money.

3. VALUE OF LAND AS PER DIFFERENT TYPES.—(a) *Agricultural crop—land.*—Value of such land, possessing agricultural crop, ranges from Rs. 150 to Rs. 200 per acre.

(b) *Horticultural land:*—(1) *Alluvial soil.*—Maximum to Rs. 500 per acre, if it be on vantage ground.

(2) *Of black soil.*—From Rs. 150 to Rs. 200 per acre. The value of land is not so much affected by sale of Government auction, court decrees, or private negotiations, if sale occurs in the same village where the property is situated.

4. SUGGESTIONS FOR CREATING LAND MORTGAGE BANK.—Such banks should be started (a) by advancing money at short rate of interest and long terms of payment; (b) by inviting deposits at 8 per cent and funds should be borrowed from Imperial Bank, etc., at 3 per cent, and debentures should be drawn on Government guarantee. Capital, thus collected, should be lent to the cultivators at 12 per cent.

5. **CAUSES OF INDEBTEDNESS.**—The farmer contracts debt generally for paying earlier debts, marriage purposes, purchase of land and manure and other improvements of land. As he is unable to pay off the debt every year, it goes on accumulating owing to system of compound interest and ultimately he becomes unable to pay off and loses everything. The rates charged varies from 12 per cent to 24 per cent with compound interest. When he loses everything he becomes a tenant after he is deprived of his property thus, the progress of courts as he could not pay off the debts every year, and as the burden goes on increasing, he naturally loses all incentive or energy to be put in improving his land.

6. **SUPPLEMENTARY INDUSTRIES.**—Supplementary industries, viz., hand-spinning, weaving, carpet-making and gardening, could be started. The cultivator should be given necessary education and money for bringing and selling goods. Such industries could be encouraged on advancing money to them on mortgage of field or crop, or on security of the goods turned out by them. The above industries would supplement the income of the farmer and make him industrious. At present there does not exist any credit facility to help such industries. Attempts should be made to make the farmers utilize their spare time in such industries. Working capitals for such enterprises should be secured from Imperial Banks or industrial banks to be opened on the lines of land mortgage banks, and marketing facilities should be made on such lines as are suggested above for marketing cotton by opening co-operative sale societies.

III. **INVESTMENT HABIT AND ATTRACTION OF CAPITAL.**—(1) The existing banking resources are the (a) sowkar and (b) the co-operative banks and Imperial Bank.

The means or institutions for encouraging savings investment habit are postal cash certificates and co-operative banks.

To turn to postal cash certificates. People are not so much inclined to invest their savings, if any, in the above owing to its short rate of interest and technical difficulties, viz., identification and vagaries of officers. The rate of interest of co-operative banks too is not alluring.

The existing facilities could be improved by enhancing the rate of interest and by educating the villagers to take advantage of the co-operative societies. Many indebted villagers still do not know even about the existence of such institutions and their functions. This ignorance must be removed by propaganda on the proper lines.

It is in very rare cases that people (farmers) get any opportunity to invest in silver and gold, and if it presents itself, he invests generally in gold. The cause of this is lack of gold circulation and hence the desire of the people to collect golden ornaments. If, on the contrary, gold be made a currency psychologically, he would not feel a desire for hoarding as it would serve to be a playing coin in his hand.

As he has no other source to invest his spare money, if any, conveniently, he naturally resorts to gold purchase, although there may be some indigenous banking concerns for him to feel a liking for investing in them; he does not venture to do so due to lack of their stability.

(2) *Postal cash certificates.*—No doubt the postal cash certificates are to some extent popular in urban area, but not in villages. That is so largely because their very existence is unknown to them. Besides, several village post offices did not do any savings bank business and villagers have to go a long distance to big post offices if they wish to purchase cash certificates. The better way of encouraging the purchase of cash certificates is to open such business even in village post offices. Rates of interest on cash certificate do certainly need revision raising the rate of interest terms of issue should be such as involve no complicity.

Generally, Government servants and higher educated class invests their savings in the banks. Other classes can be attracted towards such investment by increasing their earning capacity and cultivating a habit of thrift amongst them.

(3) *Habit and mode of saving by the people.*—In the beginning I may emphasize the fact that the resources of the people have gone so low as not to allow them to save; if at all they could, they naturally like to invest in gold. It is only two classes of people, big land owners and cultivator, owning an economic holding (*vide* paragraph 4 personal statement) that can save something out of their earnings. Such people generally invest their savings in purchase of gold and fields and utilize the former in times of emergency.

MR. V. B. HUNDIWALE.



Such class of people do lend to their fellow-brothers small amount of money on terms suitable to both, not with a business view point, but with a co-operative spirit.

(5) *Banking and investment habit.*—This habit is very low in this part of province not due to the lack of any investment habit on the part of the people, but because of poverty in majority of cases and lack of facility in cases of few. Educative propaganda, instructing the agriculturists in the uses of productive undertaking, should be undertaken by placing before them the concrete examples of success in such undertakings. The propagandist should place before him such examples of productive undertaking, I mean creative business, that will appeal to him and that, which he can easily invest in.

The Imperial Bank of India, with its new branches, has not been able provide the necessary education in thrift and habit of investment owing to very low rate of interest; besides, it does not come in contact so much with the class of agriculturists as it does with the class of commercialists. People other than commercialists could derive benefit from these banks by borrowing money on mortgage of gold, etc. It is only a possessor of gold or of any commercial-commodity and not of immoveable property, so far as I know, who can avail himself of this institution.

**KHAN BAHADUR MIRZA RAHMAN BEG, Land Lord,  
M.L.C., Akola.**

Reply to the Questionnaire.

1. (1) In Berar and in the Akola district money required for cultivation expenses is mostly borrowed by the agriculturists from private money-lenders. Majority of whom are Marwaris, Agarwals, Jains, Pathans, Rohillas, Kunbis and Brahmins. Other castes also carry on some money-lending, but to a limited extent. Co-operative credit societies also advance monies to the agriculturists for agricultural purposes but to a limited extent. The Government also advances taccavi loan for agricultural purposes, but that too to a very limited extent. Money required for capital expenditure over agricultural and for improvements in agriculture is also advanced mostly by private money-lenders. Co-operative credit societies and Government also advance money for this purpose, but to a limited extent. At the time of the failure of the crop and for payment of the Government land revenue and on ceremonial occasions the needs of the agriculturists are mostly supplied by private money-lenders, Government's share being very small in this matter.

2. The rate of interest in Berar and particularly in the Akola district is generally very high. According to my information the rate of interest varies from 4 annas per rupee per month to 4 rupees per month per hundred. In cases of sawai bonds the rate of interest comes to from 50 to 75 per cent per annum. Sawai bonds are extremely common in Berar and they are generally executed in the rainy season, that is, from June to September. Also I have come across with some dedhi bonds wherein the man agrees to pay Rs. 50 as interest for 100 rupees advanced to him and that too for the short period of three to four months. Generally, the period agreed to for repayment in cases of bonds is one year. In the cases of mortgages it varies from one year to ten years. In the case of mortgages generally the land is given by way of security. In mortgages invariably the standing crop is also mortgaged. Nowadays in case of money bonds personal security from one or two persons is also taken. The condition in the bonds and the mortgages is to charge higher interest after the stipulated period on which the amount advanced is to be paid.

3. In Berar and in Akola district the Imperial Bank of India, joint stocks banks, and Indian banks do not concern themselves with the needs of the agriculturists. Merchants also do not advance any money to the agriculturists. Only cotton-brokers advance petty loans to the agriculturists. There are good many Marwari money-lending firms that mainly advance money to the agriculturists according to the security given for the loan.

4. In my opinion the capital required for the abovesaid purposes is Rs. 25 per acre of half the total area of the whole of the Akola district which is under cotton and juar cultivation. I am not in a position to say what is the total area of acres under cultivation in the Akola district.

5. In my district generally seed is not given on credit for sowing. Some agriculturists purchase cotton-seed from the adtyas but they execute bonds for the price of the seeds. The rate of interest charged is extremely high in cases of such bonds. Borrowing of rabi seeds is also found to a limited extent in certain villages where there is rabi sowing. The rate of interest is generally sawai, i.e., if one maund of seed is advanced  $1\frac{1}{2}$  is paid after the harvest. The defects in the present system are that even a big landholder has no credit with the Imperial Bank of India and he does not get any loan from the Imperial Bank on the security of his land and therefore a landholder has generally to fall back, upon the tender mercy of a private money-lender. Co-operative credit societies require ten persons to come forward to agree between themselves to take the loan and repay it. This is a great difficulty in the case of agriculturists who find it difficult to find ten good people who are solvent to stand security for them.

6. If the Imperial Bank of India would advance loan to solvent agriculturists on the security of their unencumbered property just as they do advance money to the merchants on the security of their goods, much relief would be given to the agriculturists by the Imperial Bank. Improvement in this direction is absolutely necessary.

The Government also can immensely help agriculturists by liberally advancing taccavi loans to them. people have got much liking for taccavi loan because

the rate of interest is the lowest on which they get money for their needs. Besides Government advances them money which is not even sufficient for their needs. There is instalment system to pay the taccavi loans and government have got also machinery to promptly recover the amount from the agriculturist; so in my opinion the only way to help the agriculturist in the present indebtedness is to make arrangements for the taccavi loans. Of course, I shall be asked as to the provisions of funds to finance so many people. My suggestion is that Government should set apart every year 40,00,000 of rupees to build up this fund as it did to build the famine relief fund which stands today at a very good figure of Rs. 2,00,00,000. India Government also should give powers to local Government to raise loans on Government promissory notes. If that is not possible then the Government of India should raise loans for this very purpose, viz., for building of fund to advance taccavi loans to the agriculturist. The position of Government today is so very sound that it can secure any amount of debt at 5 per cent interest, and if Government advances the same sum at 6 per cent interest to the agriculturist. Government can make profit of 1 per cent which will be quite enough for the Government to meet its expenditure on this behalf. It is my duty also to suggest as to the staff that would be required to do this work. In my opinion one more additional Tahsildar appointed in each taluq for this very purpose would be able with a few clerks under him to cope with this work of taccavi loans.

Co-operative credit system and co-operative credit societies, even though improved, would not be of much use, because in the first place the rate of interest charged by the co-operative central banks and the rate of co-operative societies is twice as much high as that of the taccavi loans, and the co-operative credit societies have not got the legal powers to cover the loans advanced, as the powers of Government. At present Government recovers the taccavi loans like land revenue. Whatever system you employ to give credit facilities to the people other than the taccavi loan system it is bound to fail only, because the people being ignorant and illiterate are not accustomed to make voluntary repayments. It is only under pressure that they make repayments, and the revenue authorities have got very wide powers to bring pressure upon the agriculturists and they alone can make prompt recoveries.

There is no uniformity amongst the various institutes that advance loans to the people. I do not think that any improvement can be done in this matter.

In Berar there is no legal hindrance to mortgage fields or any immovable property. Throughout Berar there is ryotwari system and every khatedar is the owner of his fields. And he has got all the rights of transfer. But this right of transfer has been a curse to the people, because in Berar a big class of speculators has come from outside and they have very heavily preyed upon the illiterate and ignorant class of Berar people. By charging interest at 2 to 3 per cent even on mortgages, the foreign money-lenders amongst whom the Marwaris are much prominent, much of the land which was formerly held by the Berar agriculturist has gone into the possession of the Marwaris. In Akot and Jalgaon taluqs alone the Marwaris have become owners of one-fifth land of those taluqs and according to my belief during the coming five years they will be owners of 2/5th more land of these taluqs. Everywhere throughout Berar it is the money-lender class that is accumulating field property. And the real class of cultivators will be mere hewers of wood and drawers of water. It is high time that Government should devise some method either by starting land mortgage banks or by advising the Imperial Banks or the co-operative central banks to advance loans to individual owners on the security of their fields that the problem of indebtedness could be solved. There are no banks in existence in Berar which advance loan on mortgages. According to my information the co-operative central banks in Berar have advanced loans for a stated period to a very small number of people. Besides these banks no other banks have done any mortgage business.

In my opinion it is necessary to start mortgage banks on the lines of the Imperial Banks at present. These mortgage banks should do all other banking business and in addition they should advance loans to the cultivators on a proper certificate of ownership clear title and possession having been obtained from the Tahsildar of the taluq. The bank also should have special staff to investigate into the title, possession and claim over the land that is to be mortgaged. In my opinion the present system of record of rights and registration is quite thorough to find out if a certain person who claims to be the owner is in fact a real owner and person in possession of the property.

K. B. M. R. Rao.

In my opinion the power to foreclose land in case the mortgage debt is not paid should not be given to the mortgage banks. They should have power only to sell the land in case the mortgage amount is not paid. The bank must have option to purchase the land in case it finds that in a public auction the mortgage amount should not be recovered.

I want to suggest that long-term loans advances on mortgages can be made by giving suitable instalments to the mortgagor. The rate of interest on mortgages should not exceed 6 per cent and the banks should have option to differ payments in case of scarcity or famine.

In my opinion if the rate of interest is brought down by disallowing higher rate of interest other than 1 per cent in courts and by granting of taccavi loans on a liberal scale and by the starting of mortgage banks and by the spread of co-operative movements and by passing an act on the lines of the Deccan Agriculturist Relief Act and by passing an Act on the lines of the Sindh and Punjab Alienation Act and by passing a Money-lenders Act, on the lines of the British and Punjab Acts and applying the rule of damdupat to Muhammadans of Berar and to Hindus and Muhammadans of Central Provinces the rate of interest which is at present abnormally high and is likely to ruin the agricultural industry, can be brought down. It is high time that Government should come forward for the protection of the agriculturist class. This class at present does not make any profit at all in agriculture. Even the cost of agriculture is not realized this year by the cultivators who cultivated the field belonging to themselves and who cultivated the fields of others on lease.

In Berar and in the Akola district the agriculturists are required to pay an abnormally high interest. The common rate in Berar on unsecured debts has gone up beyond the power of the agriculturist. Substantial help given by the British courts which acts like machines is responsible for heavy rate of interest prevailing in Berar. The Sub-Judges that are asked to decide cases between an agriculturist and a professional money-lender are always on the side of the money-lenders and they have neither the mind, leisure, nor desire to see if agriculture, the national industry of Berar, can afford to pay a high rate of interest of 3 per cent per month which the courts generally grant to the money-lenders in Berar. The courts are more responsible for the normally high rate of interest in Berar. If the civil courts in Berar would not grant interest higher than 1 per cent as they do in Bombay the rate of interest in the whole province could be immediately brought down. Unless and until the rate of interest is brought down, there is no possibility for a genuine agriculturist to live on his own land. At present in times of scarcity a Berar agriculturist borrows money at a very high rate of interest and in times of prosperity he is forced to repay the debt at a higher rate of interest. And thus even in the days of prosperity there is nothing left to the poor agriculturist for self improvement.

That the Berar agriculturist as a class is a spendthrift and does not know how to spend his money is a lie circulated by its enemies who without caring to know the several difficulties placed in his way by Government officials by nature and by other causes over which he has no control talk in a most irresponsible manner.

From the year 1925, Government has increased the assessment in seven taluqs of Berar relying upon incorrect reports, about the prosperity of the agriculturist. As a matter of fact the statistics about debts that are collected by the Banking Enquiry Committee will convince any body that the people are not at all prosperous and that agriculturists especially are on the verge of bankruptcy. The land revenue burden must be lightened to leave some margin of profit to the cultivator and to the owner of the land. During the last 10 years taxation has enormously increased, a mere labourer also does not escape taxation. He pays as much as Rs. 8 per head per year for taxes imposed upon by the Government, the land revenue tax in Berar comes to about Rs. 8 per head of the population. There are other taxes both provincial and Imperial that fall upon the agriculturist and it is heavy taxation that is crushing the Agriculturist population. Even though capital at a low rate of interest is made available to the cultivator, I do not think that the agriculturist will have sufficient money left after paying the taxes, etc., for the self improvement.

Reduction of taxes is absolutely essential. There are no mills for polishing rice as rice is not produced in Berar. There are no dairies as Government has not given any facility for starting dairies. In this province horticulture is fast dying out as the level of water is going down very low for want of sufficient rain.

K. B. M. R. BAG.

There are no subsidiary industries which are followed by the agriculturist in this province. Special encouragement and special facilities which must be given by the State are not provided for by the Government and therefore they do not exist in this province.

I can suggest that spinning and weaving can be encouraged in this province. In every village there must be a weaving class and a class for teaching spinning. Government should undertake this if it thinks that the agriculturist should utilize the spare time in following other avocations. By starting spinning and weaving classes cloth required for the village population could be manufactured in villages and the agriculturist will make some additions to their income by spinning and weaving. Spinning and weaving is a technical subject, and unless one is trained for it he cannot follow it. In my opinion Government should make an experiment in this matter by starting spinning and weaving classes in villages where there are at present primary and secondary schools.

It is necessary that the agriculturist should have some facility to borrow money for his requirements at a low rate of interest. At present he has no facility and the rate of interest charged for the agriculturist is the heaviest possible.

For subsidiary industries the capital required would be collected in the village itself provided Government officials encourage people to subscribe capital and keep a proper check on misappropriation of capital. At present people have lost confidence in Swadeshi adventures, because many of them have failed, because of dishonesty on the part of the managers. If there is proper supervision by Government, the confidence of the people could be restored and there should be no difficulty in finding out capital for subsidiary village industries.

## Agent, Imperial Bank of India, Akola.

### Reply to the Questionnaire.

The principal crops in this district are cotton and juar. Cotton and grain markets are established at taluq headquarters or other suitable centres. Each market is supervised by a committee elected annually, the election of the chairman being subject to the approval of the Deputy Commissioner. Cultivators bring their crops to the markets and sell through adtyas to local merchants or agents of exporting firms. Prices of produce are fixed in the market daily according to the highest price merchants are prepared to pay. The merchants and agents meet at the market every morning and the price of the highest bidder is declared and notified on a board. Cultivators are paid at the price fixed, allowance being made for quality, etc. Cultivators pay a fee of anna 1 per cart in the cotton market and a commission of Re. 1 per cent to the adtya through whom their produce is sold. Local merchants then sell to exporting firms or send cotton after ginning and pressing to the Bombay market for sale. Exporting firms send cotton to Bombay for shipment overseas. Local mills consume a very small percentage of local cotton. Cotton seed is largely exported to Bombay, Kathiawar and Punjab. The juar crop is largely consumed locally and is held by grain merchants who sell to retailers as required. In good years some juar is exported to markets outside Berar.

By internal remittance I understand remittance within the district. Funds are remitted from main buying centre to buying centres in the district in actual coin or notes. Coin is sent by messenger by car and notes either by messenger or by post. From buying centres to main buying centre, which is usually the district headquarters, funds may be remitted in the form of *akadas*, i.e., demand hundis drawn by agents on their head office in the district.

There are only two classes of hundis current in this part of the country.

*Demand hundis.*—Negotiable anywhere by simple endorsement. They are usually drawn on the drawer's agents at the large centres such as Calcutta and Bombay and are payable there. The makers sell them locally to obtain funds for their purchases or send them elsewhere in payment of dues.

These hundis are largely used. They do not require acceptance being payable on demand, but as a rule drawees are allowed 24 hours for payment after presentation.

*Usance hundis.*—The usance varies from 45 days to 6 or 8 months. They are stamped according to the duty payable under the Indian Stamp Act, are drawn on selves payable to the order of a third party, are discounted by the maker with local money-lenders and do not as a rule find their way outside the district where executed. Samples are attached.

Usance hundis in the form mentioned are not used locally to any large extent by merchants or shroffs between themselves. The usual procedure being to pass a simple receipt or Demand Promissory Note (which are not negotiable). When merchants or shroffs obtain accommodation from banks on Usance Bills the hundis are usually drawn by one party on another and are payable to the order of the bank. Such hundis require the acceptance of the drawee.

The only instruments of ownership of goods and produce employed for raising money during process of marketing in this district are railway receipts.

#### *Sample wording on Demand Bills.*

Sidha Shri Mumbai Bander sudhanake "X. Y. Z." job Shri Akolasu likhi "A. B. C." ka Shri Jaigopal Banchana. Uparancha hundi rupia 1,000 akshari rupia ek hazar ek hazarka nimme rupia panchsoka duna pura sat the rakhya hamarepas miti Sudi 6 hundi puga tural pacha name sabajog hundi chalan kardijo Samat 1986 miti Asoj Sudi 6.

*Reverse.*

Ra. 1,000.

Nimeka nimme rupia adhaisoka chogunapura ek hazar kardijo.

X. Y. Z.

Mumbai.

AGENT, IMPERIAL BANK OF INDIA, AKOLA.

*Sample wording on Usance Bill.*

Sidha shri Akola madhe "A. B. C." jog Akolathi "A. B. C." salaam wanchjo, Jat strethi rakhia "X. Y. Z." pasethi rupia 1,000 anke rupia ek hazar pura lidhachhe teni mudat a hundi likhi mitithi din 61-ekaat khara pachi name shaha jog garat tham thikano joi hundina rite nana apjo. Sanwat 1986 Asu Sudi 6.

(Sd.) A. B. C.

*Reverse.*

Neeme rupia pachaothi bemna rupia ek hazar kari apjo.

(Sd.) A. B. C.

**MR. LALJEE VITHOBA PATEL, Landholder, Sawara,  
Akola district.**

**Reply to the Questionnaire.**

**QUESTION 1.—**(a) For expenses during cultivation money is obtained from the Government, Central Bank and the money-lenders.

(b) For other special needs, e.g., failure of monsoon, for land revenue and for ceremonial purposes, etc., loans are obtained through agencies as at (a) or the land is sold by auction for the recovery of land revenue.

**QUESTION 2.—**Cotton is sold in the cotton market through the agency of the middlemen. Wheat is sold in the bazars either in retail or through the middlemen.

Cultivators need no loan between the harvesting and disposal of crops. For collecting the crops and for minor requirements they find money by selling crops in small quantities. During the process of marketing the merchants bring money from the banks. Those who deal in hundis use them as far as they can. The facilities for internal remittances are cheques, hundis, money orders and half notes sent under registered covers.

**QUESTION 3.—**The value of land per acre for different kinds of crops is from Rs. 25 to Rs. 250. The causes of fluctuation in the prices are the difference in the yield of produce and the rates thereof—

(a) The price of land in Government auction for non-payment of land revenue is very low, because the land does not yield sufficient even for the payment of assessment;

(b) In the event of sale by a court in execution of a decree the land fetches ordinary price; and

(c) The price of land in purchase by private negotiation is invariably satisfactory.

**QUESTION 4.—**The central banks advance loans on mortgage of land. The agricultural banks should raise monies by means of shares.

**QUESTION 6.—**The agriculturist have to pay interest from Re. 1-8-0 to Rs. 2 per cent per month. A respectable person repays his debts voluntarily otherwise legal steps have to be taken against him.

**QUESTION 7.—**The indigenous bankers should be extended the same legal facilities as are enjoyed by the central bank, e.g., litigation, stamp fees, awards, etc.

In order to remove the defects in the existing condition it is necessary (1) to educate the agriculturist class, (2) to reform the primary education system and (3) to give physical and practical education.

**QUESTION 8.—***Investment habit and attraction of capital.*—There was a time when people could afford to save money. Those were good times. Expenses were few; and everything was cheap and people led a simple life. Money used to be kept underground for safety and could therefore remain intact. Now every thing has become dear; expenses have gone up considerably and income has fallen miserably. There is no saving. The practice of burying wealth underground is stopped, money is secure against robbers and thieves but is spent on unnecessary items.

The investment of capital takes time owing to absence of education.



**RAJA GOPALRAO KASHIRAO, Jahagirdar of Malegaon  
district Akola.**

1. (a) Most of the cultivators who obtain finance for expenses of cultivation are generally the persons who sub-lease land belonging to sowkars who have already advanced loans to them. And when they approach the very same bankers for additional loan, it is no doubt granted to them, but at an interest of 4 annas per rupee for a period of four to six months. But before such a loan is granted the bankers insist on the borrowers to enter into an agreement of paying the whole amount of loan with interest thereon at the close of the period for which it may have been granted; failing which the interest at half anna to one anna per rupee per month is charged, to which the agricultural class, poor as it is, has got to yield. As for example, if the cultivators want a loan of Rs. 40 they have to execute a bond for Rs. 50 to the bankers, Rs. 10 being the interest charged as sawai. Such loans are generally taken in the month of August and are paid in the month of December. At the time of taking such loans if the monsoon conditions are unsatisfactory or if the farmers, who need money for cultivation of their fields, possess no other property, they have got to approach Rohilas who lend them money at such a high rate of interest as would swell the amount of the original loan to one and one half or double before it is repaid. If a farmer possessing fields is indebted to the extent of more than half of his estate, he is also required to obtain money for cultivation of his fields at the same high rate of interest as above.

(b) The agriculturist who borrows capital gets it at a lower rate of interest as he does so by mortgaging his fields. Those who desire to obtain finance for permanent improvements of their fields can get it from Government by way of taccavi loans.

(c) For failure of crops the agriculturist no doubt gets taccavi loans from Government to a greater extent than usual, but even then it is insufficient. For payment of land revenue and ceremonial purposes the cultivators get loan by mortgaging their fields at a rate of interest varying from Re. 1-8-0 to Rs. 2-8-0 per cent per mensem. The greater the needs of this class the higher is the rate of interest charged. This loan is generally given by Marwaris and Rohilas and is for a period of four to twelve months only. But as regards taccavi loan from Government, it is granted for a longer period, the rate of interest being 8 annas per cent per month.

The total amount of capital required for the various purposes stated above should be at least Rs. 1,00,000 to start within the Malegaon circle.

Most of the agriculturists in this part purchase their seed, while some take grain advances (wheat, gram, etc) on the condition of their returning the same after four or six months with sawai or didhi.

The defects in the present system and the reasons for the existence of such defects are as follows:—

Every wealthy person who does not cultivate his fields himself invests his money in the purchase of fields with a view to make some provision for his dependents; the result of which is that the value of land has artificially increased to a great extent. This being the case and rate of interest and the labour being disproportionate to the income, the poor class of cultivators become heavily indebted.

When the amount of debt increases the poor cultivator cannot even dare to talk to the creditor. He has to sell his produce like cotton and groundnut through the creditor who does not even pass a receipt for the money paid to him.

If the Rohilas and bankers refuse to advance loans, it is well-nigh impossible for the cultivators to obtain money from any other source.

In the event of a court decree the expenses thereof are so heavy that the poor agriculturist is almost reduced to beggary.

In order to improve this state of affairs it would be well in my opinion to adopt the following remedies:—

(1) The decretal amount of the lease money should not be more than three times the land revenue.

(2) Agricultural banks should be established for each circle where deposits from the non-agriculturists and others should bear Government security.

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(3) Agriculturists who are required to borrow should be compelled to undergo a course of training in agriculture and arrangements should be made for such training at selected places and periods through the representative of the bank.

The proposed agricultural bank should be of the following description:—

(Name).....Circle Bank, Limited.

There should be a board of five directors, four of whom being elected by the share holders and one nominated by the Government.

For facility of work there should be a committee of ten members who should be selected by the shareholders by dividing the circle into ten groups, each group electing one member.

There should be appointed a managing director by the common consent of the Government, the directors and the members and this managing director should be provided with a clerk. At the time of granting loans the assets of the intending debtor should be investigated just as is done while granting Government taccavi loans, and if they are found to be satisfactory, loans should be granted irrespective of caste, creed or political leanings of the debtors. Loans should be easily obtainable on proper security. If the repayment of the loans are not made in the usual course, the Government should realize the amount just as it does in the case of taccavi loans.

Each share should be of Rs. 10 and in addition to this there should be preference shares of the value of Rs. 1,000 each. In this manner the capital of the bank should be raised to Rs. 1,00,000. No shareholder should be eligible to stand for directorship unless he has purchased at least one such preference share. Similarly, the intending debtor should have purchased at least one share of the bank before he is entitled to get any loan.

Deposits should be accepted on the security of the capital of the bank. If after all this the capital of the bank is not sufficient, loans on Government security should be obtained from the Central Bank.

QUESTION 2.—Cotton and groundnut are sold in the cotton market through a broker or a middleman, i.e., practically through the creditors. Juar, pulse, wheat, etc., are sold in the markets by the farmers themselves.

There is, in my opinion, no necessity of forming pools and co-operative efforts generally in marketing produce. Such efforts instead of being of any profit to the agriculturist will be a hindrance to him.

QUESTION 3.—The value of land per acre for different kinds of crops is—

		Rs.	Rs.
1. Cotton	...	100	to 125
2. Juar	...	75	to 100
3. Groundnut	...	50	to 100
4. Garden land	...	150	to 300

Any fluctuation in the value of land is mainly due to the fluctuation in the rate of cotton.

There is practically no difference in the value of land either in Government auction for non-payment of revenue, in the event of sale by court decree or in purchase by private negotiations.

QUESTION 4.—There is no legal impediment to mortgage of land or agricultural holdings. But owing to the peculiar nature of the Muhammadan law, it is difficult and risky to deal with Muhammadans in this behalf.

There are no land mortgage banks nor any agricultural banks. There are only the co-operative banks in certain places, but they cannot be of much use.

The system of record of rights is current and is useful in the mortgage transactions.

The circle banks should advance loans to the agricultural community at Re. 1 per cent per mensem. Similarly, they should accept deposits or loans from the central bank at their current rate of interest.

QUESTION 5.—In this circle 50 per cent of the land is mortgaged with money-lenders. In addition to this there is a further 10 per cent of land which has on it encumbrances of some kind or other.

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(a), (b), (g) and (h) Out of this mortgage,  $\frac{2}{3}$ rd is on account of renewals of the bonds in repayment of the earlier debts,  $\frac{1}{6}$ th is for loans taken for marriage and other ceremonials, while another  $\frac{1}{6}$ th is for sinking of wells and agricultural improvements and bringing into cultivation fallow lands.

This debt is due mostly to Marwaris and Rohillas. Kunbis and other classes also do money-lending business on a small scale, but they cannot be successful in it unless equipped with the cunning of a Marwari or the big rod of a Rohilla.

A well-to-do cultivator gets loans on promissory notes or on hundis. Interest at Re. 1 per cent per mensem and the cost of hundi at annas 8 per cent are deducted from the amount of loans beforehand. If the amount of hundi is not paid on the expiry of the term thereof a further interest at Re. 1 per cent and the cost of hundi is charged on the total amount then due.

All this goes to prove that the agriculturists have become so much indebted that they have lost all their credit with the money-lenders. The money-lenders, on the other hand, have not got sufficient capital to meet all the demands of the agriculturists. Besides, the present process of litigation is so troublesome that the old money-lenders of 30 years' standing have altogether stopped their business and their place is taken by the Marwaris, Rohillas and such other equally unscrupulous people.

In any case loans cannot be had at a lower rate of interest than Re. 1-80 per cent. Loans on the security of ornaments are advanced at Re. 1 or Re. 1-40 per cent.

If this process continues, all the land will pass into the hands of the money-lenders and a new class of landed aristocracy will arise.

**QUESTION 6.**—There is no need at present to take up any other subsidiary industries allied or supplemental to agriculture except gardening and weaving. The improvement of agriculture should be aimed at for some years. Gardening and weaving do not require much training. They only require sympathy and financial help on good security.

**QUESTION 7.**—We have not yet been able to know through our pleaders whether the Usurious Loans Act is applicable to this province at all.

There is no necessity for the enactment of any Money-lender's Act, etc.

## II.—Indigenous Banking.

**QUESTION 2.**—The indigenous bankers of Akola district advance capital for financing trade or industry on the security of cotton or grain. The rate of interest on such advances is annas 12 per cent per mensem. There is a branch of the Imperial Bank at Akola which is helpful only to the indigenous bankers and through them to the dealers in cotton. This bank does not in the least assist in financing agriculture or the rural industries. The majority of bankers in this place are Marwaris and Kachhis.

**QUESTION 5.**—In places where Mahajans do the business of a broker or a middleman they insist on the repayment of their dues by sale of crop through them. Failure to do this results in the enhancement of interest or an urgent demand for the repayment of the loan.

**QUESTION 6.**—The ordinary rate of interest which the agriculturists have to pay to the indigenous bankers at present varies from Re. 1 to Rs. 2 per cent per mensem. Besides this they are required to sell their cotton and groundnut through these bankers.

The establishment of a small bank for each circle, with arrangement for the grant of loans on proper security, will greatly benefit the agriculturists and traders. This bank should advance money to the industrialist at 8 annas, to the traders at 12 annas and to the agriculturists at Re. 1 per cent per mensem and should give as many concessions as possible, especially to the agriculturist in respect of the repayment of their debts.

The loans that are granted at present by big bankers and banks are restricted to a particular class of people; others do not get any money at all in spite of their offering a higher rate of interest. It may be that poverty, unemployment and want of sufficient property are responsible for the loss of the agriculturists' credit in the money market.

**QUESTION 7.**—There is undoubtedly a great prejudice prevalent in our locality against the indigenous bankers, but it cannot be expressed. If some one were to speak a word against the bankers, a suit is filed against him and in the absence of any help elsewhere the poor debtor is utterly ruined. Every body supports the banker unmindful of the just cause of the debtors. This state of affairs cannot improve unless there is a thorough overhauling in the present system of money-lending.

There are instances of bankers who starting their business with a capital of merely Rs. 15,000 have become masters of Rs. 1,50,000 within a short space of twenty years.

These bankers are sufficiently protected in law and do not need any protection.

The dealings of these bankers are not at all conducted on sound lines, because the agriculturists out of sheer helplessness have to accept any condition the bankers may impose. With the growing tendency for litigation, the money-lenders cannot realize their debts in time and therefore no good money-lender advances money even to the best of the agriculturists.

If arrangement is made for the immediate grant of money on proper security and the Government were to undertake the responsibility of its recovery as in the case of taceavi loans, both the debtors and creditors will be relieved of 20 per cent of their burden and both will be benefited thereby to a considerable extent.

**QUESTION 8.**—The system of keeping accounts generally consists of four books. They are (1) the daily abstract, (2) the original account book, (3) the personal ledger and (4) the copy of the personal ledger.

**QUESTION 9.**—After making allowances for the legal expenses, management charges and losses through default the nett return to the respectable indigenous bankers on their capital is 8 annas to 10 annas in spite of the rate of interest being Re. 1 or Re. 1-8-0 per cent per mensem.

**QUESTION 10.**—The indigenous bankers are not able to meet all demands for accommodation owing to insufficiency of their capital and have therefore to refuse the demands of even the well-to-do persons.

**QUESTION 11.**—There is no competition whatsoever between the indigenous bankers and the bank in question.

**QUESTION 12.**—There are some classes such as Mahrattas and similar other castes who possess spare money which does not find employment throughout the year. They do not lend because the process of recovery is tedious. Moreover these people are not acquainted with the law.

Large amounts of money are brought into this district at the commencement of the cotton season, and are lent to the cotton merchants, tenants and others who are very badly in need of money at that time. These loans are recovered at the close of the cotton season and the amounts thus recovered are sent away to the provincial capital.

### III.—Investment habit and attraction of capital.

**QUESTION 1.**—The amount of additional capital required for the Malegaon circle will be from five to seven lakhs of rupees. There are 53 villages in the circle with an area of 97,945 acres, 50 per cent of which is encumbered.

Agriculturists, when they have some surplus money, are to a certain extent in the habit of investing it in the purchase of gold and silver. The sole object in doing so is to make some provision against hard times.

**QUESTIONS 2 AND 3.**—It is only the pleaders, doctors and the Government servants who invest their money in the savings bank. The agricultural community and traders cannot do so for want of sufficient money.

The farmers hardly lend any money to their fellow-brothers for there is a popular proverb in Marathi which (if rendered in English) means "Keep away from the relatives and be near the water", the force of which is that one should have no monetary dealings with his own people.

Such of the agriculturists as do money-lending as a profession grant loans at the same rate of interest and on the same conditions as the other bankers.

RAJA GOPALRAO KASHIRAO.

Mr. Y. M. KALE, B.A., LL.B., Pleader, M.L.C., Buldana (Berar.)

Reply to the Questionnaire.

### I.—Agricultural credit and credit facilities for small industries.

**QUESTION 1.**—(a) A large portion is borrowed from local money-lenders and a small one, that is, by the members of the co-operative societies from the co-operative banks. In times of scarcity they borrow from Government under the Agriculturists' Loans Act.

(b) For capital, from local money-lenders and co-operative banks and for improvements, the two above and the Government, as, *taccavi*, loans under the Land Improvements Act.

(c) For land revenue generally no borrowing is required as the agriculturists as a rule pay for the sale of their produce unless the crops have totally failed. For special needs and ceremonial purposes, they borrow from local money-lenders chiefly.

2. *Rate of interest and security.*—In this district the general rate for agriculturists borrowing from local money-lenders varies from 1 per cent per month to 2 per cent per month for better class of agriculturists. For expenses during cultivation, *sawai* is charged till harvest, i.e., for six months, which comes to 4 per cent per month, but these amounts are small. No security is generally given or asked for such temporary loans which are repaid in the harvest. For large accumulated debts the agricultural land is mortgaged. In rare cases and in backward tracts small agriculturists borrow from *Rohillas* and *Pathan* money-lenders at exorbitant rates. *Adtyas* from cotton-dealing centres also give some advances to their permanent well-to-do clients on the understanding that the advances would be repaid at the time of cotton sales through these *adtyas*. The rate of interest in such cases is generally 1 to 2 per cent per month.

Some local money-lenders make advances by agreeing to purchase future produce at an agreed rate which is far below the probable ruling rates.

3. The Government makes advances in times of scarcity for cultivation expenses but not in ordinary times. These advances, however, are not sufficient to meet the demand of all. For permanent improvements, however, Government makes advances in all times. The main financing, however, is done by the local money-lenders.

The Imperial Bank of India and joint stock banks and companies are not known to have taken any part in agricultural finance. The co-operative banks are playing an important and wholesome part in financing agriculture, but their extent is limited. Professional money-lenders are the main financiers of agriculture. Merchants and dealers play a very insignificant part. Agricultural associations make some advances of seeds, manure, etc., in a small degree.

4. There are no data available for ascertaining this. No survey on the lines is made.

5. In villages grain advances are yet given to *bhagins* and *bataidars* by the landlord, but the system is falling into disuse. It is difficult to estimate the amount. Grain advances are made at *sawai* and *didhi* at the next harvest.

6. This system results in unreasonably high rates of interest and the borrower falls into improvident habits of living on borrowings.

The result of advances on the disposal of future crops is that the agriculturist does not get the full value of his crop.

Indigenous cotton-growers and dealers' associations should be encouraged and given facilities by way of finance and expert advice by Government. These associations should educate and finance agriculturists and help them in securing the best prices for their produce. Co-operative banks also may be made use of for this purpose. The extent of the movement should be such as to do away with the necessity of going to the professional money-lenders. A small compulsory deposit in the bank will create saving.

7. There is at present no co-ordination among the various credit agencies. A co-ordination is very necessary.

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QUESTION 2 (1).—The methods of marketing the crops in this district are absolutely rudimentary. The principal business is done in cotton. Cotton carts are taken to the nearest market and sold there by cultivators. The more important markets are Khamgaon, Shegaon and Malkapur. The local markets at Deulgaonrāja, Chikhli, Mehkar and Jalgaon are also doing large business. Sales are generally made through adtyas who settle the rates for the agriculturist customers, weigh the cotton to the purchasers, make payments to them in the first instance and recoup themselves from the purchasers soon afterwards. The seller has seldom the choice of rates or control over correct weighment, etc. Small agriculturists sell their cotton to local dealers. Generally, the rates are on a level with the rates in the important markets, but advantage is taken in weighment.

A less extensive business is done in grains (wheat and juar). Nowadays groundnut is rising in importance. The marketing of these commodities is also done on the same lines as cotton, with this difference, while there is a demand for local consumption in the case of these commodities, there is none in the case of cotton for which all have to depend upon foreign or Bombay dealers.

QUESTION 2 (2).—There are no possibilities of forming pools in this district, but there is much scope for co-operative effort in marketing produce. The co-operative societies have already made a beginning in starting their own adat shops at Akola, where the produce of the co-operative society members is sold to their best advantage. This is not, however, pooled as the extent of the collected quantity is comparatively small. The land-holders' associations at Mehkar collect the stock of improved cotton of its members and sell it in one lot through the agricultural department to the best advantage of its members and makes advances against the stock of its members during marketing. Though this is merely a beginning of co-operative effort in this district the movement will be eventually to the immense advantage of agriculturists.

3. At present there are no facilities to the agriculturists during marketing. Some traders keep the cotton stock of big land-holders, generally pressed bales, and make advance on its security till it is sold, but to small agriculturists there are no credit facilities and they generally sell outright or keep cotton stocked at their houses so long as they can wait.

Advances to cultivators from the sowing time at cheap rate of interest on the security of their crops should serve some purpose.

5. They supply capital to traders, through whom cash prices are paid for the agricultural produce. In a way the banks and the merchants are the financiers of this trade.

8. Hundis are the best channels of transmitting money. In some cases they supply capital on the credit of individuals and firms. Most extensive business is carried in this way. Remittances are also done by akdas which are not, however, negotiable.

9. The reduction in duty would much more facilitate the business but it would not much increase its volume.

10. (1) *Darshani*.—Payable on sight.

(2) *Muddati*.—Payable at a stated time, most of these are for the trade, but in some case it is a respectable way of incurring debt.

12. They are easily cashed either at the place of issue or the place of destination where a man wants to remit money and are cashed at current rates of discount of premium by any dealer or middleman. Finally, they are honoured at Bombay by the addressee. Bombay is generally the centre.

13. Generally, no business of this kind is done in this district. At Khamgaon and Malkapur a limited business is done by advancing money on the security of railway receipts.

QUESTION 3 (1).—Value of land does not vary according to crop in Berar but only according to the classes of soils. The quality of the soil productivity, demand, economic condition of the neighbourhood, facilities for cultivation or tilling and of marketing, the position of the locality are the chief factors which determine the value of land.

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The value of land in this district is as below:—

Above the ghat	—	Dry land ...	Rs. 50 to Rs. 200.	—	Rs. 150 to
		Bagail land, irrigated from wells	Rs. 300.		
Below the ghat	...	Dry land	—	Rs. 150 to Rs. 300.	
		Wet land	—	Rs. 250 to Rs. 500.	

(a) Value of land in Government auction for non-payment of revenue or in ex-sales or any other sales through revenue officers at the village or locality—

Above the ghats—Rs. 50 to Rs. 150 per acre.

(b) Through civil courts, at headquarters—Rs. 25 to Rs. 100

(c) Private sales—Rs. 100 to Rs. 300.

QUESTION 4 (1).—There are no impediments to the mortgage of lands, as the system is ryotwari. In recent years some holdings are given by Government without right of transfer which cannot be mortgaged. So also are some inama. Such lands are, however, few.

There are no land mortgage or other banks which give long-term loans. The new land mortgage bank scheme contemplated by the agricultural commission would serve the purpose. No improvement is required in the system of records of rights in Berar. The extinction of mortgages are not promptly recorded. The capital of the land mortgage banks should be financed from all the sources mentioned in (a), (b) and (c). Debentures should carry Government guarantee for capital and interest. The bank should be compelled to receive a certain percentage of the debentures actually sold, say all the share money recovered from shareholders who have to purchase certain percentage of shares according to the amount of loan. This should be deposited into the Imperial Bank of India which should pay the usual rate of interest. To this may be added the security of all the lands mortgaged to the bank up to for the amount for which the Government stands guarantee. Such debentures should be included into the list of trust securities as they will be readily saleable.

Long-term deposits should be accepted at 7 per cent interest and funds from central institutions should be borrowed at 6 per cent interest. Interest on debentures should be paid at 6 per cent per annum. The agricultural banks should lend their moneys at 10 to 12 per cent per annum, on failure of three instalments there should be a provision for taking the land in possession. Facilities should be provided for by law.

QUESTION 5.—There are no estimates made, but the Buldana Central Bank is going to form an estimate of some typical village. An accurate estimate can be prepared by local inquiry from debtor and creditors and record of rights registers.

Information will be supplied on the lines suggested of such typical villages after the survey is completed. They are indebted to local money-lenders charging compound interest plays an important part in raising the sum. But this is not the only cause of indebtedness. Imprudence, expenses on marriages, etc., past debts absorbing a portion of yearly income, bad seasons, increased cost of living, increased expenditure on wages resulting in less profits to agriculturists are the chief causes of indebtedness amongst agriculturists.

Rates of interest vary largely. Method of calculation are generally uniform. In some cases interest is calculated according to the Hindu calendar and compound interest is charged as agreed. Debts are recovered either by purchase of produce or through civil court. The Rohillas or Pathans who are professional money-lenders lend money even to labourers and poor men without property at a rate of one anna interest per rupee per month and realize it by resorting to intimidation, physical force or terror, when all these methods are exhausted they sometimes go to courts.

Land is gradually passing into the hands of creditors on account of agricultural indebtedness. When land is transferred, the cultivator loses all incentive to better cultivation.

QUESTION 6.—There are no allied or supplementary industries to agriculture. Rope-making can be introduced on a larger scale, orchards may be increased. Wages are already high in this district and it is difficult to suggest

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the introduction of cottage industries among agriculturists that would attract such additional labour. There are no credit facilities for such industries at present, but unless such industries are in contemplation nothing can be suggested.

**QUESTION 7.**—There is no direct business connection between the different banks mentioned. There are no difficulties experienced in the matter of financing of short-term loans but long-term loans are not given at all. About 5 lakhs extra capital would be required for the ordinary financing of co-operative societies in each taluq. At present the extent of the co-operative movement is in a small area and there is much scope for expansion. There are no joint stock banks in this district and hence there is no competition. No more concessions are required by the co-operative societies in this province. Debentures of Provincial Banks should be included in the list of trustee securities.

The co-operative movement has succeeded in meeting the financial needs of agriculturists, and in areas under its influence in reducing the rate of interest by supplying a healthy competitor. Traders and industrialists do not get any benefit of this movement. Capital is not sufficient to meet the demand of traders and industrialists and the risk involved being great and the credit small, no attempt is yet made. Under the present circumstances it is not safe for the co-operative banks to supply capital to such societies.

The Usurious Loans Act is freely made use of by the civil courts and there is no room for improvement in this matter.

**QUESTION 2.**—(1) The indigenous banks on this side do the following business—

1. Ordinary money-lending on personal security or on mortgage of immovable property and pawning of gold and silver.
2. Supplying capital for cotton trade, generally on the security of goods which are nominally held in the name of the money-lender, up to its final sale. The risk involved in such cases is the amount of losses, if any, for which there is only personal security; the amount of such advances varies from 50 to 60 per cent of the value of goods purchased.
3. Supplying capital for ordinary shop-keeping, cloth, grain, seeds, etc.
4. Supplying capital or materials such as yarn to weavers on the security of cloth to be produced.
5. Advance of grains, seeds, etc., in kind at interest by way of sawai.
6. Transmission of money by hundis and other negotiable instruments, that is, akada.

(2) In the mofussil most of the financing is done by indigenous bankers.

(3) There is no organization of indigenous banking. Each individual does his own business without any co-ordination. Cotton traders in big centres like Khamgaon, Shegaon and Malkapur borrow from the Imperial Bank.

(4) *Vide* reply to question 1 (2).

(5) *Vide* reply to question 1 above. Indigenous banks generally deal on their own capital, but sometimes they borrow from richer money-lenders and accept deposits which are small in number. Interest is paid generally at 9 per cent and in some cases 12 per cent.

When the banker carries on other sale business, advantage is taken by him by insisting on purchases of seed grain and other requirements from his shop, but the debtor never objects to this process. Sales of produce of the debtor through the creditor is generally not insisted upon, nor does the debtor submit to it blindly.

(6) 2 per cent per month and sawai for six months on small loans for cultivation and for grain advances.

The rates could be brought down by creating other competitors like the co-operative banks and advances by agricultural associations at smaller rates.

Yes, but not without education and intensive propaganda.

(7) Yes, there is great prejudice against indigenous bankers. They are, however, sufficiently protected in law. Nothing more is needed. Their dealings with their clientele depends on the honesty or otherwise of the individual

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banker. The defect lies in want of protection to the ignorant debtor. Compulsory maintenance of proper accounts and granting of receipts in each case even if not demanded with a system of counterfoils signed by the debtor will check the evil to some extent. Licensing of money-lenders would go too far and is not advisable.

(8) The indigenous bankers may be organized and given some facilities, that is, financing at smaller rate of interest.

The general system of accounting, where regular accounts are kept, is good and perfect. These accounts are generally not open to ordinary customers as the banker is unwilling to show and the debtor never so bold as to insist. The more intelligent debtors, however, make use of the account books. Generally the debtor has no means of verifying accounts as he has himself no corresponding accounts but perhaps some receipts.

Any attempt towards the introduction of regulations will be stoutly opposed by the bankers.

(9) Not more than 1 per cent on a respectable and good business.

(10) Generally, the indigenous bankers are able to meet all demands except in times of stringency. The unwillingness to advance money is due more to the former cause than the latter. In times of stringency, however, rates of interest increase on account of shortage of capital. On such occasions indigenous bankers should be supplied with capital by the Imperial Bank and other banks.

(11) Local banks with local directors would be more suitable. These local banks should borrow, if necessary, from provincial capital and distribute it to smaller bankers. There should be some sort of control over the rate of interest they charge. The directorates should include one or two representatives of the bankers and this would be sufficient to create confidence of bankers. These banks should refrain from dealing with individual debtors but should deal with indigenous bankers.

(12) No.

No.

Does not arise.

QUESTION 3. (1) *Deposits and borrowings from large banks and savings of individuals.*—I cannot give any idea of the additional capital required. Postal savings banks, Government pro-notes, postal cash certificates, co-operative central bank savings branch are the only means of encouraging savings. The opening of savings branch has to some extent done much to encourage the habit in towns and cities. The reduction of rates of interest insisted on by the Registrar of Co-operative Societies is to be regretted as it will put a check upon the growth of this habit. There are full facilities for investments of their savings, but only the intelligent public in towns take advantage of this facility. The agriculturists hardly take advantage of this. If societies are encouraged to take loans at their places, this habit will grow. The tendency of investing in silver and gold is decreasing day by day.

(2) Postal cash certificates are not yet popular. The rate of interest being smaller and the amount generally deposited being also small it is difficult to attract people. Besides, the bulk of the illiterate and backward classes are not sufficiently enlightened to understand this kind of investment. Higher interest and greater facilities for issue and sale are required. Postal savings bank afford sufficient facilities. Middle and educated classes alone have recourse to this kind of investment. It is difficult to attract uneducated classes on account of prejudice. There is no competition by Government with banking institutions with regard to deposits. The rates of postal cash certificates and treasury bills are not considered attractive.

(3) The facilities are sufficient, but on account of the backward and improvident habits of the people, small agriculturists and small investors in the mofussil will not be persuaded to invest in the Government securities of any sort. They generally do not possess any thing to spare.

There are no such transactions on this side. The sale products of the agricultural produce is generally spent in payment of old debts by agriculturists, land revenue and current family and agricultural needs. Generally, there is no saving. Even for marriages and current cultivation expenses they have to borrow. There are exceptions to this, but they are few. Such people keep their money in their houses rather than deposit it with bankers or banks. This is due to less advanced ideas.

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There is hardly any hoarding nowadays. Landlords advance loans to their tenants, but not to fellow-agriculturists. In a prosperous year they spend improvidently, but during the last ten years there have not been such years to count.

(4) It is not current in this part.

Does not arise.

(5) Yes, on account of want of resources and want of habit. Propaganda would be of very slight use under the present backward conditions.

Opening of branches of Imperial Bank of India has helped the big merchants in cities, but it has no appreciable effect on rural money-lending, banking or saving.

SUPPLEMENT.—The local conditions on this side do not give any data for conclusions.

The application of the Money-lenders' Act is of doubtful utility. The ignorant cultivator will not be able to check fraud and the new system also is likely to be abused.

It is better to take the co-operative bank as the unit instead of the provincial bank which should deal with co-operative central banks and not with societies directly, unless a particular society is a big one, which does not deal with the central bank and wants large sums for individual demands.

**MR. KESHAO SURYABHAN PATIL,** Member, Taluq and District Board and the Berar Joint Board, resident of Bawambir, taluq Jalgaon, district Buldana.

**Reply to the Questionnaire.**

It is a fact well known to the Government and the members of the committee that the condition of the cultivators has become very bad during the past seven or eight years owing to insufficient and untimely rainfall. The establishment of banks will improve the condition of the cultivators to a certain extent, but an all-round improvement cannot be expected through banks alone. For such an improvement it is necessary to amend the existing civil laws of the land.

99 per cent of agriculturists are indebted owing to the expenses of the cultivation, the losses in agriculture and the high rate of interest. Having no other means of livelihood these people have to cultivate lands on patta. If such a state continues the cultivators would be ruined and all the land will pass into the hands of sowkars.

Fodder is getting dearer and the country is starving. It is therefore very necessary to introduce some law (like the Punjab Land Alienation). My suggestion is that the economic condition of the agriculturists should be improved before any legislation to ameliorate the condition of cultivators is undertaken.

**MR. RANCHHOD DAS MOHANCHAND SAO, Banker.**  
**of Jalgaon, district Buldana (Berar)**

Reply to the Questionnaire.

**QUESTION 1.—(a)** The cultivators obtain finance for cultivation from the indigenous bankers on condition of repaying the same by selling their crops. This borrowing takes place sometime between May-June and the end of September. Interest charged on the loans varies from Rs. 9 to Rs. 18 per cent per annum, and if the cultivators are not well off, standing crops have to be mortgaged.

**(b)** Finances for capital and permanent improvements are obtained by mortgaging land.

**(c)** For other special needs such as failure of monsoon, ceremonies, etc., money is obtained either by the sale or pawn of ornaments, if any, or on mortgage of land. The rate of interest is the same. People of the lowest grade obtain loans from the Kabulis, i.e., Pathans.

The Imperial Bank does not come into direct contact with the cultivators by lending them any money. The co-operative banks deal with the farmers on a small scale, but their resources being poor, they cannot finance the agriculturists satisfactorily. Hence all the money dealings of the farmers are necessarily confined to the professional money-lenders, merchants, dealers, and indigenous bankers.

On our side, cotton is the principal crop. By taking seed advances, farmers suffer a loss. In the first place they have to pay high price for the seed, and interest thereon. Again, in order to repay the debts so incurred, they have to dispose of their crops immediately they come to hand, at whatever price they can obtain, and cannot afford to wait for a more favourable opportunity.

**QUESTION 2.—**Cotton and all other crops are sold through the agency of middlemen. If the brokers or middlemen were to organize themselves with the honest intention of benefiting the farmers, they can improve the moral tone of the market. The usefulness of such a body will, however, depend on the literacy of the agriculturists.

In this province there are no credit facilities for financing the products during marketing season. Hence the farmers have no choice but to sell their crops soon after they are harvested at whatever price it may be their good fortune to get. Some gin owners offer advances on the security of cotton and charge commission, but owing to their ignorance the cultivator cannot benefit by this arrangement.

Cultivators have no backing of any bank to enable them to hold up their produce and wait for better prices. The purchasers who are generally foreigners have this facility, moreover the cultivator is pressed for the repayment of loans. He therefore has no alternative but to sell his crops at the prevailing price whatever it may be.

Apart from the postal money orders used for small remittances, internal remittances are wholly effected by means of hundis and the practice has been found convenient. In order to put the shroffs in a position to remit money by draft, the bank rate for remittances of Rs. 10,000 and above should be reduced to half. Likewise, arrangements should be made with the treasuries and sub-treasuries for transmitting treasury bills. It should not be necessary as at present to obtain permission of the currency officer to obtain treasury bills.

Only darshani hundis are in vogue. Mudatti hundis are rare. Hundis are generally drawn on adtyas living in Bombay and they are easily cashed.

The hundis are discounted in the locality of issue. They are sent outside too.

Money is raised on the security of railway receipts. In places where grain is produced on a large scale there is the necessary arrangements for its storage with the adtyas on a small payment, but the adtya himself does not possess adequate funds. If the banks are approached, they insist that the possession of the goods should be transferred to them. The merchants as a consequence suffer in credit and do not feel encouraged to deal with the banks. Hence it is necessary to devise measures making it obligatory upon the banks to advance money without taking anything in mortgage. Such an arrangement will obviate the necessity of stocking cotton in Bombay at high cost and of selling it in Bombay where the prevailing prices are rather low. I am not in favour of licensed ware houses.

**MR. RANCHHOD DAS MOHANCHAND.**

**QUESTION 3.**—The value of cotton growing land per acre ranges for Rs. 100 to Rs. 300 even Rs. 700 per acre. Formerly when cotton commanded good price the value of land was high, but nowadays with the fall in the price of cotton the value of land has diminished. Besides the high rate of interest swelling the debt enormously in a short time and the poor outturn tell upon the value of the land. The cultivator in his anxiety to be rid of debt sells his land, but the purchaser knowing the needs of the seller does not offer full price for it. These factors along with the existing method of assessment contribute to the indebtedness of the cultivator.

The sale of land through private negotiation is always more profitable to both the parties to sale by auction for non-payment of land revenue or in execution of a court decree.

**QUESTION 4.**—There is no legal impediment to mortgage land and agricultural holdings. There are neither land mortgage banks nor agricultural banks or any other banks for providing long-term credit.

Extension of the co-operative credit banks appears desirable.

(a) The procedure obtaining in the Bombay Presidency should be introduced, viz., as soon as a sale or mortgage deed is executed and registered the Registrar should give intimation of the same to the patwari who should record the alteration in the title of ownership in the record of rights, thus leaving no room for dispute or deception.

(b) The methods of working of a mortgage bank are not known, hence no suggestions can be made.

(c) No suggestion.

The working capital of the proposed mortgage bank should be derived from all the three sources, viz., (a) debenture bonds. These debenture bonds should carry Government security both for principal and interest. To secure itself against unnecessary loss, Government should retain in its custody these debenture bonds which should be included in the list of trustee securities. The rate of interest for money raised by accepting deposits from the public should be Re. 1 per mensem in excess of that which the Imperial and other banks pay on deposits with them. The rate of interest (of the debenture bonds) should be attractive.

Mortgages should not be possessory.

Loans should be repayable in instalments and the period of such instalments should extend to two years. In the event of default of the instalments the bank should be put in possession of the land.

The rate of interest should be between 9 to 10 per cent per annum and not more.

**QUESTION 5.**—There are no subsidiary industries allied or supplemental to agriculture. The agriculturists do nothing of the kind. But if they want, they can do dairy farming, handspinning and weaving easily in their spare time. But the chief difficulty in this respect is about education. Unless the agriculturists are educated they will not be able to appreciate the real value of time. Even if an educated farmer were to do some subsidiary business he will not be able to profit himself thereby in these days of competition.

The industry to rear silk worms will suit the climatic conditions of this place, but it requires a sincere desire on the part of Government to help such an enterprise.

Then in order to stimulate the growth of the co-operative movement it is desirable to extend to them the special exemption from income-tax and the inclusion of debentures issued by the provincial co-operative banks in the list of trustee securities, etc.

The Usurious Loans Act is not being availed of. This Act should be so amended as to make it illegal to charge interest more than 12 per cent.

There is a great need for an enactment like the English Money-lenders' Act or the proposed Money-lenders' Bill for the Punjab.

The financing of the primary societies should be done by the central banks.

**MR. RAMESH DAS MOHANTANAND.**

## II.—Indigenous Banking.

1. The business of banks consists of giving loans on interest, taking of mortgage bonds and drawing and negotiating hundis.

2. Cultivators get credit easily from the indigenous bankers. Cultivators are heavily indebted to these bankers, but they still get loans from them. Thus these bankers help production of crops indirectly. Sowkars provide capital for trade on railway receipts or hundis.

This fact indicates that these bankers play an important part in the financing of trade and industry of the country.

3. (a) and (b) It is not possible to estimate the capital of these bankers who do business even in very small villages.

(c) The banker has to employ men to keep books and to dun debtors, owing to his elevated rank in society he has to spend decently on his own account, has to pay contributions or donations to a number of public institutions and on the top of all this he has to pay heavy income-tax.

5. The indigenous bankers when granting loans do not impose any special conditions. The loans have, however, to be repaid within the stipulated time. Merchants receiving loans from the bankers are charged interest varying from  $4\frac{1}{2}$  to 9 per cent per annum. Sometimes they take loans from their agents in Bombay on deposits, interest from Rs. 3 to Rs. 4 per mensem is paid.

Bankers sometimes advance loans in commodities, but they do so with the consent of the borrower. Brokers do insist that their clients should sell their produce through them.

6. The rate of interest the agricultural community has to pay varies from 12 to 18 per cent per annum.

If the number of co-operative banks is increased and if Rs. 7-8-0 per cent interest is guaranteed by them, indigenous bankers will gladly deposit their money, in them, because their present business is full of risks and does not yield more than Rs. 6 to 7 interest to them on their capital. Unless the agriculturists are properly educated reduction in the rate of interest alone will not benefit them.

7. Yes, there is a prejudice against the indigenous bankers. Barring, however, a few mean-minded and petty lenders dealings of indigenous bankers with the clients are conducted on sound lines. There is no dishonesty in their dealings.

8. The bankers would be more serviceable to the agricultural community if they were enabled to obtain finances on their honour and personal security at 6 to 9 per cent per annum and if it were declared illegal to charge interest at more than 12 per cent. Their system of account is good enough and the accounts are open for inspection or verification, by the customers. There are, however, a few exceptions. As, however, the illiteracy of the farmer tempts the money-lender to practise fraud and so long as the illiteracy continues, things cannot be expected to change. Any attempt to remove the illiteracy of the people will be regarded with suspicion in the beginning, but when once they appreciate the significance of such a measure, they will not fail to turn it to their advantage.

9. The nett return to the indigenous banks and bankers generally speaking is not more than 6 per cent.

10. The indigenous banks or bankers are not able to meet all demands for accommodation and are obliged to refuse some.

11. The indigenous banking system cannot be linked up with the provincial capital; all depends upon the conditions of commerce in a given place. Bombay being a seaport has become the centre of trade. Transactions in hundis cannot go on as smoothly outside as within Bombay itself. If there are a number of purchasers, there are a number of sellers of hundis also in Bombay. Not even 1 per cent of these comes in contact with an inland town like Nagpur, hence the linking contemplated is impossible.

12. A few years ago this was the case, but it is not so now.

Co-operative movement, if properly strengthened, will provide the necessary agency for the circulation of money within the district.

MR. RANCHODDAR MOHANLAL.

### III.—Investment habit and attraction of Capital.

1. Increase in the rate of interest on deposits is the only way to induce the people to deposit money in banks instead of investing it in gold and silver.

There is no institution in existence for encouraging saving and investment habits. The interest in the savings bank being nominal, people are not tempted to put their savings into these banks.

We may have to wait a good long time before the farmer comes to take advantage of insurance companies. Meanwhile he should be educated.

The public are not provided with any facilities for the investment of their savings.

The postal savings banks must be opened even in the smallest villages and their rate of interest raised from 3 to 6 per cent per annum. If the people only get to know how to put their spare money in a profitable manner at a secure place, they will be only too eager to do so. The postal banks should be affiliated to the provincial co-operative bank. The opening up of a separate branch of the co-operative bank for this purpose only would mean additional expenditure.

2. The postal savings banks do not afford all facilities to the public. If on the first day of a month an individual has Rs. 5 to his credit and he puts in another Rs. 100 on the 10th of the month he gets interest not on Rs. 105 but only on Rs. 5 for that month. He thus stands to lose. This needs amendment. It is chiefly the Government servants who resort to this form of investment.

4. The use of vernacular script in banks will help the public in knowing the working of banks.

The opening of new branches of the Imperial Bank of India has had the effect of enriching the foreign merchants. Almost all the capital that they require for purchasing raw material is got together from the people of this country.

Indigenous bankers used to supply funds on hundia before, but now the Imperial Bank has ousted them.

### Supplementary Questions.

1. (a) *Export.*—The way in which the indigenous bankers help the farmer in his agricultural operations has been previously dealt with. After the harvests are ready he brings them to the market place in his own cart drawn up by bullocks and sells them through the middlemen.

2. If there is no demand or if reasonable prices are not offered, the merchants take the commodity into their custody, taking a deposit against the probable loss and agree to sell within the specific time agreed upon. These merchants by increasing the number of purchasers create competition among them and thus work for the benefit of the farmer in that they manage to secure the highest prices obtainable for the farmer's commodity. Else the foreign traders would give them very much less than what they could make in this way. Compare the cotton rates here for the last three years with those in Bombay and it will be noticed that cotton if sold locally fetches more than what it would if sent to Bombay and sold there.

(b) *Import.*—The agents in Bombay and other seaport towns purchase goods on behalf of agents in foreign countries on condition of receiving some commission.

Merchants in large towns supply goods to merchants in cities and small villages on the lines indicated above.

Habit of speculation is ruinous to sound trade. People anxious to become rich without trouble are tempted to speculate and they ruin the trade and themselves.

## I.—BERAR DIVISION.

(b) EVIDENCE OF WITNESSES WHO FURNISHED WRITTEN STATEMENTS AND WERE ALSO ORALLY EXAMINED.

S. G. MUTKEKAR, Esq., I.A.S. Deputy Director of Agriculture, Western Circle, Amraoti.

## Reply to the Questionnaire.

QUESTION 1.—(a) For current cultivation expenses, the agriculturist obtains finance in any of the following ways:—

(i) By cash in hand (i.e., his savings). Cultivators who can effect a saving out of their earnings are in a position to finance themselves. Generally, the big cultivators are not required to borrow in order to finance agriculture, but the number of such cultivators is small.

(ii) By sale of surplus stock of grain and fodder. Such cultivators who may have a surplus stock of grain or fodder, dispose it off generally when the prices of food-grains go up, in order to have cash in hand to meet the expenses of cultivation.

(iii) By contracting loans from sowkars. Such loans are borrowed generally on the *sawai* system and have to be repaid either in money or in kind after the harvest of the season's crop, by one-quarter more than the amount borrowed. The sowkar, in cases of such loans, resorts to the discount of *batta* system, i.e., he gives Rs. 80 or Rs. 90 for a bond of Rs. 100.

(iv) By borrowing small amounts from the itinerant Pathan money-lenders. Loans from these money-lenders carry a very high rate of interest, varying from 2 annas to 4 annas per rupee per month. Monthly payment of interest is insisted upon. Only the poorest cultivators who have very little credit take advantage of these loans.

(v) By taking loans from the Government on the *taccavi* system. Funds for such loans are limited, but many hesitate to apply for such loans.

(vi) By contracting loans from the co-operative credit societies. These loans are advanced only to members of the societies.

(b) and (c) For capital, permanent improvements and other special needs.

— Sources Nos. (iii), (v) and (vi) are generally resorted to.

*Rates of interest.*—The rate of interest on loans borrowed from the sowkars varies from 9 to 24 per cent according to the credit of the borrower and the amount of the loan borrowed. Loans for current cultivation expenses are generally short-term loans and are secured by pro-notes. These are advanced for comparatively short periods—6 to 8 months—and carry the privilege of renewal. When the creditor happens to be an *adatya*, he binds the borrower by an oral contract to sell his farm produce through him (*adatya*).

Loans for capital or for permanent improvement and other special needs are generally long-term loans. These are secured by mortgage of lands, moveables or valuables and on personal security. The period for which such loans are taken, extends generally from one to twelve years.

*Condition of repayment.*—In almost all cases where land is mortgaged, the condition of *lahan gahan* or automatic surrender of the land mortgaged is insisted on, on failure to keep up the instalments agreed upon. Penal interest is also charged in case of defaulted instalments.

(1) Government grants *taccavi* loans for seed, manure, implements, land improvements, power plants, digging of wells and for effecting other agricultural improvements. These loans are granted on mortgage of land or any other realizable security.

(2) The Imperial Bank of India does not grant any loans for agricultural purposes. They do not accept landed security, but accept mortgage of valuables.

(3) The joint stock banks also afford the same facilities as the Imperial Banks.

(4) Co-operative banks advance loans to co-operative societies to meet the financial needs of their members.

(5) Professional money-lenders, merchants and dealers form the principal creditors of the agriculturists. They advance money for almost any purpose on sufficient security, preferably mortgage of land.

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It is difficult to give an estimate of the amount of capital that a district would require for the purpose given above. If, however, such an estimate is attempted, Rs. 20 per acre would, in my opinion, approximately meet the financial requirements of the country. A cultivator requires about Rs. 10 per acre to meet his cultivation expenses and roughly about the same amount for his other household needs, including emergencies. It must however be noted that every cultivator is not a borrower. Some, however, may need more money and some less. Considering all such cases Rs. 20 per acre would I think meet the requirements.

**Grain advances.**—These are made, to a certain extent, in every village. Generally tenants and poor cultivators are required to take such advances. When advances of grain are made, these are usually returned after harvest by 25 to 50 per cent more than the quantity advanced. At some places the cost of the grain so advanced is calculated at the current rates and it is then regarded as a money loan bearing the usual rate of interest. Cotton seed is also advanced to needy cultivators for sowing purposes, on agreement to return raw cotton, weight for weight, for the seed taken.

**Defects.**—(1) The procedure for taccavi loans is very elaborate and consumes a considerable amount of time for the preliminary enquiries that have to be made before such loans are sanctioned. Under the present system it does not seem possible to curtail the procedure. It would be better if a special officer is appointed for dealing with taccavi loans and greater control is exercised over the expenditure of the loans given to farmers. These loans are sometimes misapplied.

(2) Loans taken from sowkars carry exorbitant rates of interest. The Usurious Loans Act should be enforced where necessary and long-term cheap credit may be provided for redemption of mortgages. Legislation, however, does not prevent abuses and money-lenders may resort to the *batta* system i.e., they will give Rs. 80 for a bond of Rs. 100 which is another way of evading the law to realize heavy interests.

In addition to the payment of high rate of interest, the cultivator has generally a running account with the money-lender, who is also a retail trader, for all his purchases of food, clothes and ornaments. This practice of money-lenders of selling goods to the debtors lends itself to grave abuses. Further, the debtor, because of his illiteracy and ignorance, seldom knows the amount of his debts and is absolutely dependent upon the honesty of the money-lender, who, as some one has said, "plays the double part of the amiable Shylock as well as the obliging supplier of the cultivators' needs." The sowkar should be forced to keep regular accounts which should be open for inspection when required by the parties concerned.

Practice of charging compound interest on default of payment should be stopped.

Sometimes the capital bears interest even after it has doubled *dam dupat*. This should not be allowed.

When the debtor has money to pay his debt, the creditor does not accept it if it is paid before the expiry of the period agreed upon. When, however, such payment is accepted, the creditor insists upon payment of the interest for the whole period.

Among the various sources of credit, the Co-operative Credit Society is the cheapest source, but due to illiteracy among the masses, the progress of the movement has been unfortunately slow. The cultivator prefers the money-lender to the co-operative society, in spite of the high interest he has to pay, because the former is prepared to advance money on pro-notes without subjecting the borrower to much formality. With the money-lender, there is no elaborate filling up of forms not much of publicity and renewal of loans is easy. Loans are also obtained at very short notices.

**Suggestions.**—Supply of cheap credit (say, at 6 per cent), advising safeguards against indiscreet and imprudent borrowing, should be provided. In India, debt is almost a habit and cheap credit must be controlled, otherwise it becomes a curse instead of a blessing. Credit should be restricted by fixing the borrowing limit of cultivator which should be some multiple of the land assessment paid by him. Land assessment seems to be the most convenient and practical basis in fixing the borrowing limit. Creditors should see that the fixed borrowing limit is not exceeded while advancing fresh loans. Every entry of the debt incurred

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should be made in the register maintained by the village officers, who should issue receipt for such entry having been made. Nominal fee may be charged for this work. Claims of registered debts should be recognized first, unregistered debts should take their own responsibility. This device will curtail the tendency of cultivators to borrow and will prevent creditors from advancing loans over limit.

As agriculture has become more and more a commercial industry, calling for greater investments, the credit needs of the farmers have increased and it has become necessary to formulate plans for the better finance of the industry. The co-operative societies should be prepared to advance loans at a very cheap rate of interest, say, not more than 6 per cent, provided these loans are utilized entirely for agricultural purposes. Government should provide capital to the co-operative banks at a rate that will enable them to loan it to the farmer at 6 per cent. There are some banks such as the Imperial, Postal, etc., who receive large amounts of deposits at 3 or 3½ per cent and they should be able to advance loans to Banks at say, 4 per cent setting apart one per cent to meet their establishment expenses.

*Suggestion.*—Banks advance money indiscriminately to all who apply for it. There are instances where the sowkars take loans from the banks on low rates of interest and do money-lending business with cultivators at exorbitant rates. In this connection I would give an extract from the printed report on "An Investigation into the Marketing of Cotton in Berar" page 6. It is noteworthy that during the village enquiries at Gaigon, a village in Akola section, it was found out that certain land owners had been borrowing considerable sums from Co-operative Credit Societies at 12 per cent and at the same time, were advancing varying amount to small cultivators at 24 per cent. That such action is possible denotes a want of safeguard by the Co-operative Credit Societies in their financing transactions. Ways and means may, if possible, be devised to stop such a practice.

*Co-ordination.*—There does not seem to be any co-ordination among the various credit agencies. The money transactions that take place between the sowkar and the cultivator, carry different rates of interest with different people even at one and the same place.

A fair amount of co-ordination has been established between the financing operations of Government and co-operative banks.

**QUESTION 2.**—The principal crops in Berar are cotton, juar, wheat and groundnut. My note on cotton marketing is printed in the report on pages 94 to 111. Notes on the marketing of other crops are hereto attached. Formation of pools and Co-operative marketing would doubtless result in securing better prices for the produce of the cultivator and it would enable him to withhold it when prices go down; with the present mentality of the cultivators and their illiteracy, I believe that it would take a great deal of time to develop Co-operative Marketing where the present system has been established since generations and the cultivators are under various financial obligations to the traders.

The cultivator will have to be educated to fully understand the need of pooling his produce. It will be necessary for this purpose to establish warehouses at the marketing centres and to make arrangements to give some advances to needy cultivators on the produce deposited by them in the warehouses.

*Credit facilities during marketing.*—The cultivator is generally in need of money during the marketing season as he has to repay petty loans borrowed by him for current cultivation expenses from the sowkars. The cultivator generally takes loans for this purpose from the adatyas through whom he agrees to sell his produce. Being thus under financial obligations to the adatya, he becomes helpless and is required to sell his produce even when he knows that the rates are unfavourable. Arrangements for granting advances on security of produce and at concession rates of interest would considerably help the cultivator.

*Internal facilities for remittances.*—Bills, drafts, hundis, cheques, and money orders and postal insurance form the principal facilities for internal remittances. More extensive use of bills would facilitate work if duty is reduced.

*Classes of hundis.*—Darshani (Sight); Bithi (Periodical) to be honoured within a specific period.

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A certain kind of goods, i.e., pressed bales of lint, are deposited with the banker and money is raised on that security by the merchant, for his business. This money is repaid by him with interest as soon as the goods so deposited is sold.

**QUESTION 3.**—The value of land for dry crops varies according to the localities. The present price of fairly good dry crop land is, on an average, Rs. 250 per acre while that of garden land is nearly double of it.

*Factors affecting value of land.*—(1) Location as regards rainfall conditions, labour facilities and social conditions.

(2) Fertility and nature of soil.

(3) Suitability for particular crops.

(4) Facilities for irrigation.

(5) Possibilities of improvement.

(6) Vicinity to market, railway or a central place.

(7) Fluctuations in price of farm produce, especially cotton.

(a) *Value of land in Government auction.*—Always less than the proper market value.

(b) *Civil Court Degree Sales.*—Prices given in auction are notoriously uneven—Sometimes less and sometimes more than the proper market value.

(c) *Private negotiations.*—Price settled by private negotiations generally represents the proper market value.

**QUESTION 4.**—There are no legal impediments to mortgage lands. There are no land mortgage or agricultural banks or any providing long term credit.

The cultivators are so badly steeped in debt that it seems unlikely that they would reinstate themselves unless some drastic measures are adopted. I would therefore advocate the enactment of a Rural Insolvency Act which will relieve the cultivators of the enormously heavy pre-existing debts and enable them to start with a clean sheet. Any arrangements to advance loans on concession rates, establishment of land mortgage banks and the like, will only serve as patches to a blanket which is almost torn and unserviceable.

The establishment of land mortgage banks and debt redemption societies will no doubt be a blessing to the cultivator but debt has been his habit and there is no cure for it. Any provision of credit facilities should therefore precede the fixation of the borrowing limit of the cultivator to save the poor man against the virus of facile credit and easy money.

(a) No improvement required in the Record of Rights except that all entries are carefully made.

(b) Necessary. By grant of award exempting court fees.

(c) Yes. It is desirable.

*Working capital for Mortgage Bank.*—It should be raised by (1) Shares, (2) Debentures issued by the (Bank), (3) Deposits from members, (4) Deposits and loans from non-members, (5) Realized profits.

The debenture bonds can be successfully floated if there is a Government guarantee for payment of interest. Government guarantee is necessary to create confidence of the public. As the immovable property of the agriculturist will be the main security for these loans, there will be no loss to Government in guaranteeing these debenture bonds.

**QUESTION 5.**—I give below the actual figures of indebtedness of the people of Itki village in Daryapur taluq. The figures give the total amount of debt of the entire village and have been obtained with considerable care, during my investigations in connection with the Economic Survey of the village. The population of the village is 744 and total area 2,410 acres:—

	Rs.
Resident kbjedars	65,411
Resident tenants	5,342
Agricultural labourers	2,237
Craftsmen	927
Non-Agricultural labourers	193
<b>Total</b>	<b>74,110</b>

This debt represents 14.5 times the land-revenue. When distributed over the total population of the village it comes to Rs. 99 per head and when distributed over the entire area of the village, it calculates to Rs. 32 per acre.

The enclosed chart also gives an idea of the indebtedness of a few other villages. This information was collected by me during my investigation about "cotton marketing and financing". A report written by me has been printed by the Indian Central Cotton Committee.

The only way to get reliable information about the indebtedness of cultivators is to mix very freely with them and gain their confidence. They should feel that you are one of them and also their benefactor. Gaining of confidence should precede at any definite enquiry about indebtedness.

*Classification of the debt of the Itki village.*

			Rs.
Mor gage debt	...	...	38,200
Personal debt	...	...	35,910
Total			74,110
 Debt of kabjedars—			
Productive	...	...	20,796
Non-productive	...	...	44,615
Total			65,411

All the debt of the Itki village is due to money-lenders. Debt was incurred for a variety of purposes as given in the questionnaire but much of this debt being very old, the cultivators were unable to say how much of it was for a particular purpose.

*Causes of indebtedness* (1)—Uneconomic habits. The cultivator has contracted habits of increased expenditure on personal comforts which he used to forego in his less prosperous days. Competition in marriage expenses. He has attained a standard of living reflected not so much in his meal as in his clothes and in amusements hitherto unknown.

(2) Lack of ambition. He does not exert to increase his earning capacity. He is satisfied with the bare necessities of life.

(3) Tendency towards easy life. He has become more of a supervisor and that too a bad one, where originally he was a ploughman himself.

(4) Comparative incompetence.

(5) Misfortunes such as loss of bullocks by disease, failure of crops, etc.

(6) Social customs—Marriages, births, funerals, etc.

(7) The fundamental cause is that taken over a series of years the remuneration or net return left to the cultivator is much lower than in many other walks of life. There are some good years but they do not compensate sufficiently for the bad years to leave him a surplus. The result is that he is considered far less solvent and far less credit-worthy, than other classes. He has thus to pay high rates of interest for such money as he can borrow.

*Rates of interest.*—Already given elsewhere. The methods used by sowkars for calculating interest are very mysterious. The debtors seldom know the amount of the debts nor do they know enough of accounts to say whether the interest calculated by the sowkar is correct. Such conditions are evident in every village.

It is a fact that kabjedars are losing their lands and becoming tenants.

**QUESTION 6.**—There is a variety of subsidiary industries to agriculture. These existed in the country during the pre-factory days but competition between factory and hand power has completely ruined them. Many beautiful crafts also disappeared because of the change in the tastes of the wealthy people who supported them. Grinding of flour which was done by the women by hand is now done

by the mill. Subsidiary industries have now their limitations and we find that cart-hiring field labour and keeping of a buffalo, are the only common subsidiary industries followed by the people. One of the characteristics of the Indian farmer, whatever his occupation may be, is his disinclination to do any other kind of labour, even when his own interest and comfort are concerned, except that to which he has been bred. He further lacks the faculty of using his hand to any kind of job.

Poultry or keeping of buffaloes would fit as side industries in general farming. Quick returns are realized on the small amount of capital invested and when the business is intelligently and carefully conducted it is remunerative.

An average cultivator does from 150 to 200 days work on his farm. But this is distributed throughout the year and hence he cannot leave his farm and go to work elsewhere. The cultivator, doubtless, gets some off days but these are interspersed between crops and moreover on many of these he is occupied in domestic duties such as repairs to his house, sheds, bunds, etc. A farm is not further, like a manufacturing factory or a store when the owner can close the doors and go away as he likes. It is the waiting that keeps him busy almost throughout the year. The climate of the country is also not very congenial for work especially during the hot weather. I do not therefore look for any hope of the idea of extending of village industries in real agricultural sections.

Even if a revival of the village industries is attempted, I doubt whether the handicrafts could compete in the markets with goods produced by factories. Instead of advising individual families to take to handicrafts, it would be better if regular factories are started in groups of villages to compete with other consolidated factories. This will give work to a large number of people in the village.

I would suggest that the cultivation be made so extensive or intensive that the cultivator is occupied throughout the year. He should, during the slack season, be interested in the work of village sanitation drainage, hygiene, repairs of village roads and the like. Special weeks should be fixed for special works such as "Road Repair Week", "Health Week" and the like. During the road repair week, the village community should be so organized as to be willing to do work on the co-operative basis. Each family should spare one man for a week for the purpose. There is no more important work than rural organization and rural betterment during the slack season.

### Grain Marketing in Western Circle.

Grain producing and grain marketing are not expected to be of any great commercial importance in a tract which is admirably suited for growing a highly paying money crop like cotton. The cultivators in this part of the country find it more profitable to grow cotton which commands a high price than to grow food grains for commercial purposes. Each village generally grows enough of food grains to feed itself. Most of the food grains therefore do not enter largely into commerce and are consumed where they are grown.

The principal grain crops grown in this circle are juar, wheat, rice, bajra and pulses. In the early days large stocks of grains used to be on hand, the supply being great and local demand limited. The grain was extensively stored by cultivators in every village as each of them had to grow enough to feed himself. Prices also then, ruled very low. The rates of wheat, juar and rice in the fifties were 60 seers, 32 seers and 20 seers per rupee while in 1925 the rates for the corresponding crops stand at 10, 5 and 5 seers.

In times of famine these stores of grain were ready to be moved into affected areas but owing to the extension of railways and construction of roads in the interior, which have resulted in providing increased marketing conveniences, there has been growing a tendency among cultivators to discontinue storing of surplus food grains. Further, the high prices of cotton have changed the condition to such an extent that some cultivators find it profitable to grow more cotton than food crops and buy the latter from outside.

Export trade has also considerably increased in cotton and oil seeds and it may be stated in general that these crops have supplanted food grains to a considerable extent. The local food supply is at times insufficient and grain has to be imported into Berar with the result that the general level of prices is higher than in the Central Provinces.

MR. S. G. MUTSAR,

It would be interesting however, to examine whether the present food supply is such as to satisfy the ordinary needs of the four districts of Berar.

The population of Berar in the year 1869 was 2,210,064 while in 1925 (census of 1921) it has increased to 3,075,316. The total area under food grains during the two years was 2,811,639 and 3,405,565 acres respectively and was distributed under each crop as shown below.

Year.	Rice.	Wheat.	Juar.	Bajra.	Cereals and pulses.	Total of columns 2 to 6.	Total cropped area.
1	2	3	4	5	6	7	8
	Acres.	Acres.	Acres.	Acres.	Acres.	Acres.	Acres.
1869-70	44,793	478,438	1,812,693	117,273	358,442	2,811,639	5,361,375
1924-25	23,007	216,017	2,353,180	106,658	706,703	3,405,565	7,010,468

The following figures represent, with the nearest approach to accuracy, standards of outturn which may be expected in a year with average agricultural conditions:—

Rice	...	...	1,000
Wheat	...	...	700
Juar	...	...	750
Bajra	...	...	500
Other grains	...	...	800

From the annual average of the area and the yield, we obtain the following figures showing the average food produce per year for the two years of 1869 and 1925:—

Crop.	1869.		1925.		(In thousand lbs.)
	...	lbs.	...	lbs.	
Rice	...	44,793	...	23,007	
Wheat	...	334,906	...	152,248	
Juar	...	1,359,520	...	1,794,885	
Bajra	...	58,636	...	53,329	
Other grains	...	286,754	...	565,392	
Total	...	2,084,609	...	2,558,831	
		or		or	
		930,625 tons.		1,141,873 tons.	

The calls on this stock of food grains may be classified under two heads— (1) Internal consumption as human and cattle food and as seed grain and (2) external demand of the export trade. Now the factors which make up the first head present some difficulty as we have no standards whereby we can fix with certainty the requirements of seed grains, human and cattle food. Taking however 50 lbs. as the average seed rate per acre for the various food crops, an average area of 3,405,565 acres would require about 76,017 tons for seed. Deducting this quantity from the total supply of 1,141,873 tons we have a balance of 1,065,856 tons available as food for a population of 3,075,316. The Famine Commission estimates that  $1\frac{1}{2}$  lbs. of the meal or flour of the common grains of the country (see Report of Famine Commission of 1880, Volume 1, page 59) is sufficient in ordinary times per head per diem. But, allowing a liberal ration of 2 lbs. per head per diem, we find that the present population will require 1,002,223 tons of grain leaving a surplus balance of 63,833 tons, which is evidently too insignificant to last the people till the next harvest time and to meet the demands for cattle food. All these calculations are based on the assumption which is notoriously untrue that there will be an absolutely fair and equal distribution of the food among the people and absolutely no wastage.

Now, turning to the figures given in the table below, it will be seen that in the year 1869, after meeting the requirements for seed and human food, there

was a surplus balance of 147,622 tons which is more than double the present balance:—

Year.	Population.	Total yield.	Requirements in tons.			Surplus.
			Seed.	Human food.	Total.	
1.	2.	3.	4.	5.	6.	7.
1869	2,210,064	Tons. 930,625	62,759	720,244	783,003	Tons. 147,622
1925	3,075,316	1,141,873	76,017	1,002,223	1,078,240	63,633

It must, however, be noted here that because of the proportionately large surplus in the early years, Berar had an export trade in grains amounting about 3,000 tons every year. The conditions have since, immensely changed and Berar has to import food grains rather than to export them. It is evident from the statistics given in the annual report on the rail-borne traffic of the Central Provinces and Berar that the quantity of food grains exported into Berar in 1924 was only 133,100 maunds while the imports for the same year amounted to 1,627,625 maunds thus showing a balance of 1,494,525 maunds in favour of imports. The idea in giving these figures is to show that the present supply is barely adequate for the requirements of seed as well as human and cattle food and the surplus if any left is too insignificant to build up any trade on it.

**Existing Market Facilities.**—Most of the smaller villages in Berar have no shops of any kind. Shops of grocery oil, etc., are to be found in larger villages and the vast majority of the inhabitants depend on the weekly bazar for the supply of any commodity which they do not grow on their farms. Few villages are situated more than 6 to 8 miles from a bazar and each bazar supplies the petty needs of all the villages for which it caters. The days of these bazars are so arranged as to suit the convenience of the petty dealers who travel round in a circuit from bazar to bazar. Apart from these weekly bazars there are more important centres where the cultivators purchase their cattle and cloth and sell grain, ghee and other similar farm products.

In villages where there are no weekly bazars small cultivators dispose of their produce in the following ways:—

- (1) Quantity sufficient for the whole family to last for at least one year is stored.
- (2) In some cases payment to labour is made in grain instead of in cash.
- (3) Oil and groceries are sometimes obtained in exchange for grain from itinerant dealers who visit the village.
- (4) Sale to non-agriculturists in the village itself who do not grow these articles.
- (5) Small head loads of food grains are taken to weekly markets for sale according to requirements for cash.
- (6) Sale to itinerant traders in the village itself.

Big cultivators, on the other hand, store sufficient quantity of food grains to last them for at least two years and whatever surplus may be left after payment to labour is either carted to central markets for sale or is sold in the village itself to the dealers or their agents in the central markets, who visit these places for making grain purchases.

Cultivators, as a class therefore, do keep sufficient supply for the year while the non-cultivating classes live on the local supply so long as it lasts and when it is exhausted or is not available to them by purchase they begin to import their food grains from other places.

**Important food grains—Juar.**—Among the principal grain crops grown in the Circle, juar, wheat and rice constitutes the staple food of the agricultural population. Of these three juar occupies the largest acreage and is regarded as an indispensable article of food. The production of this grain is not sufficient

to meet the local demand which is met by import from outside. Owing to such a large internal demand for juar, the volume of exports has never attained any considerable dimensions. The annual report of the rail-borne traffic for Central Provinces and Berar shows that in the year 1923-24 the quantity of juar exported from Berar was 45,736 maunds while the quantity that was imported into Berar amounted to 110,403 maunds. The annual imports of juar exceed the exports by about 64,667 maunds.

**Wheat.**—Wheat occupies a second place among the staple foods of Berar. The area under this crop used to be quite considerable until a few years ago and the supply of wheat was at one time, more than sufficient to meet the local demand but since the last few years, the area sown under this crop has tremendously decreased owing to insufficiency of rains and the high prices obtained for cotton. The cultivation of this crop is now restricted mainly to the Ghat taluqs of the Akola and Buldana districts which are so situated as to get comparatively liberal rains. It is found grown only in scattered localities in other districts. Owing to this decrease in its acreage the production of wheat has fallen short of its demand and in the year 1923-24 the quantity of wheat and wheat flour imported into Berar was 921,724 maunds while the quantity exported during the same year amounted to only 2,499 maunds.

**Rice.**—Rice, unlike juar and wheat, was never considered as an indispensable staple food by the people of Berar. It does not form part of their daily food and is eaten mostly on occasions of festivities and marriages. The cultivation of this crop has not therefore received much attention and the area under it is comparatively insignificant. Rice is mostly imported into Berar from outside and in the year 1923-24 imports of this grain amounted to 77,988 maunds.

I. *Different ways of marketing food grains.*—By direct sale to consumers.—

(a) In the village itself either at the residence of the seller or of the consumer. Grain is sold by measure and the measurer is generally the seller.

(b) In the weekly bazar where the grain is carried either as head loads or in carts if the quantity is large enough for a cart load.

II. By selling to the village bania or to itinerant traders. The measurer is usually the buyer in such sales.

III. By selling direct to the dealers in the central grain markets. Cultivators who have large quantities of grain to be sold find it more profitable to take it to the central grain markets than to sell it locally or in the weekly bazars.

In Berar there is a large number of weekly and bi-weekly bazars and these are controlled by any one of the public bodies such as the municipalities, sanitation pauchayats, the district or the taluq or local boards.

The number of central grain markets established by law is very small. There are four such grain markets in each of the Buldana and Akola districts and one or two in each of the other districts.

These markets are controlled by a committee composed of five members, three from the municipality and two from the big dealers in food grains. Persons dealing in 100 *khandis* or more of grain are eligible for election in the committee.

In these markets sale transactions are effected through the *adatyas* or brokers who are licensed by the market committee on payment of the required amount of fees. The measurers or *maparis* are also licensed and have to pay fees for the licence. Fees required to be paid by brokers and measurers in the grain markets :—

District.	Adatya.	Broker.	Buyer.	Measurer.
1	2	3	4	5
Amraoti ...	Rs. 20	Rs. ...	Rs. ...	Rs. 5
Buldana ...	20	10	10	5



At Ellichpur, the cooli charges are paid by the seller at 9 pice to 2 annas per bag.

Payment is made to the seller either on the day of the purchase or after one or two weeks. When the adatyas makes payment from his purse on behalf of the buyer he charges one rupee to the seller for the advance payment he makes.

In some markets the adatyas removes from each cart about half a seer of grain as a sample. In addition to this from 2 to 4 lbs. of grain is removed from each cart for distribution among the various servants of the market such as the waterman, sweeper, balaji, etc.

The arrivals of grain carts in the Khamgaon, Malkapur and Shegaon markets during last year were 16,000, 20,000 and 648, respectively.

The big merchants in the central grain markets sometimes make their purchases of grain for export trade, and sometimes they act as commission agents for big merchants in other markets. In the Buldana market grain is sold by weight and the weighing charges come to 6 annas per khandi.

#### Alleged mal-practices.

The adatyas and the buyers sometimes use two sets of measures. One set at the time of purchase and another at the time of sale.

Sometimes *maparis* do wrong counting of measurements. The seller has no chance to check measurement in case of dispute as the grain is immediately emptied on the pile of grain of the buyer. These people are secretly paid by the buyers, and hence they so skilfully handle the measures as to give the buyer at least four pailis in excess per khandi of grain measured.

*Time of marketing grain.*—The cultivators market their juar mostly at the time of payment of land revenue, i.e., in February. Wheat is generally brought to market during April and May.

*Advances and forward contracts.*—Only in a very few cases advances to cultivators are made by village merchants, adatyas and grain dealers on condition that part of the grain produce is sold to them after harvest.

No forward contracts in case of grain are ever entered into.

*Measures used in different villages.*—There is no uniformity in the measures used and these vary from village to village.

The following are the scales of measures used:—

District.	Place.	
Yeotmal	Wun	1 paili = 120 tolas.
	Pandharkavda	1 paili = 115 tolas.
	Other villages	1 paili = 105 tolas.
Akola		80 tolas = 1 seer.
		4 seers = 1 paili.
		12 pailis = 1 maund.
		20 maunds = 1 khandi.
Amraoti	Ellichpur	2 seers = 1 paili.
		8 pailis = 1 kudava.
		20 kudavas = 1 khandi.
Malkapur		1 paili = 385 tolas.
Khamgaon		1 paili = 400 tolas.
		4 seers = 1 paili.
		12 pailis = 1 maund.
		20 maunds = 1 khandi.
Chikbli		1 paili = 5½ seers.
Mehkar		1 paili = 22 seers.
Kherda		1 paili = 28 seers.

From the above it is evident how defective is the system of measures in India. It is the existence of this system that gives dealers ample scope for fraud.

MR. S. G. MUTKEKAR.

**Distribution of pure seed.**—The department has been doing its utmost in introducing pure varieties of juar and wheat in this Circle. Juar of yellow colour is preferred by the Beraris and it fetches from Rs. 3 to 5 per khandi more than white varieties. In the Central Provinces districts the white varieties are preferred to the yellow ones.

**Recommendations.**—(1) Grain markets should be established at various centres so as to make it convenient for cultivators to market their farm products. The cultivators claim that they always get better price in the central markets than either in the village or in the weekly bazars.

(2) Uniform system and a convenient and reasonable one (like the decimal) should be introduced all over.

(3) Grain should be sold by weight instead of by measures.

(4) There should be an official news service to publish daily wholesale and retail prices.

(5) In the grain market committee there should be a fair representation of the producers.

**System of marketing groundnut.**—Groundnut has, during the last three or four years, been grown very extensively in Besar and the area under it has now gone over 70,000 acres. For the disposal of the crop in such a large area, special markets have been organized and this note gives the information about the market at Malkapur in the Buldana district.

There are registered and licensed agents or *dalals* in the market, who are commonly called *adatyas*. The Municipal Committee of Malkapur charges an annual fee of Rs. 20 per head for issuing the licence to every such *adatyas*. No produce is sold in the market without the agency of these *adatyas*.

Cultivators generally bring loaded carts of groundnut pods to the market early in the morning and entrust the work of their sale to any of the licensed *adatyas* of their choice.

The *adatyas* takes a sample from each cart in his "adat" and shows them to the buyers who gather in the market for making purchases. Owners of the three local oil mills are generally the purchasers for groundnut pods. There are, however, other dealers also, who purchase the stuff, store for sometime and then sell it when rates are better.

An open auction of the produce in each cart is then called per pulla of 246 lbs. and the stuff is sold to the highest bidder.

The loaded carts are then taken to the godowns of the purchaser and unloaded there in separate heaps for stuff in each cart. The purchaser then bags the produce in his own bags after leaving behind all undeveloped or broken pods and dust, etc.

The "Kadta" deductions are then settled between the purchaser and the *adatyas* on behalf of the grower. It is at this place that the purchaser gets hold of the poor cultivator. He now finds himself in a fix if he does not agree to the deductions demanded by the purchaser, as he has already unloaded his produce, rate for which is already settled and which is also ready for just being weighed. He is also anxious to sell the stuff and get the money as soon as possible. He therefore prefers at last to yield to the wishes of the purchaser rather than refill his cart, take it back to the market and again offer it there for sale.

Then commences the weightment. Every *adatyas* has got his own "weighman". He weighs the bags one by one and the weight of each bag is recorded both by the purchaser and the *adatyas* in their own books. The weight of all the bags belonging to each man is then totalled up and tallied. The following deductions from the gross weight arrived at are then made:—

(i) 2½ lbs. for weight of the bag.

(ii) 2 lbs. for sample per pulla of 246 lbs.

(iii) 6 to 26 lbs. per bag of 80 to 85 for "Kadta" according to agreement.

When all these deductions are made, the net weight is determined, cost calculated and paid to the cultivator by the *adatyas*, after deducting his *adat* and other charges as under:—

(1) *Adat* charges at 4 annas per pulla.

(2) Market fee at 2 annas per cart.

(3) *Dharmadaya* (*Gorakshan*) 6 pies.

(4) Weighing charges at 1 anna per cart.

(5) *Hamali* at 3 pies per cart.

## Oral Evidence.

*Chairman:* You have stated that it is difficult to give an estimate of the amount of capital that the district will require for purposes of agriculture. You have also said that the cultivator requires about Rs. 10 per acre to meet his cultivation expenses and roughly about the same sum for every acre he cultivates for his other household needs including emergencies. Do you think that Rs. 10 per acre is a fair estimate?—Yes on an average. There are some who spend less and some more than Rs. 10. For cotton cultivation the average is Rs. 15. For juar it would be less, say about Rs. 10. The better the land the more will be the cost of cultivation. The cost of cultivating cotton land might vary between Rs. 10 and Rs. 15. The ordinary outturn of such lands would be half a khandi per acre.

What would the cost come to in the more intensive form of cultivation with manuring?—It would come to Rs. 30 including all charges. The outturn of such fields may be one khandi per acre.

It is therefore very difficult to give any accurate estimate of the cost of cultivation and the outturn?—Yes. These vary very greatly having regard to the amount of personal labour and hired labour employed and according to the quality of the soil and character of the cultivation.

You say that cotton seed is sometimes advanced to needy cultivators for sowing purposes on an agreement to repay raw cotton of the same weight. Have you any examples?—Yes. In all over Berar I have found a few such cases. It is, however, quite common in the Nimar district.

On page 93 you have said that the capital sometimes bears interest even after it is doubled. How does that happen?—If the man does not pay the amount within the fixed period and the principal doubles, still the courts allow interest on that doubled amount. I have no personal knowledge of this.

You say that the co-operative credit society is the cheapest source of credit. Do you mean to say that nobody with a good security can borrow at equally low interest on his personal security?—Good cultivators can borrow. For the ordinary cultivator the co-operative credit society is the cheapest.

You say that the cultivator prefers the money-lender to the co-operative society, because the former is prepared to advance money on pro-notes and also because of his illiteracy. Are you prepared to state whether the unpopularity of the co-operative movement is due to the illiteracy of the masses or to defects in the system?—There is no defect in the system. I do not know the details of its working. But the fact remains that the cultivators prefer the sowkar to the co-operative society, whatever the reason may be.

You have stated that it is noteworthy that in the village of Gaigon it was found that certain land owners had been borrowing considerable sums from co-operative credit societies and at the same time were advancing varying amounts to small cultivators at 24 per cent. You say that ways and means should be devised for preventing this. What do you suggest?—Such large sums should not be advanced to any single person and that there should be much closer supervision.

As regards co-ordination, you say that loans between sowkars and cultivators carry different rates of interest with different people even at one and the same place. Would you not be prepared to admit that the rate of interest depends on the credit and status of the individual borrower?—Yes. That is a normal thing.

As regards pooling of produce, one view has been expressed that the price of cotton is not likely to go up very much after the beginning of the season and that there is a danger that it may go down. Do you not think that it would be rather dangerous gamble for the cultivator to hold up his stock?—Prices of cotton doubtless depend on world conditions and as India also forms part of the world, prices depend upon the produce of India also.

Have you not found in your experience that the price of cotton has sometimes been very high even in a year of bumper crop?—Yes. We cannot say definitely that the prices will go down in such years. The price does not entirely depend upon the local supply.

You advocate the Rural Insolvency Act. You propose that all old debts should be wiped off?—Yes. The existing debts.

You made an intensive survey in the village of Itki?—Yes.

MR. S. G. MUTKAR.

Could you explain to me why you inserted a paragraph about the food supply in your reply to one question?—I wanted to impress that the cultivation is not balanced. The cultivator is inclined to put most of his land on money crops.

Statistics are often a dangerous basis for argument. Are they not?—They are the only things to argue upon.

Do you not think that statistics are often dangerous to argue upon?—Statistics are the only things to prove or disprove a statement.

You have given us some outturns. Do you think they are correct?—Yes. They have been taken from the season and crop reports.

Do you think the standard outturn of juar mentioned in your reply regarding crop per acre is fair?—No. I think for juar one khandi per acre is fair. It comes to about 960 lbs.

What is the ordinary amount of seed required for juar?—About 2 seers or 4 lbs. per acre.

On page 98 you say the average amount of seed required is 50 lbs. On page 98 you have given the total area under food grains in Berar, and according to my calculations the total requirements for seed would come to 28 thousand tons and not to 76 thousand tons, as the average amount of seed required for juar is 4 lbs. and not 50 lbs. I think that there is a mistake in these figures, and I suggest to you that your calculations are wrong by 48,000 tons. Do you accept it?—I am afraid that there is a mistake in calculation, but I cannot at once find where the mistake is.

*Vice-Chairman:* The point you have tried to make is that the Berar cultivators are going in for more cotton than juar, but it seems to me that there has been an error in this also. You have confined yourself to the figures of export and import in the peak cotton year of 1923-24, but it seems to me that you should consult the subsequent figures which show how quickly adaptable the Berar cultivator is to changing economical conditions. For example, in 1925 total import was 135,000, while total export 211,000 maunds of juar; next year total import 146,000 and total export 327,000; in 1927 total import 121,000 and total export 488,000; 1928 total import 322,250 and export was again 173,000. Last year total import 792,000 and total exports 922,000. So does it not prove that the Berar cultivator has been adapting himself to changing conditions?—You have not taken into consideration the amount of juar which is stored in underground pots. It is stored for several years. When the prices rise and the cultivator finds that he will get very good price he sells it. The figures about exports and imports are therefore misleading.

*Chairman:* Do you agree that it is not safe to draw conclusions from the figures of one year 1924 as the figures vary very much from year to year, and that you should at least compare figures for five or six years?—Yes, I agree.

What do you think is the fair outturn for cotton?—I think 2 khandis per tippa of four acres as a fair outturn. But the outturn varies very much according to the quality of soil, the character of the season and the nature of cultivation. I mean the standard khandi of 392 seers cotton.

*Vice-Chairman:* Do you think that a money-lender is too anxious to lavish loan on a cultivator and the object of the co-operative society is not to give him too much?—Yes; that is why a cultivator prefers to take loan from a money-lender rather than from the co-operative society.

You advocate the use of warehouses. If we had these warehouses, do you agree that we must have a commercial expert of a very high order who will be able to dispose of the stock at the right moment just as the prices may rise or fall?—Yes.

Perhaps occasionally loss will be inevitable?—Yes.

You have said here that the cultivator generally takes loan for his purpose from the adatyas to whom he generally agrees to sell his produce. In the report of the Indian Central Cotton Committee it is said that the practice is practically non-existing. What do you say about this?—The practice is vanishing, but is still in existence here and there.

Coming to subsidiary industries, although the cultivator may not be working throughout the year on his holding, I think he is disinclined to follow any subsidiary industry. Do you think he will take to any industry?—When he is disinclined he will not care to learn it.

MR. S. G. MUTKAR.

Do you think that there is very little scope for introducing any industry?—  
Yes.

*Professor A. C. Sen Gupta:* Will you please state if the *sawai* system is very common?—Yes. It is very common in villages.

Is it a seasonal *sawai* or *sal sawai*?—Seasonal.

You have stated something about compound interest. Do you mean "penal interest" or you really mean "compound interest"?—I mean "penal interest".

You have made a survey of Itki village. Is it not?—Yes.

What is the value of land in Itki?—The present value is about Rs. 250 per acre.

What was the value in 1913 before the boom?—It was four to five hundred rupees an acre.

You also enquired into the indebtedness of that village. Is it not?—Yes.

How many cultivators did you find free from debts?—A very small percentage.

May I know what heads have you taken under productive and what under non-productive?—All the expenditure for agricultural purposes has been classed under productive and any other expenditure under non-productive.

What have you done about old debts?—Whenever the cultivator could tell me the details of old debts I have classed them under productive or non-productive as was the case.

Do you not think it would be better to deduct old debts and then classify?—How could you be sure about its productivity or non-productivity?—I think so. In many cases it would be difficult to so classify old debts.

On page 96 you have stated that a cultivator has acquired the habit of leading a luxurious life and you also state on the same page in another paragraph that he has no ambition and "he is satisfied with the bare necessities of life." How do you reconcile that? A man cannot be fond of luxury and at the same time be satisfied with the bare necessities of life.—These are different causes of indebtedness and are not applicable to one and the same man.

Do you think that if he was not extravagant, he would not be indebted?—Yes generally.

Will you agree if I say that in Berar there is another reason for indebtedness and it is in the price of cotton being dependant on world factors; in a particular year a man may be doubly hit—by low produce and low prices?—Yes, it is possible.

May I suggest to you one or two causes of indebtedness that I have come across in my inquiry? I think sub-leasing of the land in or at the end of the boom period and the existence of uneconomic holdings are also two reasons of indebtedness. Would you accept it?—Yes. I have already mentioned in my report on Itki village.

You have stated in your written statement "in times of famine. . . .by the latter from outside". The crops may have been there but owing to the absence of facilities of communications could there not be famine in the neighbouring district while ample food supply in the adjoining district?—Yes. It is possible.

You say something about growing cotton. Do you not think that it is a most natural thing for a cultivator to grow a crop that will pay him more and buy other things from outside? Will it not be more profitable?—This may apply for certain number of years. But in the long run it does not pay. From an economic standpoint it is a sound proposition to grow the thing that would pay best but there are other points to be considered.

If a cultivator is guided by the motive of making most profit out of his land then will it not be more profitable?—I think this to be a sound principle from an economic point of view. For an instance, I come from such a part of the country where, if jute is not grown, we cannot make cultivation a profit.

*Chairman:* Do you know in England food grain sufficient for one month only is grown, while we get our supply for eleven months from outside?—May be; I do not know.

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From the figures you have supplied to us it is suggested that out of the total cropped area the percentage under juar during the last 60 years has increased from 64 to 70 per cent, while the total crop area has increased from 68 to 70 per cent. How is it?—The area that was lying waste has come under cultivation.

The area under cultivation has not increased in proportion to the area under juar.—I agree.

You refer in your written statement to the building up of trade. But is it not a fact that after all trade depends upon not producing all the things yourself, but producing such things that you can produce better and import other things that other people can produce better? Therefore if you find that cotton can be produced better in Berar, you should produce it and import other things from outside?—I have written that note in connection with the grain markets for the information of the Royal Commission on Agriculture and sent you a copy of it just to give you an idea of the working of the grain markets.

Is there much difference between the net profits from juar and cotton?—Yes. It all depends upon the prices. At present prices we get more in cotton. If we get 15 or 20 rupees in juar, we get at least Rs. 25 in cotton.

What do you consider is the ordinary cost of cultivation of juar?—For a good cultivator it would come to about Rs. 15 per acre and for an ordinary cultivator it will be Rs. 5; the average will be Rs. 10. A good outturn will be 960 lbs. and the average outturn 450 lbs. The ordinary price of juar is about 20 lbs. per rupee. Therefore the ordinary value of the crop would vary between Rs. 22-8-0 and Rs. 48 and the value of the *kadbi* would be about Rs. 7. That gives a total value varying from Rs. 39 to Rs. 55. Therefore the net profit would vary between Rs. 19 and Rs. 40 per acre and the profits from cotton are greater than this.

*Professor A. C. Sen Gupta:* What do you think is the average wage of an agricultural labourer for the whole year?—Eight annas for a man. If he is employed for the whole year in Berar it would be about Rs. 12 to Rs. 15 a month.

What will be the feeding charges of a pair of bullocks?—One rupee per day for a pair. It depends on so many factors. The average cultivator will have to spend 12 annas per day, inclusive of *kadbi* and cotton seeds. If he grew the *kadbi* himself, the cost will be six annas. A man cultivating five acres of juar land will have sufficient *kadbi* for one bullock for one year. Cotton seed is fed at 6 lbs. per pair per day, which would cost three annas per pair. For six months, that would be about Rs. 36 per year, at the present prices.

Have you got your own farm. What is your cost of cultivation of juar and cotton? Have they been ever worked out?—Yes. I have not got the figures; but if you want, I will send them.

*Vice-Chairman:* You will agree that one of the effective means of improving the economic depression would be to teach improved intensive cultivation on improved methods?—Yes, but there are limitations.

Do you think that even with the present staff the Agricultural Department is doing all they can do for popularising the improved methods of agriculture?—Personally I think we are doing much more than one would expect us to do. We are doing a variety of propaganda work. We are distributing improved seed improved implements and improved crops.

You will agree that as soon as the cultivator is convinced that a certain implement will lead to increased profits he loses no time in adopting it. Is an attempt made by the department to bring home to the cultivator the advantages of every other method? How many demonstration farms have you got in Berar?—Yes. We have four Government plots in Berar and five demonstration farms.

Do you not think that the number is inadequate?—There are private demonstration plots.

Are you aware of the general complaint that the officers of the Agricultural Department generally suffer from a superior complex and do not mix intimately with the cultivators?—I have not heard this in Berar.

Do you know that year after year it is complained that your department is not doing all that it could?—Yes. I have heard such complaints but these are mostly from non-agriculturists.

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What do you advise to remove these complaints?—Such people have never come to us and sought our advice. We cannot go to every individual person. It is impossible.

*Rao Bahadur K. V. Brahma, C.I.E.*: You have said that the indebtedness of the people of Itki are as follows:—

	Rs.
Resident kabjedars	65,411
Resident tenants	5,342

How many kabjedars are there. Am I right in understanding that they are 64?—Yes.

Out of these, 35 are indebted and 29 are free from debt; or 45 per cent of the kabjedars are free from debt. You will see that out of these 35, only 7 contribute a sum of Rs. 53,000 out of a total of Rs. 65,000?—Yes.

That is to say, that if we leave out these seven persons, the condition is not so alarming as is generally supposed?—Yes.

*Professor A. C. Sen Gupta*: What is the proportion of land held by these seven cultivators?—The area owned by the seven indebted kabjedars is about 150 acres and the total land held by all the indebted kabjedars is 452 acres. The major part of the debt is one-third of the land.

Can you say whether these gentlemen hold land in other villages?—Yes.

*Rao Bahadur K. V. Brahma, C.I.E.*: Out of these 35 indebted persons, it is only seven persons who are heavily indebted, and if these are eliminated, the situation is by no means alarming?—Yes.

*Chairman*: Could you give us the average rate of interest?—It varies from 12 to 24 per cent. 18 per cent is the most common rate.

*Rao Bahadur M. G. Deshpande*: You have stated that the old debts should be wiped off. What advantage would the land mortgage bank and others gain by wiping of the old debt?—By doing so, cheap credit will be available.

How much money your department put into your hands to advance to the cultivators for land improvement or for machinery and other purposes?—Last year we distributed about 70,000 for machinery. These are repaid in instalments.

Have you got any cases in Berar where the advances were made to a cultivator for improvement and the amount has not been repaid up till now?—I remember there is a case.

Are you getting applications from the cultivators for such loans for purchasing machinery?—I am getting a number.

Do you satisfy their needs?—So far we have not disappointed anybody. Some applicants could not be paid because they refused to follow the scheme recommended by the Agricultural Department.

How many turnwrest ploughs are sold every year in Berar?—From 7,000 to 8,000 every year.

May I know which plough you recommend to cultivators?—We recommend Kirloskar's and Cooper's.

You have said that the *batta* is taken from the borrower when a bond of *sawai* is written. May I know how it is taken?—If a man wants Rs. 100, he is given Rs. 80 and a bond for Rs. 100 is taken. I do not know the true meaning of *batta*, but the term is common for such transactions.

Is it disadvantageous to sell cotton through the *adatyas*?—I do not think it is disadvantageous, if the *adatyas* is an honest man.

*Seth Narsingdas Daga*: You say that the methods of *sowkars* are mysterious. How is it so?—I have really seen a big *sowkar* calculating interest as follows:—Rs. 100  $\times$   $\frac{1}{4}$  = 25 minus Rs. 25 as remission and the net amount due is Rs. 200. I have heard the cultivators complaining about this also.

Can you give the names of persons doing so?—I do not wish to mention their names; but they are very few.

*Mr. P. D. Pundlik*: Is the practice of returning one maund of cotton for one maund of seed prevalent in Berar?—Yes. But cases are very few.

You have stated that Rs. 10 per acre is the average cost of cultivation. What is the standard outturn for the average soil?—The normal outturn and the standard outturn are two different things. The standard outturn is a thirteen-anna crop and the normal outturn is a sixteen-anna crop.

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MR. N. M. THAKUR, Honorary Secretary,  
Central Bank, Amraoti.

Reply to the Questionnaire.

Part I.—Agricultural Credit.

1. (a) The agriculturist obtain money during cultivation from—

- (1) Sowkar (village).
- (2) Society (co-operative).
- (3) Adayas.
- (4) Government (in famine years).

(b) For capital and permanent improvement from—

- (1) Sowkar.
- (2) Co-operative societies.
- (3) Government.

(c) For other special needs from—

- (1) Sowkar.
- (2) Co-operative societies.

Rates of interest on advances made for various purposes and periods vary from 9 per cent to 75 per cent.

The methods of lending money by the village money-lender are all diverse—

(a) (1) One of the common methods of lending money is on the mortgage of landed property and houses. The prices of houses in villages are generally based on the cost of production (building) and not on demand as in the towns and therefore do not afford any tangible security to the village sowkar. This is why loans advanced on the mortgage of houses only are rare and these are taken in mortgage in addition to the landed property. Large sums are not advanced except on the security of landed property usually up to 40 or 50 per cent of the market value. Of the three kinds of mortgages—ordinary, possessory and on condition of sale, the first is very common and possessory mortgages are very rare. The mortgage is registered as a rule and sureties are sometimes taken in addition in cases of big amounts and long-term loans.

(2) Other common system of money-lending is pawning—the lending of money against the pledge of gold and silver ornaments. It is very difficult to make an estimate of the amount of capital involved under this system, but it can safely be stated that huge sums are involved in such petty and simple transactions and that this system of money-lending is very popular both with the sowkars and the villagers. It is the least risky for the sowkars and it does not involve any cumbersome procedure to a villager. In cases of ornaments of gold (pure gold is generally accepted) nearly 60 to 75 per cent of the market value of gold is advanced. In case of silver ornaments not more than half the market value of silver contained in the ornaments is advanced. Many a person in a village, even females, do this pawning business and sometimes other articles of household use, mostly big utensils, are also pawned for small amounts.

(3) Money is lent in many cases on personal security—

(1) The promissory note has nowadays been a very popular form of security. Generally printed ones are used and are stamped according to the amount of loan. Other common methods are—

- (2) Ticket-bahis (stamp-books).
- (3) Dastavez (bonds parje).

No. (2) is in vogue in cases of current accounts and (3) in cases where detailed terms such as kists instalments, and penal rates of interest in cases of default are charged.

(b) Loans in kind are quite common in the village. It is rarely that in Berar average agriculturist selects and preserves his own seed and keeps it for the next year. He generally borrows seed or money to buy seed with from the village sowkar. He also needs to borrow grain for his subsistence. Generally, the grain he produces is not enough for the maintenance of his family throughout the year either because his holding is too small or because he has given his land to the cultivation of money-crops. The fact nevertheless remains that he has

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to borrow seed and grain and in such cases the creditor generally stipulates that at the next harvest (a period of four to six months) one and a quarter times (*sawai*) or one and a half the time (*didhi*) or even the double amount (*doona*) of the quality of seed or grain be returned. Terms of the rate of interest thus varies from 75 per cent to 300 per cent. But in Berar *sawai* is more common.

Moreover the village money-lender follows some other profession such as that of a cotton-broker or a trader. The debtor has to yield to some other customs of the business. Though the investigations by the Indian Central Cotton Committee into the finance and marketing of cotton in Berar have not brought to light any system of taking written agreements or bonds from debtors to sell cotton through the sowkar, experiences gained shows that such an understanding does always exist though not in writing and that borrower does not get the loan next time or gets it at higher rate if he dares to break the implied conditions of the contract.

Those connected whether as honorary workers or as paid officials with the co-operative movement are apt to imagine that the credit societies which have been organized for the relief of the agriculturists, especially of moderate needs have effected tangible changes in general conditions relating to finance of agriculture but when we find that at the most only 7 per cent of the inhabitants above the age of 18 are today within the folds of the movement, we realize that much more yet remains to be done in the direction of extending the benefit of the movement.

As already indicated above the part played by the co-operative societies in the finance of agriculture is small. There are in Berar 775 primary societies with a membership of 14,565. Taking into consideration the whole agricultural population of Berar above the age of 18, the progress made by the movement is most insignificant. But it has been observed that at places where societies are actually working agriculturists do borrow for expenses during cultivation and for other needs from co-operative societies.

Taccavi loans are given to agriculturists for the purpose of improving the productivity of the soil by irrigation projects or for the purchase of seeds and implements and also for cultivation during famine. These are most beneficial in times of famine, but the results from these loans are limited both due to the smallness of quantity distributed and to the want of proper agency for its distribution, for its supervision and for its proper utilization. Thus the part played by Government is only in name and not in substance.

(b) *For capital and for permanent improvements.*—The capital needs of an agriculturist are mainly purchasing of land for adding to his holdings or for buying or erecting a house in his village. If he is a trader, for example a retail shop-keeper or a cotton-broker in addition to his agricultural pursuits, he wants capital for the trade. This he gets from the village or town-sowkar or from a co-operative society of which he is a member. The sowkar generally gives this loan in 3 to 5 annual instalments. He borrows for the purpose also from a village co-operative society, of which he is a member, and has, according to the co-operative societies' rules, to pay back in 4 instalments. Borrowings for permanent improvement of land are rare. Digging a well, setting a pump and an oil engine, levelling the field or to erect a bund to prohibit the flow of water are the instances. The village sowkar and the co-operative society are the only sources for such loans. Taccavis are granted generally for permanent improvement, but not for purchase of land which is beyond the Act.

(c) *For other special needs.*—Other special needs are multifarious:—

(1) *Vagaries of nature.* failure of crops due to want of rain, floods or hail-storms scourges like insect-pests and wild animal attacks.

(2) *Litigation.*—Berar agriculturists are specially notorious in this respect. Many a loan on the mortgage of land is incurred for this purpose and in not a few cases the land or a portion of it subsequently lost. Arbitration either through the agencies of co-operative societies or through the influence of the village elders is not resorted to even when it could be done.

(3) *Social customs.*—These are responsible for a very heavy burden of unproductive debt. The "Sixteen ceremonies" as they are called begin from the birth of a son, and ending with the costly funerals which are observed as a part of religion and under the pressure of caste-tribunals, play havoc on the economic

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life of a village agriculturist. Loans from unproductive purposes such as (1) ornaments, gifts to relatives at the occasion of thread and marriage ceremonies, (2) luxuries which are hereditary and social and (3) superstitions which are most rampant owing to illiteracy are common and have brought many rich families to ruin within a period of two or three generations. Whatever the requirements of the agriculturists we are mainly concerned here with his requirements for strictly productive purposes or purposes by which he becomes a better farmer, a better business man, and a better citizen. The first thing that baffles the agriculturists in his efforts, however honest and industrious he may be is the heavy burden of debts which he inherits along with the estate of his forefathers. These estates in many cases are so heavily encumbered that it is beyond his capacity to cope with it. He does not get that opportunity in life which is the one essential to hope that by this industry and honesty one day would come when he would be free from this burden. Naturally he becomes a fatalist and consequently degenerates. The first move that must be taken and taken immediately is to stem this tide of degeneration. Adequate facilities to liquidate these debts must be provided on easy terms and at moderate rates of interest.

This need for long-term loans on easy terms can only be taken up either by Government or by joint stock banks with the co-ordination of the co-operative movement, but this can preferably be done by Government which is alone in a position to know the agricultural credit. Joint stock banks cannot understand the structure of this agricultural credit as they are not used to it in any way. Joint stock banks deal only in short-term loans repayable in six months at the most as their funds also are for short periods. So also is the case with co-operative societies. Under the circumstances unless the Government comes for help with sympathy this tide of degeneration cannot be successfully stemmed. If a certain portion of the famine relief fund could be diverted towards this need, not only the fund would be benefited, but the agriculturist would also get relief to a certain extent. State-aid must come in here although it can be withdrawn when co-operative movement would be able to cope with the situation adequately.

Unless this burden of old debts is lightened to an appreciable extent the agriculturist would not be able to provide for his short-term requirements out of his year's produce. The need for short-term loans will thus be then for a considerable period and this will also have to be provided for on easy terms. Short-term loans are generally required during cultivation and for marketing the produce. The village sowkar is the mainstay of the agriculturist for money required during cultivation. Next comes the co-operative society and third *adatyas*. But the sowkar or the *adatyas* instead of helping the agriculturist preys upon the hard-earned earnings of the agriculturist in various subtle ways. The co-operative societies alone are free from this and we must devise means to see how best we can serve the agriculturist by co-ordinating various agencies without putting the borrower to any loss.

2. *Present method of marketing principal crops.*—Berar is unique in having a number of markets not less than 26 established by law and administered under an Act called the Berar Cotton and Grain Market Law of 1897. Under this Act, markets or bazars are notified and committees appointed for the purpose of managing them.

Though the title of the Law of 1897 is wide enough to include an organization for the sale of grain, the principal of them being *juar* in Berar, it has to be noted that there are no organized institutions for the sale of *juar* or other kinds of food stuffs.

An impassionate review of the work done through the established cotton markets in Berar will show that the system has not been a total success. In fact in some aspects of cotton trade, it has been a partial failure and a source of some mischief. The defects of this system may be briefly summarized as follows:—

(1) The restricted franchise which prohibits even influential and educated agriculturists to form part of the management.

(2) The scant publicity given to the prevailing rate in the market and the uncommercial secretive ways of fixing the rates.

(3) Rates are settled between the buyer and the *adatyas* discarding the owner of goods and information of the rate fixed given to the seller too late, when he cannot retrieve his position. Instead of closer relations between sellers and *adatyas* we find a close affinity of interests between the buyers and the *adatyas*.

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who in fact are agents to the sellers and are paid by them. Evidence was in some cases available that they were secretly paid by the buyers at a rate of 2 to 8 annas per cart.

(4) The mal-practices too many to enumerate practiced on the seller.

(5) Deductions from the price fixed—

(1) Market cess.

(2) Gorakshan.

(3) Compulsory charity 1 anna to 2 annas 6 pies per cart.

(6) *Reductions*.—These are many and on various grounds low-ginning (*patlamal*) red leaf, black leaf, last picking (*soda*), moist (*sarda*), earth soiled (*harab*) being common.

Conceding even that the whole blame of the mal-practices prevalent in the cotton markets of today cannot be put on the shoulders of the purchasers and adatyas alone and even giving the cotton seller his due for the deliberate mixing of all varieties of cotton and the scant regard for good name even a casual observer will deplore the sad plight, the owner of the *kapas* is placed especially when he is not willing to sell at the rate fixed by the purchaser but cannot take back the cotton which is already thrown on the buyer's stock of *kapas*. It is observed that in overwhelming number of cases it is the poor agriculturist that has to suffer for the faults of either purchaser, adatya or his own. The first two being too clever generally escape.

This brings us to the conclusion that the practices in the cotton market need a radical change and the Act, which has given an upper hand to the purchaser and adatyas by excluding the representatives of the growers of cotton on the management needs to be amended.

All this brings to the conclusion that the principle established by experiences gained in other countries that unless the sellers, big and small, combined together for the common purpose of sale of agricultural produce very little would be achieved.

The question of adat shops established in Berar deserves examination in this connection. By way of action taken on the report of the deputation of eminent co-operators who want to see the working of the co-operative sale societies in the Bombay Presidency two adat shops were started in Berar at Akola and Amrati. Subsequently adat shops were started at Dhamangson, Darwa,—Chikhli and Khangaon for securing better prices to small cultivators and save them from the disadvantages they have to encounter in sale of cotton. But it is a sad comment on the working of these adat shops that they have not been able to attract any customers. To be brief, the following improvements in the methods of working and in the ideals for sale societies are suggested:—

(1) The main work of these shops should be "standardization by grading of cotton which will in the long run improve the quality bring higher prices and increase the good will of these shops.

(2) There should be closer co-ordination of adat shops with the primary co-operative agencies; Central Banks should give cash credits to adat shops on the pledge of cotton render every kind of help in other directions. It should see that all its clients sell cotton through the agency of these adat shops and bring pressure on the recalcitrant borrowers, if necessary. We shall have to wait a long time before we expect that these smaller persons would of themselves go and sell their cotton through the agency of these adat shops.

(3) Unless adat shops are able to advance money to the extent of 60 per cent of the market value of cotton, a sufficient number of customers will not be attracted and no real good will accrue to the sellers of cotton unless their staying power is thus increased.

(4) Central Banks have always to issue loans for purchase of seed and agricultural implements. It was suggested by Agricultural Department that in case such loans as are paid for these purchases the buyers should be directed to purchase from the Agricultural Department. This will bring about immense good to the agriculturists as they will get the best quality and full advice and will further the cause of co-ordination between the two departments. I propose these purchases should be made through the agency of adat shops, which should deal in all the implements and necessities of agriculture.

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(5) Expert staff conversant with the details and the inner working of cotton sale business must be engaged. Grading of cotton has to be undertaken some time and every help should be rendered by Agricultural Department in the form of assistant in the grading of produce by the staff of the department as is done in the Bombay Presidency. A beginning has been made in this direction in Berar and the experiment being watched with interest.

After the short review of the existing methods of marketing the principal crops in Berar it will be worth while to make even a rough estimate of the huge annual loss that accrues to the growers of cotton in this province. Taking the figures cited in the report of the cotton for the number of bales to be 7 lakhs and the average price of cotton per bale to be Rs. 125 I have to submit that the loss is nothing less than 2½ crores of rupees per year. This means a loss of 30 per cent which is calculated as follows:—Ginning 5 per cent, grading 5 per cent, weighing 3 per cent, fixing rates 5 per cent, for want or arrangements of storage, etc., 15 per cent other taxes 2 per cent.

I therefore submit that the single reform that is essential at the present juncture is to make some arrangement for storage of cotton to increase the staying power of the small grower till a higher price is insured for these commodities. This appears under the present circumstances to be the only solution that would counteract the evils of the present system of marketing. I think that the cultivator loses more in the process of marketing than in the so-called exorbitant rates of interest. I suggest therefore that the warehouses at U. S. A. be suitable and the possibilities of its application with necessary modifications deserve careful considerations at the hands of the co-operators of Berar.

I propose that these warehouses be licensed and controlled by Government, which should take the initiative in the organization. Government should also render help by way of grants-in-aid for erection of buildings and for purposes of keeping guards. It should also control by way of inspection and audit.

I am strongly of opinion that sellers and purchasers should be excluded from owning these warehouses, as they are the "interested persons". Government has to be very careful about guarding the interests of the agriculturists for whose sole benefit the scheme is to be launched and that these interests may not be jeopardized.

*Co-ordination amongst agencies of banking.*—As for the co-ordination amongst the various credit agencies, there is absolutely none in this province.

The present position of the Indian money market is found to be divided into different watertight compartments. Each compartment dealing with its constituents in its own particular way. There is no agency or machinery which easily carries surpluses of one compartment to another. There is not that fluidity, which is essential for the distribution of money from quarters where it is not wanted to quarters where it is in demand.

For example, we find that from April to October funds with the Imperial Bank of India are so heavy that the bank is at a loss to find out avenues for its investment and that it is ready to lend out at a very small rate of interest. At this period of the year, the needs of the agriculturists are so pressing for their agricultural operations that they are ready to pay as much as 12 to 36 per cent on their requirements. It is said that the Imperial Bank does not understand the value of the co-operative paper or the agricultural credit and hence the promissory notes of co-operative societies become a dead-stock, on which no money can be raised. Those of the Central Banks got cash credit from the Imperial Bank of India has to get it by purchasing Government paper and pledging it with this bank, although they had in their possession of promissory notes of co-operative societies worth about a crore of rupees. But this business of co-operative bank does not earn anything.

It will thus be seen that the money lying in the coffers of the Imperial Bank is neither useful to them nor is it available to the agriculturist who is in sore need of it. If, therefore, some method is devised to supplement the resources of co-operative banks with the surpluses of the joint stock banks an immense good will be done to the agriculture of this country which is starving for want of sufficient funds on reasonable terms.

I do believe that it is the co-operative society in a village that alone can be the proper medium for distribution of capital to the agriculturists. These village societies have to be linked to small banking institutions in a bazar centre. They should in turn be linked up to those in the taluq or district banks, district banks to provincial banks and provincial banks to the All-India banks.

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Village co-operative societies must be developed as village banks for carrying the surpluses of the village to places where they are required and for bringing them from outside whenever they are needed.

If these village societies are properly developed, I am sure in times to come they will attract huge sums from local and surrounding quarters sufficient to finance agriculturists for their current needs. I know in the beginning it is not possible, but the history of co-operative movement in Berar shows that with the work of only 12 to 15 years we have been able to gain confidence of the people and to attract sufficient funds for the requirements of our present organizations.

As has been already pointed out, an agriculturist needs money for three main items, *viz.*—

- (1) For liquidation of old debts.
- (2) For expenses during cultivation.
- (3) For expenses while the produce is on the market waiting for better price.

I think there ought to be division of labour.

The first must be taken up by Government with the aid of sowkars and bigger banks; the second by village and provincial banks with the help of joint stock banks for some time; and third by joint stock banks.

In the beginning the efforts of one will have to be supplemented by the other, but later on I am sure each of them can work independently.

The present sowkars will readily join hands with Government.

### Subsidiary Industries.

Before dealing with the various subsidiary industries that may be started with advantage in this province, I shall deal in brief with the general features that determine a particular industry for any particular province. They are—

- (1) natural advantages,
- (2) resourcefulness of the people,
- (3) climatic advantages, and
- (4) capital.

Considering the above, I would like to make the following observations on the conditions obtained in Berar:—

(1) There are natural advantages, many more than could be obtained in other provinces. Berar is one of the important tracts in India growing cotton and two important subsidiary industries may be undertaken with advantage to the agriculturists of this province. Of prime importance may be mentioned that of spinning and weaving. Only 30 to 50 years back, this industry was carried on on a large scale. The remnants of this industry, which was killed by competition of superior machine made-goods are still to be found in the carpets (rough make)—*tadhava* and *pasodis* (meant for weaving) that are still manufactured in some of the centres in Berar, Akot, Balapur and Ellichpur.

*Dairy farming.*—With the supply of cotton seed, dairy farming was greatly in advance in this province. Berar ghee, not long ago, was noted for its quality and was much in demand from the neighbouring provinces. The decay of this industry which was carried on side by side with agriculture took a miraculously short time and is still in progress. It will be worth our while to make efforts in the direction of reviving this industry. The history of "Creameries" in Ireland and more so in Denmark is full of lessons for the revival of dairy industry and given sufficient initiative from the Co-operative and Industries Department and the public that are engaged in the trade.

This province can be organized as one of the most important for the production and marketing of milk and other relating products in India.

(2) As for the natural resourcefulness of the Berar agriculturist, though he cannot be described as the most industrious, the most honest and the most frugal of the inhabitants of India, he has at least the average intelligence and diligence that is required in any of the cottage industries that may be recommended for him to undertake.

(3) *Climatic advantages.*—Though Berar is not particularly gifted with any most favourable weather for some particular industries, it has been observed that this province does not discard the organization of any particular industry simply for its unsuitable climate.

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(4) *Capital*.—Here we come to the crux of the problem. Given all the three facilities mentioned above, any of the subsidiary industries or some of the cottage industries may suffer and may not set its foot for want of sufficient credit facilities. There is not a single source meant definitely to finance these small enterprises. The finance of the Imperial Bank of India is restricted to the traders and merchants. Co-operative societies have not yet extended their facilities to small industrialists a special class. There are no societies comprising of small traders or industrialists alone. Sowkars in the village or town do not as a rule appreciate and advance on the security of moveable goods which small trader manufactures.

The best agency for these purposes would be organization of co-operative societies on a large scale and to advance them small amounts for short periods.

No progress in the direction of organization and encouragement of small and cotton industries would be achieved unless the whole policy of the Government particularly of the Department of Industries is changed radically. It is, in my opinion, the duty of the department to investigate into the possibilities of organization of various small industries, to help in the detailed processes of manufacture by instructions and research and to afford the facilities of marketing by enquiry and organization for that purpose.

One is constrained to say that the present method of working of the Industries Department are very disappointing. The concentration of the responsibilities from different departments in one person, however capable, is bound to have such result. The Royal Commission of Agriculture noticed this fact and has suggested the differentiation of the two departments, viz., Co-operative Department and that of Industries. The heads of these departments ought to be experts in their branches and not civilian and they alone can study and advise. To put a civilian of a very high order at the head of the Industries Department is in my opinion to ask a law graduate to administer medicine. An industrial expert with systematic training in some of the noted industries in the province, with intimate knowledge of the local condition of trade and marketing, and a man conversant with the languages of the people, would be more useful for the promotion of the objects of the department the work of which is now limited to an inspection of a technical school here and a visit to an industrial school there an I. C. S. man who at the best will know how to "administer" the department.

There are various other raw products such as oil seeds, grass, forest produce which can be turned into finished ones by small machinery with adequate training. Along with the investigations of the facilities of various both small and big the industrial school must be remodelled. Mere knowledge of carpentry, smithy and mechanism of oil engines is most inadequate to cope with the world competition of high grade.

#### Oral Evidence.

*Chowhan*: You have stated that adat shops were started in Darwa, Digras, Chikhli and Khamgaon, but they have not proved success. What is the reason?—There are various reasons for that.

Do you think there is any defect in the management?—No. Our adat shops are being run on the same lines as the common adats. There is absolutely no difference except that we give correct weight and perhaps no malpractices. But ordinary cultivator is not convinced of this.

Do you not think that if there were any benefit from your shop, cultivators would come to you voluntarily?—The benefit is not so great as to be at once noticeable.

You advocate legislation for compelling cultivators to bring their cotton to the co-operative adat shop. Do you believe in this kind of compulsion in these democratic days?—I would not advocate it, but there is no other remedy than to enforce it by legislation. I have advocated warehouse system but until it is brought into force this is the only solution of the problem.

Do you think an economic survey is the duty of the Industries Department?—I think it is the duty of the Industries Department to make a survey of our products.

Do you want a survey of our mineral products undertaken by the Industries Department?—I want a survey to be made of our mineral product and forest produce and so on.

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Will you not require experts for this?—Yes we should require experts in all these branches. I may tell you that the Mysore Government have appointed a development department. They have got these experts.

Do you mean to say that there should be a development department under the control of some development Commissioner and that these departments should all be co-ordinated together? Also would you include the Veterinary and Agriculture and Co-operative Departments in that?—I am not prepared to combine all these departments under the Industries Department. But experts are absolutely necessary.

You will require many experts. Is it not?—Yes.

Who would you make the Director?—The man who knows of more than one department. I would not like to have an I. C. S. officer. I. C. S. officers have an interest in other departments. For instance, talking about our own department Registrar is to us a guide, philosopher and friend, but unless he is a man of experience and going to stick permanently in the department he is of no use to us.

*Rao Bahadur M. G. Deshpande:* Since how long you are an honorary secretary?—For about a year.

Before that were you serving Government and in which capacity?—As auditor in the Co-operative Department.

Why did you leave that job?—I thought that business was more paying.

Were you an auditor in 1920?—Yes.

Do you know how much money the co-operative movement has borrowed from Government at that time?—Yes, 17 lakhs were promised, but I am not sure of the exact amount borrowed.

At present do you get any facilities from the Imperial Bank in the form of R. T. R.? It is said somewhere that the Imperial Bank had given special facilities to co-operative movement.—No facilities. On the other hand, they have withdrawn a facility of drawing drafts up to Rs. 5,000. We had a special concession, but only a couple of days before they have withdrawn that concession, too.

*Vice-Chairman:* Have you heard the evidence of Mr. Y. G. Deshpande?—I was not present.

Is it a fact that these banks are not doing well under non-official management and that barring a few noble examples honorary workers are not running it on businesslike principles. You have been an auditor in the service of the Government in the past.—I do not think there is any truth in it.

Do you say that there is no truth in the complaint?—Yes.

Is there any truth that some of the non-official workers get a disproportionate return for what little they do in the interest of the movement?—I do not think so.

Is there any truth in the suggestion that the hands of some of the leading workers are forced in sanctioning loan applications where loans should not have been given?—I do not think so.

Have you ever heard that many non-official workers complain of too much official control in the movement?—I have heard such complaints, but I do not agree with it.

Has it ever been your impression that Government desire to interfere in the bank except in the interests of efficiency?—I do not think Government interfere otherwise.

Are there any adat shops in Chikhli and Khamgaon?—I do not know exactly.

I have heard, it said, that the men in charge of these adat shops are doing adat business of their own. Is this a fact?—Yes. Our Amraoti man also does it. We have specially selected him.

Does he do it along with his work?—Yes.

Is it possible for him to be fair?—Yes it is. In Hubli a dealer is specially selected for the job and is paid Rs. 3,000 or so by way of commission and is reported to do the work most efficiently in addition to his own business.

Why can you not engage him as a full-time man?—It is too expensive.

You have said that the Imperial Bank of India should give advances on the security of societies' bonds. Do you know that King Committee had made a

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similar recommendation? Do you know that the King Committee's recommendations were strongly opposed by the non-officials?—Yes, I know, but there may be some good suggestions which we may be prepared to take up. The whole report was not admitted on principle.

Can you suggest any reason why the Imperial Bank does not accept societies' notes as securities?—I cannot say.

You say that dairy farming is a possible subsidiary industry. Do you know that there was a dairy in Amraoti which did not work? How is it that in a place like Amraoti with so many honorary workers it could not work?—There may be honorary workers but they had no experience.

If you cannot work a dairy where milk is costly and where there is a demand for it, it is not a workable industry?—I do not think so. Workers may have committed mistakes, but it does not mean industry is not possible. I may tell you my own experience. I sell at least 2 seers of condensed milk in my shop every day and Amraoti town must be consuming about 100 lbs. and it is coming from Denmark.

You have said that there are no societies comprising of artisans. Workers in the Co-operative movement had concentrated on developing credit societies only in the rural areas and they neglected the mass of limited means. Why is it so?—Not non-officials, but officials as well are responsible.

Why?—There was no policy laid down by Government that such and such societies should be started.

But do you know the initiative for organization comes from the Central Banks?—It is only nowadays. Formerly it was from Government.

Is there any inherent defect in the way of forming such societies?—No.

Do you know anything of industries?—No.

Then are the views expressed by you based on hearsay information?—From newspaper reports and from my own information. I am running my own small business of printing and publishing books, etc.

This committee is dealing with credit facilities for small industries. Do you speak of small industries or large industries?—Both.

Have you read the report published by the Industries Department?—No.

So you have no detailed knowledge of the industrial possibilities of our province?—No.

Do you know that the industrial possibilities of our province are limited by the quality and quantity of our raw materials?—Yes.

If I tell you that we have got full information about the industries that can be best developed, will you be surprised?—I do not want mere information. As an example I may state here that a few days before I requisitioned the services of an inspector for the work of village uplift. We found out that he could not give information about any industry which would be useful to the village people.

If I tell you that the scope for developing subsidiary industries is very limited and nothing can be done, would you agree?—I do not believe.

Do you know what is meant by the term "balance of trade"?—No.

Well, the balance of trade means excess of the value of the industrial products and commercial produce. Do you know that the balance of trade in form of our province was Rs. 16½ crores last year?—No.

Do you happen to know that weaving is our most important cottage industry? If I tell you that out of about 50,000 or 60,000 weavers in the whole province some 25,000 are using improved looms, would you be surprised?—I would not be.

Is not that sufficient work done by Government? No, I do not think so.

Do you know that the demand for the products of hand looms is steadily going down and that it is impossible to alter the taste of public going in for fine fabric?—It does not mean that it is dying down altogether. Provided that sufficient training is given to weavers the industry will revive.

Do you think that a Basim weaver can weave an Umrer suitably?—No. That is why I say proper training should be given.

Do you know that the Government has started a leather tanning school for the last few years?—Yes.

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Would you still say that the Government has done nothing?—Yes, because it is too inadequate.

Are you aware that the Forest Department has got a full catalogue of the best timber in our forests and sells every year forest produce worth many lakhs? Then why do you say that nothing is being done?—Nothing is being done compared to the needs of the province.

*Vice-Chairman:* Do you know that amongst other industrial professions, coal, manganese, etc., form a large part of the trade of the province?—Yes.

Did you hear it said that the handloom industry was doomed?—It might have been said. In villages I do not think it is doomed.

It comes to this that the opinions expressed are all based on newspaper articles.—Of course newspaper articles are one of the sources.

You do not care to find out what the Government department have so far done even with an I. C. S. Director.—I believe that much more should be done.

You agree that we cannot produce gold if the country does not contain gold. If there is no coal in Berar, I cannot produce it in Berar.—Of course I agree. I also do want that the raw products of Berar ought to be made finished products in Berar. They ought not to be taken elsewhere and finished products brought here and all the costs of production and other charges should be given to other provinces or other countries.

You will agree that the most important raw product of Berar is cotton. Do you know that *dhotis* and *saris* produced from Berar cotton alone cannot be worn by all people?—I know. But I blame Government in this respect, because they have propagated coarse cotton—I mean *rosea*.

Do you know that in spite of very strong appeal to the sentiment of the people by our national leaders, the use of *khaddar* is not spreading so much as it ought to be? What is the cause of it?—An aversion to coarse products.

Do you know that every year, for example last year, the Central Provinces exported 19½ crores of raw cotton, and manufactured cotton worth two crores. Do you know that?—No.

*Rao Bahadur K. V. Brahma:* Your desire is that the Industries Department should encourage industries wherever possible.—Yes. This could be done if you have a whole-time Director of Industries with sufficient expert staff.

*Vice-Chairman:* Do you know that we have got many experts in our department?—I know there are some.

If I tell you that we have got as many experts as there are industries capable of being developed in the province would you be surprised?—I would not, because no appreciable result has been obtained.

**MR. S. D. RANADIVE, B.A., LL.B., Pleader, Joint Secretary,  
Co-operative Bank, Amraoti.**

**Reply to the Questionnaire.**

The agriculturist in this district obtains finance for his cultivation, capital and other needs mostly through the local sowkar. A small number get it through the co-operative banks. The rate of interest in this province varies from 9 per cent per annum to 30 per cent per annum (in the case of some petty loans it is as high as 1 anna per rupee a month, i.e., 75 per cent per annum), but the average will probably work out at 18 per cent per annum. In most cases where big loans are concerned the security offered is generally the land of the debtor. Gold and silver ornaments are also pledged at times. The average period for which loans seem to be taken on mortgage bonds would seem to be about five years. As is well known the Government finance the agriculturist by giving him *taccavi* in times of stress. The Imperial Bank does not finance the agriculturist as such, but he can borrow from the Imperial Bank by pledging gold. No joint stock banks or other indigenous banks finance the agriculturist in this district except perhaps the newly started Ideal Democratic Company, Nagpur. As said above, he has mainly to depend on the local money-lender and a few of the agriculturists get their money from the co-operative societies. There is absolutely no co-ordination among the various credit agencies in this district, though much could be done in this direction. Systematic organization in this direction would help both the debtors and creditors. Well organized associations of respectable money-lenders would operate as a check on many malpractices prevalent at present.

**QUESTION 2.**—The principal crops in the district are cotton and juar. The present method of marketing cotton is as is well known to bring cotton carts to the local market and sell the produce there through the *adatyas* or brokers. The ignorant agriculturist who comes with his cotton carts to the city market all the way long from his village in mostly at the mercy of the *adatyas* so far as the rate, the gradation of the quality of the cotton and the weight of his goods are concerned. Very often the *adatyas* is the creditor of the man having advanced monies to him for his cultivation or other purposes. The agriculturist is thus under an obligation to sell his carts through this *adatyas* who is also his creditor. In the majority of cases the agriculturist who thus sells his carts through the *adatyas* does not get the real price for the stuff he offers and very often we hear of persons who are deceived both as regards the rate and the gradation of the quality of their cotton. Nor are the brokers as a class very scrupulous in their methods of weighing their cotton to be sold through them. This is certainly a deplorable factor in the present method of marketing cotton and it needs a radical reform. Barring a few honourable exceptions the cotton market methods are an open scandal. It is often times found that a number of agriculturists come to the cotton market with their carts loaded. Some one from amongst them who happens to be cleverer and shrewder than the rest of his fellows has generally a secret understanding with the *dadal* or *adatyas* through whom he gets all these carts sold. This man gets a return from the *adatyas* in the shape of better rate for his cotton or in the shape of some commission for thus inducing his companions to sell their cotton through the particular *dadal* who is left free to carry on his sharp practices against the rest. Another great difficulty about marketing cotton is that of stocking it in the place where it is brought for sale. There are no godowns or like conveniences. Once a cart is brought down to the central market it must be sold at whatever offered that day. There is no waiting. The poor peasant who comes sometimes from a fairly long distance has neither the patience nor the time to wait. He is anxious to return home to his village with whatever cash is put into his hands. He does not mind Rs. 2 or Rs. 3 here or there as he says. In many cases the man knows that he would get a better rate if he waited for a day or two. But waiting for a day or two in a place like Amraoti also means some additional expenditure to him to feed himself and his bullocks. It also means absence from home. Taking all these factors into consideration the agriculturist, though unwillingly, takes all the risks of the ways of the *adatyas* rather than wait on. A well organized and strictly supervised body for pooling the produce would therefore be certainly welcome. The co-operative *adat* shop recently started in Amraoti gives promise of a hopeful future, though still in its infancy. Work of this nature and opening of such shops demand, however, the services of the best type of workers. It is futile to expect the evil to be remedied if the co-operative *adat* shops too are conducted in the spirit of the average *adatyas*. A good deal of educative propaganda and training are necessary in this respect.

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The most common form of hundi in this district is, I understand, the "Darshani Shah Jog", hundi. A very large portion of the hundi business is with Bombay.

QUESTION 3.—The main crops in the district are cotton, juar and wheat. The value of the land per acre in the district would range between Rs. 100 to Rs. 400. The average value today per acre is about Rs. 175. Rs. 100 per acre indicates the low water mark, Rs. 400 the highest value. The factors determining the value of land are the quality of the soil, the general upkeep and condition of a field and its proximity to the market. As a rule, fields when they are auctioned either for non-payment of revenue or through civil courts are knocked down for a comparatively small price. Prices fetched by private sales are certainly higher.

QUESTION 4.—There is no impediment to mortgage of lands in the district. Lands could and are as a rule freely mortgaged. There is no land mortgage bank in the province, but the question is under consideration. There are no other banks which could be styled "Agricultural banks" except the co-operative banks. So far as the raising of loans, etc., is concerned, I am mostly in agreement with the report of the Land Mortgage Banks Committee.

QUESTION 5.—To reach an accurate estimate of the existing indebtedness and the requirements of the agriculturists, it is essential to make a complete and close survey of the place concerned. The Berar Co-operative Institute has got the survey of one such village—Kathora—made through its Inspector. The work is beset with a number of difficulties and any one undertaking the work is seriously handicapped both by the deep rooted ignorance of the villagers who are ever unwilling to disclose any thing and by the lack of proper official support. It is just possible the Tahsildar and other officers have their hands full to look to this work, but the village patels and patwaris could be of immense help if they have instructions from their superiors. From information received I would put the total indebtedness of Berar at about Rs. 18 crores. The total area under cultivation is about 8,600,000 acres. The cost of cultivation, etc., comes on an average to Rs. 10 per acre. This would mean that the total expense incidental to agriculture are about Rs. 8½ crores. Debt is mostly borrowed apparently for agricultural or household expenses, but cases are not seldom where persons imprudently spend these amounts lavishly on ceremonials such as marriages and even consummation of marriages. These debts are mostly borrowed from local money-lenders. The total amount advanced by the co-operative movement in Berar is near about Rs. 95 lakhs. The rest of the money is mostly borrowed from the local sowkars. There is a tendency on the part of persons from other provinces too to invest their money here. I know of instances where persons who have been residing in Bombay, United Provinces and the Hyderabad Deccan have lent out fairly large sums of money in Berar. This they do, because they get a better rate of interest and a paying property if the debtor is not able to pay in the long run.

The percentage of agriculturists who have borrowed loans for improvement of agriculture, or for improved implements of agriculture is meagre. The majority of them seem to have set their face against the propaganda, if any, of the Agricultural Department. Efforts are being made by the Co-operative and Agricultural Departments jointly to impress on the people the usefulness of modern machinery in agriculture.

A good deal of the indebtedness is certainly due to the compound interest charged. A sum borrowed on this basis easily doubles itself within a very short time and the debtor is often suffocated into surrendering every thing. The clause laying down condition for a stipulated higher rate of interest in case of default which is frequently found embodied in almost all documents also operates as a great hardship. This practice, if possible, should be stopped and the rate of interest fixed once for all. The "Sawai method" under which the creditor gets a document for 1½ times the amount he actually advances is another evil which must be discountenanced. The Usurious Loans Act which is hardly resorted to in legal proceedings in this district may be applied freely.

Quite a large number of peasants are being turned into tenants and even labourers through their land passing on into the hands of the creditors. Failure of rains, want of proper agricultural implements and the knowledge to use them and their habitual slothfulness are no doubt the causes of the poverty of the local peasants, but their illiteracy and ignorance, combined with the unscrupulousness and insatiate greed of the average sowkar are the fountain heads of

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their economic slavery. Spread of literacy would certainly ameliorate the evil and complaints from persons whose thumb impressions were fraudulently obtained on documents "which they know not to be what" would be rare. Spread of literacy among the ryot is the most potent remedy to check the unscrupulousness of the lenders.

**QUESTION 6.**—There seem to be no subsidiary industries allied to agriculture in the province to speak of, except perhaps a little of rope-making. It is a matter of regret that the people in general are too slow to move in the matter. Persistent training and propaganda alone will give rise to a few cottage industries. If an experiment is made in the line it should not be difficult for the co-operative movement in the province to finance such cottage industries. Government too will have to supplement the efforts of the Co-operative Movements, if the cottage industries are really to be a success. I am told there were many hand looms in vogue in the district about 20 years ago, but they have disappeared as a result of the competition. There are a few centres of weaving industry here and there, but these weavers are not agriculturists and this industry could not be styled as an "allied industry". Moreover this class of weavers is too ill organized and ill-equipped to make any success. Dairy farming and Poultry seem to have a good scope though little seems to have been achieved in the direction.

A taste for handicrafts and cottage industries must be created at an early stage of life. It is futile to lecture to grown up men of over 40 and try to induce them to take to any new work. It would be worth while including the teaching of handicrafts in the Vernacular schools. Clay work, paper and wooden toys, rope making, tailoring, naver weaving, gardening, basket-weaving and like things should find a place in the Curricula of Vernacular and English Middle classes.

**QUESTION 7.**—The Imperial Bank in some places accommodates the Co-operative Bank with funds on Government securities. Beyond this, there seems to be no business relations between the Imperial, the Co-operative and other Banks.

The Co-operative Banks have to a certain extent met the needs of the Agriculturists, but not of small traders and industrialists. The agriculturists are, however, too slow to benefit themselves by the movement.

It is not desirable that co-operative borrowing should be done on a Provincial scale.

For long term loans Land mortgage banks should be started as soon as possible. Government should help these banks by the floating of debentures and subscribing to them. The Imperial Bank should also be enabled to invest in these debentures by making the necessary amendment in the Act. The Usurious Loans Act as said elsewhere is seldom availed of in this district. It should be restored to wherever necessary. Some enactment on the lines of the proposed Money-lender's Bill for the Punjab does seem necessary to make it obligatory on money-lenders to supply their debtors with copies of accounts.

## II.—Indigenous Banking.

1. The main function of an Indigenous Banker is to lend cash. He also supplies seed on credit. Very often it is found that the village indigenous banker combines in himself the grocer, general supplier and even the cloth seller for the locality.

**QUESTION 4.**—From information obtained from a revered friend of mine, I learn that hundi transaction is done in Amarsoti to the extent of about Rs. 5 crores. The most common form of hundi is the "Shah Jog Darshani hundi". Out of these Rs. 4.5 crores, business to the extent of about Rs. 60 lakhs is done by the Imperial Bank and the rest by the local money-lenders. These hundis are negotiated through *dahals* who get 6 pies per cent by way of commission. The form of promissory notes current is the ordinary writing acknowledging payment of amount received and promising to pay the amount back on demand with or without interest.

**QUESTION 5.**—This is covered by the answer given to I (1).

**QUESTION 2.**—It is the indigenous banker or sowkar who mainly finances the agriculturists and the small traders and industrialists.

**QUESTION 3.**—There is no organization in the provinces of the indigenous banking system.

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QUESTION 6.—The agriculturist community has to pay between 12 per cent per annum to 30 per cent per annum to the local sowkars on the sums they borrow. These rates could be brought down a little if the agriculturists organize themselves into well-formed associations. Reduction of the rates of interest would no doubt give them some relief, but it is not a remedy that will cure their economic evil to any appreciable extent. They must be trained to business methods. Good and honest agriculturists who are prompt in their repayments get loans at reasonable rates of interest.

I should, however, request those in power to legislate that in no case should interest be allowed at a rate higher than 2 per cent per annum. The rule of *Dam Dupai* too, which is at present applicable to the Hundis only, should be made available for all.

QUESTION 7.—There is certainly some prejudice in the district against local sowkars as a class, but with all this prejudice the agriculturists do resort to them. There are at the same time sowkars who have been dealing with the same families of debtors for generations and who yet command their complete confidence. It seems desirable to make it a rule that in every case when a loan is advanced the documents must be attested by a witness who at least is literate where the debtor is not. Except for the wily devices of debtors who rush to the insolvency courts, the sowkars are sufficiently protected.

QUESTION 8.—Accounts are as a rule kept according to the Mahajani method and reputed and good sowkars never deny their clients the privilege of inspecting the accounts any time. The class of indigenous bankers should be more serviceable to the community if they are organized into a regular registered body with so far as possible a uniformity of practice in the conduct of their business. I am afraid the attitude of the indigenous Banking Community would not be any friendly to the suggested change and departure from the old method.

QUESTION 9.—After deducting all the charges and losses, etc., the net income is not more than 18 per cent per annum.

QUESTION 12.—No money seems to be lying idle.

### Part. III.—Investment habit.

QUESTION 1.—People in the interior are not provided with sufficient investing facilities nor is there any method or institution to encourage them to make small savings. It is desirable to do something in this direction. Thrift must be encouraged and arrangements made for providing facilities for savings, however petty. People should not have to leave their village and go a long way off to the town post office to deposit their petty savings. Associations must be started which would take it on themselves to arrange for the petty savings of the poor peasants.

There is a tendency to invest in gold and silver, but recently this too has been on the decline as money is running short. Gold and silver are things which could be readily cashed and also serves to satisfy the decorative instincts of the rural public, though this kind of saving is exposed to the risk of deterioration and theft.

QUESTION 2.—Postal cash certificates do not seem to be very popular in the district. Savings banks are mainly resorted to by the middle class literate people. By their distance the savings banks are out of the reach of most of the rural population. To place them within an easy distance would help to increase the deposits. I should also suggest the annual celebration of the "Savings Bank Day" in some central place in the villages to attract people and give them an opportunity of learning the benefits of the savings bank. Distribution of the saving-boxes, which has been tried in some places, would also help to teach thrift to the public.

QUESTION 3.—The agriculturists as a class, as also the middle class people, are too easy going to put in any effort beyond the routine to improve their lot. They are found complaining of chronic economic pressure, but they have neither the strength of mind to reduce some of their surplus expenditure, nor the will to work more.

The monies which come into the hands of the agriculturists by the sale of produce are generally spent in (1) paying something to the sowkar, (2) buying sundries and (3) ceremonies. Very few have any balance left with them.

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QUESTION 4.—Cheque habit is not very popular in the district.

QUESTION 5.—Certainly banking and investment habit is very slow at least in this district.

#### Oral Evidence.

*Chairman:* How long have you been doing co-operative banking business?—For about five years. I am Joint Secretary of the Co-operative Bank, Amraoti. I am a pleader. I do not do any money-lending myself and I have no cultivation. I am not an expert on behalf of the agriculturist or the money-lender.

You say that the Usurious Loans Act is hardly resorted to in legal proceedings in this district. Can you quote any instances?—There have been cases of this kind where the Courts could have used it, but have not made use of it at all.

This committee has already approached the Judicial Commissioner in the matter. Do you not think that if the local Bar Association passed a resolution to that effect the local judges would apply the Act more freely?—I do not think that the Local Bar would go so far.

Why are you doubtful?—There may be gentlemen who do not hold the same view. Some of the members of the Bar who usually appear for money-lenders might not be willing to have this Act enforced.

You agree that, if the Bar laid more stress on this point, the courts might apply it more freely?—I do not say that they do not have resort to it.

It is very interesting to see that you are of the opinion that there is wide scope for dairy farming and poultry rearing. Do you think that our Brahmin friends would take to poultry rearing?—I know of a Brahman gentleman who does this business. There is a particular class of Hindus (Kumbhis) who would do it. The Brahmans as a class may not do it.

What do you suggest as the best method of encouraging poultry farming?—I can only say that there is sure to be a sufficient consuming public and eggs find a market.

With regard to the co-operative credit banks, you have stated that the agriculturists are too slow to benefit from the movement. Would you be prepared to say whether this is owing to the inaptitude of the agriculturists or do you think that there is some defect in the administration of the bank?—Both may be partially responsible. If there is anything wrong, it is on both sides.

What means would you suggest for improving the administration of the co-operative credit bank?—We do make propaganda. It could be closer still. We have not been able to impress the fact that the Central Bank is only financing agency and that the society is the real co-operative body.

Would you be prepared to go so far as to agree that some gentleman have overlooked the fact that a co-operative body cannot be expected to run until it has learnt to walk?—It may be that the movement has been rather too rapid and that there was not sufficient consolidation. More intensive training was required. They entertained expectations which were not fulfilled. We were rather too optimistic.

The next point is that you are not in favour of co-operative banking being carried on on a provincial scale. Would it not reduce the overhead charges?—Local interest is a very important thing and people lose touch if the people of this district know that Nagpur people finance them. Our idea is to see that the societies are made independent, if possible.

Are you of the opinion that the present rate of interest which is ordinarily charged from a member of the society, i.e., 12 per cent, is sufficiently low, having regard to the security?—We have different rates for different members.

Do you not think that 12 per cent is rather high?—Our rate of interest is by no means high. That is the maximum obtaining in our bank, whereas a good man has to pay only 12 annas or 9 per cent.

I dare say you are aware that in the past a criticism has been made that sometimes when rich men have been included in a society with poorer men, the former have been an obstacle to the development of the society. You agree that these big men should not be included in these societies?—I entirely agree.

What do you say to the proposal to amend the Co-operative Societies Act to enable the Central Bank to lend money to big individuals on personal security?—I disagree with it.

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Do you mean that the Central Bank should continue to finance its societies, but in addition it should be allowed to do other banking business as well?—No. I am opposed to it.

How do you propose that the big man should get money?—He has any number of resources at his disposal.

As I understand the situation at present, the Central Bank has ample resources. I mean that it gets ample deposits and the complaint nowadays is that you cannot invest all your money. Is that correct?—It is only temporary. If the middle class people want to borrow, the money is there. If it is all lent out and smaller men demand money, it may not be there then.

What do you think of the proposal to advance money to a private individual on his note of hand, if the Imperial Bank arranges to discount that paper? Would not that extend your business and increase your profits?—If the money is available at any time, it is good. My position has always been that the co-operative credit movement should serve and has been serving the purpose of the average agriculturists and it should not do any other business. My opinion is that it should be confined to co-operative credit work.

You have stated that the value of land in this district is between Rs. 100 and Rs. 400 per acre and you put the average value down at Rs. 175. At the same time, you estimate the average costs of cultivation at about Rs. 10 per acre. What would you estimate the average profits as a practical man? Have you made any attempt to estimate the profits?—I have made an attempt; but without much basis I should not venture an opinion.

What is your basis for the average cost of cultivation at Rs. 10 per acre?—I have received this information from the Agricultural Experts of Government. I have since come to know that Rs. 10 is not a correct estimate; but that the expenses are something more.

I see elsewhere that you state that the people from outside Berar are lending money in Berar, because they get a better rate of interest and a more valuable property. Could you tell me why the interest is higher in Berar?—The interest is higher. I cannot give any definite reason except this that people are too much in need of money and they borrow too lightly.

The demand for money is greater than the supply?—There is a keen demand.

Supply of money is not presumably sufficient?—I am not sure; but the rate of interest is certainly higher in Berar than in Bombay, United Provinces or elsewhere.

You say in another place that there is absolutely no co-ordination amongst the various credit agencies in the district, though much could be done in this direction. You say that a systematic organization would help both debtors and creditors. Have you any scheme?—I have none; but they can form themselves into a registered body.

Would that bring them into co-ordination with the bank if they were registered?—Not necessarily with the bank. There will be a sort of organization to which we can look up.

In another place, on the question of marketing, you say that the agriculturist does not get the proper price from the adatyas and particularly when the agriculturist has borrowed money from the adatyas and he is indebted to him. Do you think that this is really a genuine complaint? Do you think that the loss which is caused by the adatyas is greater than the benefit which the cultivator gets from his services?—We have not received many complaints. I have suggested later that there should be regular co-operative adast shops.

Have you considered the point that when the cultivator borrows money from the adatya the fact that the adatya deducts what is due to him when he sells the cotton is a good thing as it ensures prompt repayment of the loan?—It is not that he repays, but he overpays. Our opinion is that the cultivator is dissatisfied concerning the gradation of his cotton.

Do cases of malpractices come before the courts?—I do not think I can quote any instance. I have received numerous complaints against malpractices in weighing, grading and in payment.

How do you propose to pool cotton?—It will be graded and then pooled. The carts will be brought to the market and different varieties will be graded into different groups.

A staff will be necessary for this. Do you consider that the cost of the organization will be less than the benefit?—I have not calculated. I found that

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the people of Yeomal had tried this experiment and I was told that it has met with success.

Is there any recent adst shop opened in Amrohi? How is it working?—Yes. It has given good results.

I think you will agree that in agricultural finance, short-term and long-term loans are entirely different things. The total expenses of producing the crop in Berar is said to be not less than Rs. 8 crores and is probably more. How much of that amount is borrowed? Have you any idea?—Most of this is borrowed on short-term loans which are repaid at harvest.

Do you agree that if these sums were not repaid from year to year by the end of five years, the total indebtedness would be 50 crores?—I agree with your statement, the total indebtedness is estimated at about Rs. 18 crores. Is that based on any enquiry?—Just that sort of information which we collect in our tours.

I understand that during the last few years your bank has been recovering considerable sums?—Recoveries are always good. Last year it was quite good. Last time we recovered about Rs. 7 lakhs. A few thousands may not have been collected.

Do you think that these repayments are being made out of the crops or that people borrow from money-lenders in order to repay?—I do not think that the latter is the case.

The details of your estimate show clearly that there is considerable profit from agriculture. By now the debt would have gone into millions, if people had to borrow money for their support for six months as is stated elsewhere. Do you think that indebtedness is increasing?—It is increasing.

How do the people manage to make repayments to you?—They somehow manage to live in such a way as to repay the amounts. I do not think that the people themselves are responsible for high indebtedness.

That would indicate that money was there when they can afford to pay?—We would have to look to the pinch of poverty to the people. They have denied themselves many comforts. My experience is that out of the last five years, three are reported to be bad. The position of the bank is certainly not bad.

You say elsewhere that efforts are being made by the Co-operative and Agriculture Departments jointly to impress the importance of the usefulness of modern machinery?—We had some lectures by the Agricultural Department and some demonstrations.

Are you quite satisfied with the usefulness of modern machinery?—Personally I have no experience of agriculture; but I know that people who have used modern machinery on a very large scale say that it pays, but small agriculturists always complain that they get no benefit in any way.

Do you think it would be a good thing to teach the local blacksmiths and carpenters to make modern implements? A complaint has been made, that the importation of these implements from outside has interfered with the local artisans?—Yes. I do not subscribe to the views of Rao Bahadur Dole that education and machinery are the bane of the people.

Do you think that smoking of *bidis*, taking tea, etc., should be prohibited?—I should not ask for legislation of this kind.

Do you think they are the main causes of indebtedness?—No.

You state that the main cause of the indebtedness is compound interest?—I have stated elsewhere that the ignorance of the people also is one of the causes.

You agree that the rate of interest is very high and that, if the rate of interest could be reduced, the position of the agriculturists would be improved?—The rate of interest in bad years has made the condition of the agriculturists very bad. In our society 15 per cent of the members are very heavily indebted.

Have you known any instances of landholders being turned into labourers?—That is my impression only. I have not got any evidence.

You say that the unscrupulous and insatiate greed of the sowkars coupled with the ignorance of the peasantry is the fountain head of economic slavery. This is quite a different view from what we have just now heard. Do you really think that the sowkar or money-lender is insatiate?—There may be exceptions; but the average rate of interest is certainly higher than that available in our bank.

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Are you of the opinion that the spread of education is the most important step?—Yes. Education may be more adaptable to the village needs. Handicrafts may be taught in the elementary schools.

Would you be prepared to agree with Rao Bahadur Dole that all educated people refuse to do agriculture?—I have had complaints of this kind from certain parents.

From your experience in the co-operative society can you say whether many of the literate members are also good agriculturists?—It is not my experience that education and the teaching of the three R's have made the agriculturists any less efficient as agriculturists than before. My idea is that although not from 6 to 7, at least from the age of ten, some handicraft should be taught in the primary school.

You have stated that the Imperial Bank in some places accommodates the co-operative bank with funds on Government securities. I understand that it also advanced some money on the pro-notes of societies?—Not that I know of.

Have you got a cash credit with the local Imperial Bank?—Yes. We have placed our Government securities with them.

Are you in favour of land mortgage banks for long-term loans?—Yes.

Would you limit the amount of the loan in any way?—No.

Whatever the sum might be, the only limit will be the credit of the borrower?—Yes.

As regards the law of *Dam Dupai*, would you extend it to all classes?—Certainly; it is a good thing. I would not agree with a proposal to abolish it. It would cause a lot of harm and I am much against its repeal.

About savings and thrift, what means would you advocate? How much money have you got in deposit in your societies and what steps have you taken in the villages to encourage savings through the agency of your societies?—We have been going to the villagers from time to time and inducing them to deposit money. We have advocated that savings boxes should be sent round the villages and supplied to different members.

What reason is there to prevent the co-operative credit society from doing savings bank work?—I think it will increase the work. The members are not sufficiently educated at present. It would be impossible now.

There is some objection in certain quarters to the post office cash certificates on the ground that the money collected in the rural areas is being removed thereby for use in urban areas, and it has been suggested that all the savings collected in rural areas should be used in the rural areas. Why cannot the Central Bank issue savings cash certificates through societies?—If they find use for the money, the Central Bank may do it. The principal difficulty is that their surplus is already great, and they cannot find use for all their money.

You have recommended savings bank day. What savings bank do you mean? Do you mean through the post office?—Through other savings banks too. They should combine, the land mortgage bank included.

*Professor A. C. Sen Gupta:* You say that very often the *adatya* is the creditor of the men having advanced monies to him for his cultivation or other purposes. The agriculturists is thus under an obligation to sell his carts through the *adatyas*. Is it a very common practice?—Yes. It is a very common practice. Many people have told me that they have borrowed money from the *adatyas*. I can quote about a dozen instances from my own society. Technically they are bound to sell through the *adatya*. That is the practice and there is a moral obligation and they know that as soon as their cart is in the market the *adatya* is sure to come there.

Do you think it is in any way injurious to the cultivators?—Yes. Once he does not borrow from the *adatya* there will be no moral binding to sell through the *adatya*. Ultimately it all depends on the integrity of the *adatya*.

You have said that you have little more of organization and supervision in the villages. Do you think that, after all, the whole of the co-operative credit depends on one fact, that is, joint liability and joint liability is useful because one will be a check on the other? That has failed, is not it?—I should not say it has failed. The bank could do propaganda work.

You could not find people who are willing to work for nothing. The average man is only willing to earn and the question is simply whether honorary workers can be found?—We are not giving too much. We ought to supervise and we ought to make people realize this fact. The honorary workers could work more usefully, though it involves touring into the interior. They can make use of the bank staff.

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*Chairman:* It has been suggested to me by a high financial authority that banking science is a science. The co-operative credit banks would work better if their manager was an expert banker?—He does not start as a manager all at once.

Do you think that if you employed a man on, say, Rs. 300 per month, the extra expenditure would be worth the while?—I do not think so.

Another suggestion has been made is that the Registrar of Co-operative Societies should also be an expert banker. Would you agree to that?—We do not seem to have suffered so far by having men who are not expert bankers.

*Rao Bahadur M. G. Deshpande:* May I know your definition of an average agriculturist?—I have no definition; but I should not call Rao Bahadur Deshpande an average agriculturist. Here I should say that a man possessing 50 acres of land should be called an average agriculturist.

*Chairman:* Do you know what the average holding is in Berar?—No. I have not worked it out.

*Rao Bahadur M. G. Deshpande:* You say that there are malpractices and that money is advanced to cotton-growers. May I know whether the money is advanced free of interest?—I do not think that money is advanced free of interest; but some interest is charged.

How is it that they are compelled to take their carts?—For the simple reason that the adats is there when the carts approach the market.

Do you know that there is a cry in our conference that the rate of interest should be reduced? Have you succeeded in the last 15 years in reducing the rate of interest to 7 per cent?—No. The reason is that we did not find it sufficiently remunerative to pay our staff and run the machinery. We accept deposits for one year at 5½ per cent, for two years at 5½ per cent, etc.

*Chairman:* Have you reduced your rates recently? How long ago?—Yes. Since the last two years.

*Rao Bahadur M. G. Deshpande:* You admit that the expenses are more and therefore you are required to keep the higher rates of interest. Supposing the Provincial Bank opens a branch here do you think that the members of your society would get loans at cheaper rates?—They may be able to get loans at a slightly lower rate.

*Chairman:* You said that you do not want more money at present?—It is only temporary.

Would not your surplus funds indicate that you should reduce the rate of interest on deposits?—It may look like that. If we reduced the rate of interest, a lot of money would go. We get some deposits of money from the Central Provinces and from outside Berar. I agree that this is partly due to the fact of a relatively higher rate of interest on deposits; but I think it is also due to our good credit.

*Rao Bahadur M. G. Deshpande:* Are you aware that the Provincial Bank takes deposits at 4½ per cent? Do you not think that if the Central Banks were abolished and the Provincial Bank carried on the business through a branch, it would be able to lend money to the societies at a lower rate at least at 6½ per cent?—I have answered this question.

Are you of the opinion that the indebtedness in Berar is mainly due to the fact that agriculturists have the rights of transfer in land?—I do not think that this can be one of the main reasons, because they have been holding their lands with rights of transfer for many generations past.

*Rao Bahadur K. V. Brahma C.I.E.:* I hope you will agree that a good deal of attention has been given to the carrying on the work more energetically?—Since we started work on the group system, we have appointed paid agents and honorary workers have already been asked to work more energetically.

You said that you are opposed to the idea of loans to individuals, because you think it is not co-operation, and by co-operation you understand that it is the ideal of your bank to teach people as to how to live in comfort and to have their entire angle of vision of life enlarged?—Yes.

*Chairman:* How many members have you got in your society altogether?—Altogether we have 2,100 members and about 121 societies.

Could you tell me how many of the 2,100 members have been instilled with thrift and how many of them you helped to live a better life. Can you point out any men who have been instilled with these high truths and whose work is better?—Certainly. We should be able to quote instances, where members have morally improved by being members of the co-operative societies.

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Many of the members have struck off their names as soon as they repaid advances. Why?—They are afraid of the joint responsibility. I admit that a considerable number of them, when they pay off their debts, cease to be members of the society.

*Rao Bahadur K. V. Brahma C.I.E.*: You are opposed to a Provincial Bank on the ground that you would not have any local talent. Do you think that you will not get as many workers?—Would you have the same interest in co-operation?—I do not think there would be any difficulty. To me it should not matter; but I give you the general trend. There is no logic or reasoning behind it. It is a question of sentiment.

Supposing we have a branch at Amraoti; is it possible to have a good local knowledge which will help in the work of the Provincial Bank?—Yes.

Are you aware of the fact that in the Bombay Presidency there was opposition to this system?—Yes.

*Vice-Chairman*: The scrutiny of registration proposals or loan applications is done mostly by your paid staff?—No. Every loan application is passed by the Loan Committee. The information is called for from the paid staff and the rest of the registers are there before the Loans Committee. The full records are always there.

Outside these borrowers who are the personal friends of the directors of the bank, you have to rely on the paid staff?—Every member of the Loans Committee may not know them personally. But at least has visited the village generally. He may not be knowing every individual case. In 60 per cent of the cases they have to depend on the paid staff. I may add that our manager does actually visit most of our societies. In 40 per cent this is the rule.

*Vice-Chairman*: You know that in other banks it is not even 40 per cent?—I do not know.

Therefore the Provincial Bank says that all the local knowledge on which you are laying stress is that of the staff. The Provincial Bank will have a full staff under their charge. What objection have you got?—There is always the information and the interest of the honorary workers.

It is the paid staff which is mainly in touch with the villagers?—Yes.

The big borrowers were useful in establishing the societies in villages in the beginning of the movement?—I should not say that it was so generally.

Have you heard that leniency to these big borrowers in Berar is sought to be justified on this ground?—I do not know.

A considerable number of these big borrowers are persons of influence in the banks and the societies?—In the banks I am not aware, but in societies there may be instances; but I have not come across many instances of this kind.

In Amraoti the big borrowers have not been in a position to influence the directorate?—I am not aware of it.

The dangers likely to arise from these big borrowers were realized only two years ago?—Nearly three years ago.

But the position is the same today?—No money has been given to the big borrowers after that.

Is the total amount owed by them put under award?—In some cases; not the total amount, but the big percentages.

These reports about cultivators being heavily indebted or overburdened with debt are sometimes based on vague general complaints. Is it not?—On enquiries also. So far, no systematic and scientific economic enquiry has been made to find out what the accurate position is.

You are a member of the Amraoti Institute. There must be the report of the Indian Central Cotton Committee?—I am the Secretary of the Institute. This report is there. My staff may be able to give it.

These enquiries were conducted by the Cotton Committee in various cotton-growing areas and their conclusion was that the Berar cotton-grower was much less indebted than, say, the Guzarati or Ahmadabad cotton-grower, and practically the least indebted in the whole of India. Do you think we would be justified in under-estimating these reports?—I cannot say. But during the last three years we have received many complaints. I have no reason to doubt the bona fides of the Cotton Committee's report.

You have spoken of the loss caused by the existence of middlemen like adalys. Have you any personal experience?—No.

Have you ever tried to get a rough estimate of the percentage of loss which these middlemen cause to agriculturists?—A man who ought to get Rs. 100 would get only Rs. 82. The least loss would come to Rs. 4 or Rs. 5.

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**RAO BAHADUR RAMCHANDRA RENA KO DOLE and  
MR. NARAYAN RAMCHANDRA DOLE, Money-lenders,  
Amraoti.**

**Reply to the Questionnaire.**

The questionnaire starts with the assumption that the income necessary for the well being of the people is adequate, but that there are defects in the internal management. The questions are therefore designed to find out measures for remedying them. In our opinion the adequacy of the income should first be inquired into and then measures to increase facilities (question 5) for the agriculturists considered. We confess that we do not possess the necessary scientific knowledge to satisfactory answer the questions, but we offer the following practical suggestions in the light of our experience:—

India being essentially an agricultural country, we believe that a special attempt should first be made to improve agriculture and the credit of the agriculturists so that all industries depending on agriculture may prosper. It is impossible to improve the credit of the agriculturists by merely providing them with long-term loans at low rate of interest. There are several causes for the indebtedness of the agricultural community. The following are some of them:—

- (1) Frequent enhancement of assessment.
- (2) Uncertainty of and unseasonable rains.
- (3) Abnormal rise in wages.
- (4) Inaptitude for cultivation brought about by the modern system of education.
- (5) The common rate of interest charged by the professional money-lender on loans advanced on the security of the land is 12 per cent per annum as against 24 per cent 40 or 50 years ago. It would, therefore, be wrong to suppose that the present interest is exorbitant and that the cultivator has been ruined on that account. The imposition of any restrictions on the *sowkari* business would interfere with free and open dealings and operate to the disadvantage of the cultivators. The co-operative banks which were started with the aforesaid object have only made more capital available. They have made the position of the cultivator worse by creating obstacles in the way of open transactions of the *sowkar*.

(6) Expenses of litigation and pleader's fees.

The following suggestions are offered for improving the condition of cultivators:—

- (1) Repeal of the Law of Limitation. The limitation entails the renewal of bonds for the principal as well as the interest outstanding and the debtor is required to pay interest on the amount entered in the renewed bond or in the alternative suits have to be filed and the debtors have to pay the cost of the suits.
- (2) Regulation by law of the rate of interest on the transactions between the money-lenders and the banks.

(3) Abolition of the law of *Dam Dupat* which also helps to swell the interest.

(4) To prescribe a system of accounts for the money-lenders and to lay down that there shall be written record of every money transaction.

The following additional measures will conduce to the betterment of the condition of the cultivators.

(1) To regulate the hours and wages of agricultural labour so as to save the extra expenditure which the cultivator incurs on payment of wages. The cultivator, on account of the education which he receives, is not inclined to work in the fields and in consequence has to employ more labourers. The labourers nowadays are not as efficient as before.

(2) Assessment should be fixed on a consideration of the income and expenditure and other circumstances.

(3) The education which is being imparted to the agricultural classes at present should be stopped and vocational and agricultural education not on the modern but on the old system which is more economical should be given instead.

(4) To start subsidiary industries as spare time occupation for the cultivator.

*Money-lending in the past.*—In the past lending was confined to grain only. Owing to abundant rains more food crops were grown than cotton. And as the grain was cheap, cultivator had little money. He used to work in the field

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and therefore spent considerably less on wages. Grain being plentiful, he had enough and to spare. Only the poor cultivator stood in need of borrowing grain, which as a rule was advanced on *sawai* or *dedhi* system, i.e., the grain was advanced before rains and realized with *sawai* or *dedhi* after four months. Cash was advanced at the rate of 2 per cent per mensem. Besides a batta of Rs. 6-4-0 per cent was deducted at the time of making the advance. So much land was not under cultivation then; but as grain was ample and subsidiary industries were in prosperous condition, the cultivator did not feel the pinch. As most of the disputes used to be amicably settled out of court, the cultivator had not to pay the pleader's fees.

*The present day money-lending system.*—With the advent of the British administration, cultivation acquired stability and the high handedness of the zamindar and others disappeared. For sometime the crops were as good as before, wages of labourers were the same, the assessment was not heavy, the cultivator was free from the vice of education and was as hard working as before. He became prosperous because he got good price for his produce. But with the spread of education he got a dislike for hard work in the field and became extravagant with the result that he got heavily indebted. His condition has now become so deplorable that it is not easy to improve it. Fertility of the soil has gone down and wages and personal expenditure have increased disproportionately. Government should assist in training the cultivator on the old system of cultivation which was more natural and economical and should train people to prepare agricultural implements. The importation of agricultural implements from outside will, on the other hand, still further curtail the avenues for employment and make the labour dependent on others. In the Western countries the unemployment is on the increase inspite of all the numerous schools, Research Institutes and factories and systematic banking.

Dishonesty has entered the business and several persons are betrayed. Some of the underhand dealings are enumerated below:—

(1) Petition-writers, attorneys and pleaders extort money from cultivators (pleader's fees should first be regulated and then sowkar's interest).

(2) The cultivator does not secure proper weightment and price for cotton owing to laxity in the management of cotton markets.

(3) In the absence of grain markets, the purchasers and brokers cause much loss to the cultivators.

(4) Cases are decided on verbal evidences in court and accounts are not examined. This causes loss.

(5) The Insolvency Act provides a handy means of deciving the sowkars and therefore loans are not given to the cultivators on personal security.

(b) The tendency to bear false witness in courts is increasing.

This is how the hard-earned money of the cultivator is being frittered away. Besides the cultivator has contracted vicious and expensive habits of smoking cigarettes, drinking tea, visiting theatres, purchasing cars, etc., without supplementing his income from agriculture.

Though the terms on which loans are given by co-operative banks and Government are more favourable than those of sowkar as regards interest, they are not equally convenient in other respects and the ultimate consequence of failure to repay in time is more disastrous than in the dealings with sowkars. The Banking Enquiry Committee is to improve the condition of the agriculturists by providing long-term loans on lower rate of interest. This will indirectly restrict the business of the money-lender or stop the open dealings of the cultivator with him, but will not in itself attain the object in view. The operation of the Deccan Agriculturists' Relief Act has not tended to improve the condition of the agriculturists, but has on the contrary made it worse. The contemplated establishment of banks lending out money on low rate of interest will encourage reckless borrowing and extravagance and will land the cultivator in misery. So long as the other causes enumerated above which contribute to the indebtedness of the cultivator are still in operation, it is useless attempting to lighten his burden by reducing the rate of interest. The free dealings of the cultivator with the money-lender is on the whole advantageous. Some of the remedies suggested above will accelerate progress.

The modern scientific education imparted to boys make them thoroughly unfitted for agriculture. Physical and vocational education should be given instead. Machines have caused unemployment. Therefore industries which will keep men employed should be started.

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As a mechanical organization throws out of employment a number of manual workers, so organized banking will drive out of business the money-lenders who make their living by lending money.

About 25 other experienced businessmen have expressed their agreement with the above view. If they are found to be deserving of consideration, the writers are prepared to appear before the committee for oral evidence on the appointed date.

#### Oral Evidence.

The Chairman explained to the witness that the committee had read his statement with great interest and had called him as first witness as he had suggested some novel theories.

The witness says that he is a Rao Bahadur and was formerly an Honorary Magistrate.

*Chairman:* We understand that you are a money-lender?—I have some two lakhs of rupees' money-lending and I also hold land and pay Rs. 1,200 land revenue.

*Chairman:* You have stated in your reply that the usual rate of interest on secured loan has fallen from 24 to 12 per cent. Could you inform the committee since when this has taken place?—Within the last 25 years or so. My explanation for the fall in the rate of interest is that the number of money-lenders has very greatly increased during the last 25 years and that more money is available to borrowers. My opinion is that the agriculturists have not become indebted owing to the high rate of interest.

I understand from your reply that you are of the opinion that the agricultural indebtedness has increased?—Yes. I am of that opinion. Agricultural indebtedness has very greatly increased during the last 25 or 30 years. I have stated in my reply that one of the causes of indebtedness is the uncertainty and unseasonableness of the rains. The rains have become unseasonable and uncertain since 1895. I have also stated that the people have become inapt for agriculture owing to the present-day education. This, I also consider, has taken place during the last 25 years. I have also stated that the abnormal rise in wages is the cause of indebtedness. This has taken place during the last 15 or 20 years. I have stated that the frequent enhancement of assessment is another cause of indebtedness. There has been no such enhancement in the Amraoti district during the last 30 years.

I understand from your replies that you are of the opinion that the present system of banking and money-lending does not require any improvement and is incapable of improvement?—This is my opinion.

You have stated that you are of the opinion that education is one of the causes of indebtedness and that the old system of imparting education was better. Could you explain this? Is it your meaning that persons should not learn to read and write?—My meaning is that people should learn in the field and, if they learn to read and write, they should learn to read in the fields and write in the fields. In my opinion, the improvement of the agriculturists can be obtained in the following manner. They should be urged to work harder and to produce more. As regards land revenue assessment, I am of the opinion that Government should take a percentage of the outturn in the field. I am of the opinion that Government should find out every year the exact amount of crop and should take a fixed percentage of this crop.

Would you recommend that the Tahsildars should go and stand in the field and find out how much crop there is and take away a portion of it?—It is for the Government to decide the methods to be employed. I cannot suggest how my scheme should be carried out. I have also another means of reducing indebtedness, i.e., to restrict the amount of pleaders' fees. I am also of the opinion that the smoking of bidis, cigarettes, the drinking of tea and the purchase of motor cars by agriculturists should be forbidden by law. I am also of the opinion that the law of limitation should be repealed and that there should be no limitation for the period in which debts can be recovered. I am also of the opinion that the law of *Dam Dupat* should also be abolished. I am also of the opinion that the rate of interest which the banks are entitled to charge from money-lenders should be fixed by law. I am of the opinion also that the rate of interest should not be more than 12 per cent on loans of Rs. 500 with a lower

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rate for larger sums. I am also of the opinion that the law should be passed fixing the maximum rate of wages for agricultural labour at 8 annas per day for eight hours' work and half charges for a woman. I think that indebtedness can be reduced by removing any kind of restrictions on money-lending to cultivators by money-lenders.

What profit do you get from agriculture?—For the last three or four years there has been no saving from agriculture at all. The crops have been 4 or 5 annas and the expenses of cultivation represent 4 or 5 annas. In my opinion in year of normal crop, i.e., of 13 annas crop, about 4 or 5 annas of the outturn are spent in expenses and 8 or 9 annas represent the net profit.

*Vice-Chairman:* You stated that in your opinion the villagers who received education did not do cultivation themselves. Will you please state their percentage?—In my opinion all the persons who receive education decline to do agriculture.

Will you please explain why you think the violation of law of *Dam Dupat* will be advantageous to the cultivators?—It would be advantageous, because it will not be necessary for the money-lender to get the bonds renewed or to file suits in the court when the interest reaches the same amount as principal, but will be able to allow the interest to go on swelling without going to court.

What do you mean by your statement that Government should assist in training the agriculturists on the old lines of education?—I mean that in the old days the son went into the field with his father and worked at agriculture. Now these children go to school and do not work in the fields and waste their time by being luxurious.

You have stated that the malpractices in the market causes loss to the cultivators. Can you state how much loss is caused?—The maximum would be 5 to 7 per cent on the value when the market is down, but when the market is brisk the loss is less.

What do you think if the chief reason for the indebtedness of the agriculturists: the extravagance and unnecessary expenditure or any others such as failure of the rain, etc.?—My opinion is that extravagance and unnecessary expenditure is as great a cause of indebtedness as any other.

You have stated that until the various causes of indebtedness which are mainly extravagance and bad cultivation are removed no advantage will be gained by reducing the rate of interest. The aim of the co-operative credit movement is to encourage greater industry and greater thrift, are you prepared to admit that to this extent at least the co-operative credit movement is a good thing?—I do not find any special feature in this movement. The property is sold under award and the people are being ruined. There is no special point of difference.

*Rao Bahadur M. G. Deshpande:* Do you mean to say that if the rate of interest is reduced, it would be no benefit to the agriculturists?—I cannot say this. I admit that there will be some good from a reduction in the rate of interest.

You have stated that if there should be no limitation on the time for recovery of debts, it would be advantageous to tenants. Are you not aware of the fact that money-lenders usually allow the money to run on and the debt to increase as much as possible and that the existence of a period of limitation restricts this?—If there is no limitation, the money-lender will not press the debtor for recovery and will allow the debt to run on with increasing interest and will not run him for repayment.

What form of education do you recommend in the field?—I am of the opinion that the sons of agriculturists should not be allowed to go to the existing schools, but should be taught in the fields by their parents how to plough and cultivate their land. There must be a system of compulsory education in the field. I am perfectly confident that the main cause of extravagance and indebtedness is the present system of education. I consider it to be the cause for smoking bidis and cigarettes, going to the theatre, wearing fine clothes, drinking tea, etc., etc.

Are you aware that a number of new implements such as the Akola Hoe and improved ploughs, etc., have been introduced? Do you mean to say that the old system of agriculture is better than the new?—Yes. I consider the old system to be better.

RAO BAHADUR R. R. DOLLA

You yourself are a money-lender. Have you been able to recover in cash during the last four or five years?—In these bad years it is difficult to recover anything. I have probably not recovered 25 per cent in cash during the last four years.

It is sometimes stated that money-lenders and others take the thumb impressions of illiterate persons by fraud on forged documents and therefore get money from them by false pretenses. Do you not therefore think that it would be better if they would know how to read and write?—I have stated in my reply that the fraud and dishonesty of this kind does take place; but the money-lenders and sowkars do not practice fraud of this kind. They used to do so formerly; but it is a long time since they gave up doing so.

Do you think that taccavi is a good thing?—Taccavi is good to the extent that it is advanced at a low rate of interest; but the strict recoveries are very bad and recovery should not be made so promptly.

*Professor A. C. Sen Gupta:* Could you say how many agriculturists are indebted?—In my opinion about 70 to 75 per cent of the agriculturists proper are indebted.

Can you say what percentage of agriculturists are literate?—All the old men are illiterate and they are good people. 60 or 70 per cent of the younger people are literate nowadays.

You have stated that the opening of the co-operative credit bank has increased the amount of capital available for distribution among the agriculturists. Do you consider this a good or a bad thing?—I consider it a bad thing, because people have become luxurious.

*Rao Bahadur K. V. Brahma C.I.E.:* You have stated that the average rate of interest nowadays on debts on security of land is 12 per cent. What is the average rate of interest on unsecured debts?—The average rate nowadays is 25 per cent or even higher.

Do the agriculturists get reasonable loans nowadays without mortgage?—Very few such loans are advanced now without the security of mortgage.

Is there any means whereby a cultivator who does not hold rights in land can obtain loans for his cultivation?—Big money-lenders will not advance money to a person who is not the owner of land; but cultivators of this kind can obtain small sums from the local petty money-lenders in the villages. The ordinary rate of interest for such people is 24 per cent.

Can you suggest any means whereby these people can be financed?—I cannot.

Have you ever visited a society or Central Bank and tried to understand its ways of business?—No. I have simply heard from other people that agriculturists have lost their land to co-operative credit societies. I have no idea as to whether co-operative credit societies are strict in their recoveries or not; but I do not think that recoveries should be strict. I also hear from people that they are very strict in their recoveries.

You have stated that there should be no law of *Dam Dupat*. Do you mean to say that there should be no limit to the amount of interest which a money-lender should be allowed to recover? Do you think, for instance, that he should be allowed to recover Rs. 1,000 interest on a principal of Rs. 100?—I certainly think so. There should be no kind of restriction whatever.



MR. W. G. TAMBE, Manager, Bank of Berar Limited, Amraoti.

Reply to the Questionnaire.

### I—Agricultural credit and credit facilities for small industries.

1. The agriculturists go to money-lenders to borrow money for cultivation purposes such as seed, manure, weeding operations, failure of monsoon, payment of land revenue, ceremonial purposes and other household affairs. Money-lenders charge them from 12 per cent to 24 per cent per year. The cultivators mortgage their lands for longer period and for short period they take advances generally on the standing crops. For the present no body advances the cultivators money except the money-lenders, but in very few cases the co-operative banks advance money on the security of members of the rural co-operative branches. The estimate of the total amount of capital required for the purpose stated above for Amraoti district is about 2 crores of rupees and 8 crores of rupees for the province. Money-lenders advance money on grain to the extent of 70 to 75 per cent of the original price ruling at the time of advance. The defect at present is that the cultivator has to go from door to door of money-lenders for borrowing money to meet his demands, which is very unsatisfactory. The greatest defect is that the cultivator having no money for his domestic purposes is obliged to sell his crop at whatever price it can fetch that time. The best remedy to remove these present obstacles is that the Government should open a land and crop mortgaging concerns through the present working banks or through their own special concerns so as to meet the demands of every cultivator, whoever approaches for money at low rate of interest, i.e., from 3 per cent to 4 per cent per year. There is no co-ordination among the Government agency (such as Taccavi) and the Imperial Bank, because these concerns do not care for this class as is ought to do. The other joint stock company banks and co-operative banks should get Government deposit or revenue on the same lines as the Imperial Bank gets at present.

2. The crop is marketed in the grain market and the cotton market for sale. There is a possibility of forming pool if the Government would open farmers' and growers association and open warehouses and pay advances to meet their demands, and in future the association should sell when the proper time arises for getting better or reasonable prices for the goods kept in deposit. Everywhere there is difference between internal and foreign trade and to remedy this Government should put all the bankers, merchants and the associations on equal and sound basis. When the crop is marketed merchants and dealers buy crop through the brokers, and the cultivator pays to money-lenders whatever money he can spare. There is no facility whatever to the public through the banks for internal remittances. Demand drafts and sight drafts are used by the money-lenders who are also in many cases purchasers at present for the internal trade in the province. To facilitate this business more freely there should not be any discount or premiums, but the hundi should be drawn at par or payments made by cheques. It should be a very advantageous both to the cultivators and the merchants to open warehouses for storing their goods for obtaining advances on the goods at a low rate of interest. There is necessity of the Government to take action in this respect for supplying funds at low rate of interest.

3. The value of land for every kind of crop in our district varies from Rs. 50 to Rs. 250 per acre according to the description laid down in clauses (a) to (c).

4. In our province the present legal impediment such as registration fee and the value of stamps should be reduced and the limitation for suits on mortgages be fixed at 30 years instead of 12 years as at present. There are no long-term credit land mortgage banks in our province nor do the money-lenders lend money on long-term. There should be a long-term land mortgage bank and the capital of it be supplied by the Government and by shares. The estimate of the capital required will be nearly 8 crores of rupees. The present record of rights is for cultivating lands and houses. The nazul office at present recovers

MR. W. G. TAMBE.

money for maps according to the area of the site. There should not be any duty for getting copies of the record of both sorts. More than half of the capital of the land mortgage bank should be given by the Government and the remaining be raised by deposits and by debenture bonds. Besides, the Government should finance the present several banks according to their status.

The debenture bonds should have Government security. The land mortgage banks should issue loans to agriculturist at a very small rate of interest. The main object of these banks should be to provide necessary money to the agriculturists at a low rate of interest and to see that they get back their lands. On account of the high rate of interest that they have to pay the agriculturists are at present compelled to part with their lands sooner or later. This state of things ought to be improved. Provision may be made to facilitate the realization of dues from agriculturists by leasing out the lands as is done in the case of the execution of decree transferred to the Collector under the Central Provinces Code. There should be a declaration that the cultivators will not be deprived of their lands and if lessees cannot be secured Government should arrange to take a lease of the lands in satisfaction of the amount due to the bank. It would also be a boon to the agriculturists if they get certain allowances in respect of forest dues. A reduction of their burden in this respect would to some extent help the agriculturists to clear off their debts.

5. Professional money-lenders are the chief creditors of the cultivators. The indebtedness is chiefly due to the proceeds of the crop not being even sufficient to defray their cultivation expenses and Government taxes which they are compelled to pay. Besides the cultivation expenses they have to arrange for household affairs such as daily family feeding, and occasionally marriage and other ceremonies. To meet the above demands they have to borrow money from money-lenders at high interest, and the result of this is that during the course of some years all their land goes to creditors and they are required to work as labourers to feed their family. And if once the cultivator is turned to this beggarly condition, then what we should expect from him.

6. The agriculturists have no means for acquiring training to follow all the industries mentioned in clause. To encourage these industries Government should open industrial schools and provided also with funds to start such industries in the village. If such schools are opened then the agriculturist would join such schools and spend their time in learning industries and this will promote his standard of life. All these things require credit facilities at the hands of the Government; at present there are no such facilities.

7. There are no relations whatsoever between the Imperial Bank, co-operative banks and joint stock banks with each other. All are working independently. To remedy this the Government may deposit money in all banks and the other bankers according to their financial position. For the present there is no Usurious Loans Act in our province, but it should be applied to the province. Thereby the poor classes would be saved.

## II.—Indigenous Banking.

1. The functions of the indigenous banks and bankers are to lend money to any class according to their financial position at the rate of interest from 12 per cent to 24 per cent per year.

3. Generally the cultivators, traders and industrialists borrow money from the bankers or sowkars. As regards the amount of capital invested, I have stated above that whole demand of the cultivator as well as the petty dealers is met by the above bankers.

4. In season times the cotton dealers and traders sell or buy hundis through the Imperial Bank according to their requirement. A sample form of hundi and pro-note are as shown below :—

श्री

**धी बँक ऑफ बिरार लिमिटेड उमरावती.**

हुंडी नंबर                      ता.                      माहे                      सन १९

राखिले \_\_\_\_\_

रकम \_\_\_\_\_

हुंडी कमिशन रु.                      आ.                      पै.                      *कमी मिती*

दस्तूर \_\_\_\_\_

**धी बँक ऑफ बिरार लिमिटेड उमरावती.**

श्री

हुंडी नंबर                      मुकाम                      1180

                     ता.                      माहे                      सन १९

रा. रा. \_\_\_\_\_ यांस,  
 एजंट्स बन्हाड बँक लिमिटेड यांचे सा न. विनंती विशेष,  
 आपणांवर हुंडी केली.

राखिले \_\_\_\_\_

याजपासून घेतले रुपये \_\_\_\_\_

(                      ) यांचे निमे रुपये \_\_\_\_\_ यांची

दुगुणी करून मुदत दर्शनी उपर नांमे शहाजोग ठाव-ठिकाणा चौकशी करून

हुंडी पावलेवर रुपये \_\_\_\_\_ दिजे. कळावे.

दस्तूर \_\_\_\_\_

Mr. W. G. TAMER.  
 20/11/1914

रु.

निमेचे निमे रु. चे चौपट  
पुरे रु. करून देणे.

७४॥

## प्रॉमिसरी नोट.

प्रॉमिसरी नोट लिहून घेणार धी बँक ऑफ विरार लिमिटेड उमरावती  
यांस प्रॉमिसरी नोट लिहून देणार

रा०

प्रॉमिसरी नोट लिहून देतो की, आज रोजी तुमचे पासून रोख  
नगदी रु. अक्षरी

घेऊन भरून पावलो. भरण्याबद्दल तक्रार राहिली नाही. हे रुपये तुम्हीं  
मागारु त्या वेळी तुम्हांस किंवा तुम्हीं नेमलेल्या व्यक्तीस किंवा पेदीस दर महा  
दर शेकडा अक्षरी चक्रवाद  
व्याजाचे हिशोबानें देऊं.

ही प्रॉमिसरी नोट आपले राजीखुर्चीने लिहून दिली असे.

तारीख माहे सन १९ इसवी.

5. The method of the indigenous banks is that they grant loans on the term of 2-3 years or even more on a mortgage of lands and in some cases they advance cash on promissory notes on the same terms. The means by which the bankers provide themselves with funds are according to their capital derived from long period business and as well as from cultivation. They allow interest on various kinds of deposits varying from 6 to 9 per cent per year, and at times they keep without interest.

6. The agriculturists have to pay at present from 12 to 24 per cent per year on mortgage lands and property. An organization should be made by the Government to advance money to the cultivators at a low rate of interest, i.e., 3 to 4 per cent per year. The reduction of interest would confer a great benefit on the cultivator leading either to an improvement in their standard of living or enabling them the use of improved agricultural improvements, seed, manure, etc.

MR. W. G. TAMBE.

7. There is very little prejudice against the indigenous bankers. The correspondence published in the *Kesari* issue dated the 14th September 1929 under the heading "पत पेढी पेशा सावकार बरा" (written by L. D. Nagpurkar, M.A.g., Sheti Sudharna Manual) is worth nothing. The indigenous bankers are not sufficiently protected by law, because they have to undergo the difficulties to recover their loans by legal steps. It means after the decree has been passed by the court the decree-holder requires more than two years to recover his amount. Besides, the court does not allow in good many cases interest on the decretal amount. Also the money realizing court medium is very troublesome, and after all the debtor in some cases becomes insolvent. Then in that case the decree-holder has no right to recover from the insolvent. To remedy this the insolvency court be abolished. The existing defects are the bankers at present require long time to secure decree from the court. To remedy this Government should appoint panchayat courts with full powers for taking speedy measures for recovery of the money.

8. I would suggest that the Government may deposit their money with the co-operative banks, joint-stock banks and indigenous bankers according to their status as they do at present with the Imperial Bank. The consequence of this will be that this class would be more serviceable to the community than at present, and by this they would be able to reduce their rate of interest to 5 per cent per year. In respect of inspection of indigenous banker accounts, there should be some control. I suggest that all facilities be given to the bankers, and joint stock-banks, as are enjoyed by the Imperial Bank and co-operative banks. In respect of Imperial Bank, the answer of Sheth Balchand Hirachand and Husainbhai Lalji (in *Kesari* newspaper dated the 1st October 1929) may be gone through.

### III.—Investment habit and attraction of capital.

1. The Imperial Bank, co-operative bank, and certain other joint stock banks and other sowkars are the banking resources in this province. Additional capital is required which the Government should take measures to provide. The public should have facility for the investment of their savings and other deposits such as no receipt stamp should be required to be affixed at the time of withdrawal of money. The existing facilities be improved by establishing branches all over the villages. The people of India are in the habit of investing their money in gold and silver according to their means. The income-tax is very high in both cases, i.e., on individuals and on joint stock banks whose capital is poor, so considerations should be made on this point to reduce the tax, from 25 to 30 per cent.

3. Cultivator is unable to purchase Government promissory notes, because the majority of the cultivator is scarcely able to make both ends meet. There is no transaction of such security bills except that issued by the Government. I can say, as far as my experience goes, that the cultivators could not spare anything as their demand for six months only is supplied after disposal of the whole crop. In face of the patent fact that the agriculturist cannot make both ends meet without borrowing, it is far from possible to expect him to hoard money unless means be devised to secure loan for him at a low rate of interest. Everywhere in India the agriculturist is too hard-pressed, and this state of things is clearly seen in Bombay Presidency through the newspapers. You would hardly find such farmers who could lend money to their fellow-agriculturists.

5. Generally, the agriculturist and the ordinary classes of people can hardly maintain themselves with their present income (which is shown by men like Dadabhai Nowroji and others from Rs. 15 to Rs. 18 per head for the whole year) and such being the case how should we expect deposit habits from them. Before dreaming the idea of educating the public the Government should see that their subjects get proper food and clothing.

#### Oral Evidence.

*Chairman:* What is your profession, Mr. Tambe?—I am a money-lender and also do cultivation. I am also the Manager of the Berar Bank, Limited.

Can you explain to us the work done by the Berar Bank, Limited? Do they advance money to cultivators?—The Berar Bank does business just like any other sowkar. There is only a difference in name.

Is it registered?—Yes; it is registered under the Indian Companies Act.

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Now, in various places in your very interesting reply you have alluded to the low outturn from agriculture and in several places you have implied that the profits from agriculture are nil or practically nil, for instance, in one place you have stated that the indebtedness is chiefly due to the failure of crop and you also say that whatever you get from agriculture is not even sufficient to cover the expenditure. Now, is it your intention to imply that there is no profit from agriculture?—Yes, there is no profit whatsoever to the agriculturists.

In paragraph 1 (3) of your reply you have stated that the value of land in Amraoti district varies from Rs. 50 to Rs. 250 per acre. Elsewhere also you have stated that the money-lenders acquire the land. Now, if there are no profits from agriculture, how is it that the land has a value of Rs. 200 and Rs. 250 per acre?—(The witness here began to answer in Marathi.)—The reason is that 80 per cent of Indian population have but one profession, i.e., agriculture and they have no alternative but to acquire land.

You also state that there should be some more savings banks for people to deposit money. If you maintain that there are no savings from agriculture, why do you propose opening of new savings banks? You say in your written evidence that people get money enough to maintain themselves for six months, do you mean to say that they borrow money to earn their livelihood for the rest of six months?—Yes. I am seeing this for at least last five years. They have either to earn their livelihood by some other profession or to borrow from money-lenders.

Do you mean to imply that the agriculturists borrow money every year and do not repay it?—Some of them repay it and some do not.

In part 1 (4) you advocate the extension of the period of limitation for suits on mortgages from 12 years to 30 years. Will you please explain the reason for it?—I have not expressed myself quite clearly. I do not mean to imply that the period of limitation for the filing of suit should be extended. I only mean that provision should be made for granting long-term loans repayable over a period of at least 30 years.

You have stated here that Government should provide money at 3 or 4 per cent interest. You assume that about 2 crores of rupees would be required for the Amraoti district. Could you suggest as to how that money is to be obtained?—About 23 crores of rupees are lying at the post office savings banks; there are about 50 crores of rupees in England, and in addition a vast amount is lying idle in the Famine Insurance Fund and also with the Imperial Bank of India. All this money could be utilized.

Do you think that 8 crores of rupees could be forthcoming?—If Government really wish it, everything could be forthcoming.

Could Government raise a loan at such a low rate of interest? Do you think anybody would deposit money at such a low rate?—There are 23 crores of rupees at 3 per cent. Out of that there must be about 4 crores of rupees from Berar. I may here suggest that big sowkars should be allowed to use this money instead of keeping it idle with the Imperial Bank and these people should be ordered to pay loans on low rate of interest.

Reo Bahadur K. V. Brahma C.I.S.: I understand that you recommend that the Insolvency Act should be abolished. Would you explain that?—My experience is that many people take the advantage of the Insolvency Act and do not pay the sowkar. Therefore I have recommended that the Insolvency Act should be abolished. In my opinion the money-lenders are not sufficiently protected by law.

What is the rate of interest in your bank?—There are four rates: Re. 1, Re. 1-4-0, Re. 1-8-0 and 12 annas.

On what security do you deal?—We give loans on promissory notes. We also give loans on gold and silver ornaments and at times on land security, etc.

What difference do you make in these four rates of interest?—We give loans to Government servants having an income of about Rs. 500 or Rs. 600 at 12 annas, while we charge other rates according to the security. 50 per cent of our business is in promissory notes. Generally, we charge one rupee rate in these cases.

Do you get any advance from the Imperial Bank?—No. We do not ask for an advance from the Imperial Bank as we think they will not give us fair terms.

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How many people have become insolvent from those who took loans on promissory notes?—One or two.

Would you like to suggest any changes in the Insolvency Act whereby those people who act honestly will be protected?—No. You cannot make special provisions for a few people and if they suffer it cannot be helped.

Is the majority of your debtors from the cultivating class?—No. About 20 per cent of our debtors are cultivators.

Within what period do you expect the repayment of loans?—Generally within three years.

How much of your outstandings has to be recovered through the civil courts?—About Rs. 5,000 per annum.

What is your capital?—One and half lakh.

Do you find any difficulty owing to Indian Companies Act?—No.

*Chairman:* What is the amount of deposit in your bank and the share capital?—The amount of deposit is about Rs. 70,000 and as much share capital.

What interest do you pay to your depositors?—We pay 4 per cent on savings bank and 5 to 6 per cent on fixed deposits.

*Professor A. C. Sen Gupta:* You say that there should not be any discount or premium on hundis. Can you tell us under what circumstances a hundi is sold at a premium and under what circumstances at a discount?—It depends on supply and demand. If many people want to buy hundis, the price will go up, but if many people want to sell them the prices will go down.

How do you propose to stop this?—By law.

If you stop it by law, what will happen?—Nothing.

If you stop the sale of hundis at a discount, no one will take the trouble to deal in hundis. In these circumstances if a man has to send money, how will he do it?—People will remit money through banks. I do not understand why the Imperial Bank should not take over this duty upon themselves when they have got so much of our money lying idle with them.

The Imperial Bank renders certain services to Government free of charge. What have you to say about the granting of taccavi?—The amount of taccavi advanced is inadequate and strict methods are employed for recovering it.

*Seth Narsingdas Daga:* You just now suggested that the money deposited in the post office savings banks should be paid to cultivators to be recovered in 30 years. Supposing the money is paid to cultivators and the depositors claim their deposits from the savings banks how should they be paid?—Government have got such resources that they can pay from anywhere. If Government desire, they could do anything.

*Vice-Chairman:* How do you get the figures Rs. 2 crores and Rs. 8 crores?—I have heard that Rao Bahadur Brahma has calculated these figures. He spoke about them in a meeting.

In your written statement you advocate opening of farmers' associations, building warehouses, etc., by Government and you also suggest that Government should advance money to cultivators at low rates of interest. Now, if you think this scheme workable, can you tell me why private capitalists do not take it up themselves?—Because there is no Government backing. People will not have faith in them.

Do you think that people have more confidence in Government?—Yes.

Do you know that there are flourishing banks other than the Imperial Bank? How do you account for the confidence of people in them?—I cannot say.

You say that without Government aid there cannot be good business. You will admit that Amraoti Co-operative Bank is in a flourishing state. How do you account for this successful business? How do they get depositors?—I cannot say. But generally Government does not give many facilities to private organizations.

If the Government is convinced of the efficiency of such organizations, they will give all the facilities.

MR. W. G. TAMBE.



Was there any nazul encroachment case against you?—Yes: officers were against me in it.

You say that there should be some control over the indigenous banks. Will you suggest what control you propose?—Supposing I borrow some money. I pay off the loan and settle up the accounts, and then if I ask for accounts after two or three years, I should be shown accounts. I wish that money-lenders should keep proper accounts and should show them to the debtors.

*Mr. P. D. Pundalik:* Do you mean to say that money-lenders do not do it?—Sometimes they do not.

*Vice-Chairman:* You say that there are many sources from which Government can pay money to cultivators. Assuming that the money deposited with the Imperial Bank or that deposited in London or at the post office savings banks cannot be used for the purpose, where from do you think Government could find money?—I refuse to assume anything of the kind. Government can always provide money.

You blame Government for not giving encouragement to the cottage industries. Will you admit that people have become so fashionable that they do not use such goods as Raipur durries, *lugras*, etc., made on handlooms? In fact, we find that our mills have driven cottage industries out of the market? In these circumstances do you think Government can do anything to change the minds of people?—Government has to do something. The population of England being so educated she has to frame laws and take various steps to encourage her own goods into the market.

*Chairman:* You are a banker and you will admit that the rate of interest which you charge depends upon the credit of your clients. You suggest that Government should give money to the agriculturists at 3 or 4 per cent, but state profit from agriculture is nil. Would this be good banking business?—There are some cultivators who are financially sound. Government should grant advances to such people.

*Chairman:* Thank you, Mr. Tambe.

Mr. Y. G. DESHPANDE, High Court Pleader, Amraoti

Reply to the Questionnaire.

QUESTION 1.—(a) For expenses during cultivation the agriculturist who has no funds of his own has to approach professional money-lender and to borrow money at *sawai*, i.e., if he wants to borrow Rs. 100 he has to execute a bond of a pro-note for Rs. 125 for a period of six months from June to January. Even if a bond for Rs. 125 is given the amount of Rs. 125 carries interest at 2 per cent per mensem. The rate of 24 per cent per month is the usual rate of interest. This practice is usually in vogue in case of tenants and small landholders. Big landholders also have to borrow at a rate of interest varying from 12 per cent to 18 per cent per annum.

(b) For capital and permanent improvements the small agriculturist cannot afford to borrow and even if they do, they have to borrow at 24 per cent and generally they have to lose their lands owing to their inability to pay off the debts. The big agriculturists borrow at rates varying from 12 per cent to 18 per cent per annum.

(c) The answer to question 1 (c) is the same as given to question 1 (b). In case of failure of crops the rate is never below 24 per cent per annum and it is very difficult nowadays to obtain loan even at 24 per cent. During years of scarcity of crops, for purposes mentioned in (b) and (c), loans are never advanced on personal security. Agriculturists have to mortgage their lands which invariably subsequently they have to lose. Even when agriculturists borrow on the security of their lands the rate of interest varies from 12 to 24 per cent per annum. Standing crops are rarely taken or given as security. Even when the ordinary rate of interest is 12 per cent per annum the creditor arms himself with a penal clause which enables him to claim higher rate of interest at 18 or 24 per cent from date of default which 99 cases out of 100 is sure.

The Government practically gives very little help to the agriculturist. Advances in the form of *taccavi* and for land improvement are most sparingly given so much so that such advances are a drop in the ocean.

The Imperial Bank of India mainly deals only with recognized merchants and in rare cases with big landholders. They never advance unless any one who wants the advance furnishes a security. The help given by Imperial Bank in agricultural finance is practically *nil*. The same is the case with Joint Stock Companies.

The co-operative banks do make advances to the agriculturists on the security of their lands and in some cases on personal credit; but they cannot cope up with the demand as their means are extremely limited in comparison to the needs of the agriculturists.

Professional money-lenders are the only persons on whose help the agriculturist in Berar is living and is dragging on his wretched life.

There are no other organizations who advance loans or give credit to the Berar agriculturist.

An ordinary agriculturist owning 50 acres of land in Berar requires 2 pairs of bullocks and 2 servants throughout the year. The expenses of which would come to not less than Rs. 800, occasional labour would cost him Rs. 200 and sundry expenses of implements, manure, seed, etc., come to Rs. 100. Total expenses for cultivation of 50 acres are never less than Rs. 1,100. If cotton is sown in say 30 acres the average yield would be about 8 *khandis* worth Rs. 800 and *juar* in 20 acres would yield 10 *khandis* worth Rs. 250. The *kadbi* and other minor crop such as tur, etc., worth about Rs. 100. Thus total yield can be valued at Rs. 1,150 or, say, Rs. 1,200. The assessment of 50 acres would be about Rs. 75. The approximate figure of assessment on lands under cultivation in Amraoti district, excluding Melghat, is about Rs. 25 lakhs. By simple rule of three the ordinary expenses of cultivation can be safely estimated at Rs. 4 crores annually.

Excluding such agriculturists who have got their own capital and taking it for granted that part of the expenses can be met out of savings from previous year's crops, about Rs. 2 crores annually would be necessary to finance needy agriculturists in Amraoti district alone to enable them to meet all expenses of cultivation and to protect them from going into the clutches of professional

money-lenders. The amount of Ra. 2 crores would be repaid every year during harvest with moderate rate of interest which should never exceed 9 per cent and this money can again be advanced next year.

The capital for permanent improvements and for other special needs such as paying off old debts, etc., cannot be recovered in one single year. It will have to be split up over 15 to 20 years. The amount necessary for this in the district of Amraoti alone would come to rupees two crores approximately. The committees can easily get the figures of mortgage money over lands from village officials from record of rights. Grain advances in Amraoti district are becoming less usual nowadays owing to the extensive cotton crops. Wherever they are in vogue grain is advanced on *sawai* system, i.e., if an agriculturist borrows 1 maund of *juar* he has to repay 1½ maund during harvest.

Generally, advances taken for meeting expenses of cultivation are paid off by sale of crops during harvest. The money-lender is always after him and at times purchases the crop himself at low rates; but this is rare. In these days as the market rates are always open in neighbouring markets, lower rates are not accepted meekly. The borrower takes care to pay off such advances as he has to borrow again to meet his expenses for the next year. It is only during years of scarcity that these advances remain over due; but owing to high rate of interest nearly the whole crop is lost to the agriculturist and he is again forced to borrow for his maintenance as well as for meeting expenses of cultivation. Marriage expenses once or twice in the family compel him to mortgage his lands as he can hardly save and at last lands also are lost to the money-lender, and he is forced to live by labour. Many agriculturists have lost their lands and are maintaining themselves by labour.

There is absolutely no co-ordination among the various credit agencies, including Government. There is much scope for improvement in this direction to which I shall refer in my answers to other questions.

QUESTION 2.—The principal crop to be marketed is cotton, the percentage of cotton as compared with other crops is about 80 per cent and consequently the main concern of the agriculturists is about marketing the cotton crop. At present all the agriculturists with the exception of very few big landholders take their raw cotton in carts to the cotton markets and sell them to the purchasers.

Complaints of the so-called representatives of agriculturists that the latter find it very difficult to obtain proper rates, correct measurements and have to pay excessive *adat*, brokerage and *dharmaidai* charges are to certain extent not unfounded, but the remedies often suggested by advocating stringent cotton market laws and rules show utter disregard of human mentality. As long as there is no combination among sellers and they remain disorganized as at present, no laws or rules, however stringent they may be, will mitigate the grievance.

Brokers, weighmen and *adatyas* must always remain attached to the purchasers who are few and not to sellers who are many and disorganized. In Amraoti cotton market at times there are 3 to 4 thousands sellers of cotton carts. Each seller is a separate entity by himself. A broker or a weighman looks to the interest of their paymasters who are invariably the purchasers. A single purchaser many times purchases 1,000 carts a day and makes payment. Brokers and weighman therefore must look to the interest of purchasers who if they find that their interests are disregarded might refuse to employ them afterwards.

Law and rules however stringent will be observed in breach and methods will be found to escape the consequences. Moreover sellers care more for better rates and correct measurements than for the small deductions on account of *adat*, *dalali* and *dharmaidai*. This is possible only in case the sellers are few and purchasers many, and this position can only be brought about by big organizations of cotton-growers. If the landholders in Amraoti district can be induced to contribute only the amount equal to their one year's land revenue, a capital of about Ra. 20 lakhs can be raised and with this amount as margin money the rest of the capital for advances to the growers on the security of their cotton will be supplied by the Imperial Bank. By this arrangement good deal of cotton crop can be commandeered by one single organization of the cotton-growers and this organization will sell the same at favourable prices at the proper time. Each district should have a separate organization for itself and one Central Board, for all such organizations in one province, should control the policy. The control should be in the hands of qualified and paid experts. The control of finances and policy should never rest with honorary workers as is the case with co-operative Central Banks and societies.

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Forming pools and co-operative efforts without the power of holding the crop will be ineffective.

Small agriculturists cannot afford to avail themselves of credit facilities and even if they get any, they have to throw themselves at the mercy of the financier who is invariably a cotton trader and always finances with a view to purchase the same himself at favourable rates.

All the crops of the growers goes into the hands of cotton traders who in their turn have to sell it at Bombay either to the mills in India or to the foreign trader. Very few upcountry merchants can afford to send their goods to foreign countries for want of sufficient staying power. Except the Imperial Bank there are no other banks worth the name in Berar who play any appreciable part during the process of marketing. Bankers supply money to the traders on adat system and the traders get advances from Bombay firms on consignment of goods. Bombay firms in their turn get advances from banks in Bombay. Hundis payable on sight are drawn on Bombay firms and sold to the Imperial Bank who send those hundis to Bombay for collection. Discount on such hundis is one anna 6 pies per hundred rupees. This no doubt is exorbitant. Some traders and merchants get advances from the Imperial Bank by drawing bills payable after 61 days. Stamp duty for such hundis works out at little less than 1 anna 6 pies per hundred. This ought to be reduced a good deal. Any one who draws on such hundis has to pay stamp duty of 4 annas 6 pies per cent during the season of 6 months. Besides interest at one or  $\frac{1}{2}$  per cent over and above the bank rate which in season varies from 6 to 8 per cent.

For the internal trade of the province itself negotiable instruments, i.e., hundis or cheques, play no important part. Agriculturists want cash and traders and merchants have to supply the same by drawing hundis on Bombay firms against goods. There are only two classes of hundis *darshani* and *mudali*. Imperial Bank and merchants who have to send money to Bombay accept and cash the hundis drawn on Bombay firms. These hundis are cashed at places where the Imperial Bank has its branches and at big commercial towns only which are very few in Berar. Excepting railway receipts there are no other kinds of instruments or documents of ownership of goods and produce in Berar.

As regards warehouses I should like to suggest that if associations of *bona fide* agriculturists come forward with even  $\frac{1}{4}$ th of the capital, the remainder should be supplied by the Government to build warehouses where agriculturists can store their goods such as cotton, grain, etc., which can be sold at favourable times. The Government should recover the  $\frac{1}{4}$ th advance by annual instalments with interest at 5 to 6 per cent per annum. The instalments should not be less than Rs. 20, without the Government assistance this cannot be accomplished. Nazul land for such warehouses should be given free of rent liable to be resumed if warehouses are not used for the purposes for which they are intended.

QUESTION 3.—In my district the value of land ranges from Rs. 50 per acre to Rs. 500 per acre. The value of land depends upon various circumstances.

The best land, even black cotton soil, commands no price in a village where there are not many rich people with funds, either in the village where the land is situated, or in neighbouring villages. Landholders of the *bona fide* agriculturist class always wish to invest their funds in lands even if the annual return from such lands is below 3 per cent per annum, and where there are such sort of agriculturists there only the value of land is much higher than the value of similar lands in other villages where there are no buyers. Since 1924-25 there are practically no such landholders with funds. Prices of cotton having gone down more than 100 per cent since 1923-24 and crops also having suffered a great deal during the last 5 years owing to irregular monsoons prices of land have deteriorated and there is at present appalling increase of indebtedness.

In my district no land, as far as I know, is sold for non-payment of revenue.

Lands in execution of decrees are being sold ridiculously cheap owing to scarcity of buyers and also owing to non-warranty of title in execution sales. The revenue officers, I am sorry to say, take absolutely no interest in trying to get better prices. Provisions of Schedule III of the Civil Procedure Code are not even looked at, much less observed. These revenue officers dislike miscellaneous judicial civil work and the result is the ruin of either the decree-holder or the judgment-debtor. The only benefit which the debtor gets is that the sales are some times prolonged unnecessarily, but this procedure even never gets them better values for their lands. In this connection it will not be out of

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place for me to suggest that execution of decrees for sale of lands either by the Collector or by the civil court should be entrusted to an officer of the standing of a senior Sub-Judge with more than 10 years experience and such officer should have no other important work assigned to him. Two officers for each district would suffice. Proceedings for partition of lands should also be entrusted to the said officer.

**QUESTION 4.**—In our province there is no legal impediment to mortgage land. There are at present no land mortgage banks or agricultural banks.

In my opinion there should be a separate land mortgage bank for each district of Berar with a capital of its own of about one crore of rupees.

Only 25 per cent of the capital should be called and the rest reserved as security to the Government in case of necessity and should not be called except with the consent of the Government, which Government need not withhold after 5 years if the reserves of the company are such as to form a sufficient guarantee.

The help which the Government will be required to render will be in the shape of guaranteeing 6 per cent interest on the debenture bonds which the company will issue.

The amount realized by sale of debenture bonds should be utilized in advancing loans to the landholders to satisfy their old debts, to make permanent improvements on their lands, to buy tractors and other improved modern agricultural implements and machinery which requires good deal of dead capital.

The scheme for a land mortgage bank should be of the following type:—

A company with a limited liability having authorized capital of one crore of rupees should be floated. The first issue should be ten thousand shares of Rs. 100 each and ten thousand shares of Rs. 25 each. Ten thousand shares of Rs. 25 each are to be allotted only to the debtors. A debtor who wants a loan of Rs. 100 must purchase one share of Rs. 25 of which Rs. 5 should be payable before allotment and Rs. 20 within 20 years by annual instalments of Rs. 1 per share and ten thousand shares of Rs. 100 each should be investors' shares. Of these ten thousand shares, only  $\frac{1}{4}$ th amount should be called, i.e., 2½ lakhs of rupees only. If the company collects 2½ lakhs of rupees it should be authorized to issue debentures of ten lakhs at 6 per cent annual interest and the interest should be guaranteed by the Government on the following conditions, viz.:—

(1) Sum of rupees equal to the amount of one year's interest on debentures issued must be in deposit in the shape of Government securities.

(2) Uncalled capital to serve as a guarantee for the principal amount of the debentures; the company shall not be permitted to call this capital unless its reserves amount to half the principal amount of the debentures.

(3) Government shall have a right to nominate one of its officers as a Director on the Directorate of the company.

(4) No dividend to be distributed among share-holders unless sanctioned by the Local Government.

(5) Accounts of the company shall be audited by the Government Auditors. Loan should be advanced on the following conditions:—

(1) A debtor who wants a loan of Rs. 100 must execute a mortgage bond of his property for Rs. 200 payable by annual instalments of Rs. 10 each.

(2) If the loan is sanctioned, he must purchase one share of Rs. 25 for a loan of Rs. 100. The amount of Rs. 25 shall be payable as follows.—Rs. 2 in advance with the application and Rs. 3 on allotment and the balance of Rs. 20 shall be payable by annual instalment of Rs. 1 along with the instalment of the bond.

(3) He must also deposit at the rate of Rs. 2 for an advance of Rs. 100 to meet initial expenses of document and investigation of title, etc. This advance will on no account be returned even if the loan is not sanctioned.

Thus if Rs. 10 lakhs are to be advanced as a loan, the company will have in its hands 2½ lakhs of rupees out of investors' shares and Rs. 50 thousand out of debtors' shares, total Rs. 3 lakhs, out of this Government securities of the value Rs. 60,000, will be deposited to serve as a guarantee for one year's interest on debentures and the company will have clear 2 lakhs 40 thousand in their hands which they can advance as temporary loans to industries or agriculturists on security of goods.

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All initial expenses are expected to be met within Rs. 20,000 which the debtors will pay at the rate of Rs. 2 per hundred to be advanced as loan. The company will collect every year at the rate of Rs. 10 per hundred principal, for 20 years for instalments of the bonds and Re. 1 towards the share. If five instalments remain unpaid, the company should have a right to demand the whole principal amount with 12 per cent interest from date of bond and with interest at 12 per cent per annum on overdue instalments and to forfeit the share or shares taken by the debtors, out of Rs. 11 per instalment, Rs. 6 will go to the debenture holders for interest and Rs. 5 will remain in fixed deposit for payment of the principal amount of the debentures. Thus at the end of 20 years, Rs. 10 lakhs will be available for payment to debenture-holders. Company's gross earnings shall be interest on fixed deposits and interest earned on Rs. 2 lakhs 40 thousand on temporary loans to industries. Company's income shall go on increasing every year as their fixed deposits will increase. They will be able to add Rs. 50,000 per year to the fixed deposit amount.

The company can very easily earn average net profit of 7 per cent on their floating capital in their hands. The company will also attract deposits at favourable rates and can earn an income on those deposits also.

Every alternate year the company should be allowed to call 1/4th of the uncalled capital and debentures of Rs. 10 lakhs should be issued on the same basis, so within 10 years all the capital should be called up and Rs. 1 crore advanced. Each district of Berar should have a separate company for itself, so that there should be no difficulty for management. There should be only 5 Directors of which one should be the Managing Director who should be paid some percentage of profits for his labour. All Directors should get fees at the rate of Rs. 5 per meeting for attendance, for the first year, Rs. 10 for next five years, Rs. 15 for the next five years and Rs. 20 thereafter.

The facilities which this company should have should be as follows:—

- (1) Instalments should be recoverable as land revenue.
- (2) Stamp and registration fee on mortgage bonds should be exempted.
- (3) Entries in parchas of lands should be conclusive proof of the title and encumbrances mentioned therein; no encumbrance or any other claim not mentioned in the parcha at the time when the company takes a mortgage shall have priority as far as the company's mortgage is concerned.
- (4) One month's notice published by the company in any local newspaper in vernacular calling upon all to enter their claim; if any, upon lands and houses to be mortgaged to the company should invalidate all claims of outsiders if any in respect of such lands if not entered within one month from the date of the publication of such notice.
- (5) The Imperial Bank should advance loans at bank rate to the company to the extent of 1/3rd of the principal amount of the mortgage bonds on deposit of such bonds with the bank.
- (6) The company should be allowed to advance temporary loans on equitable mortgage system, on deposit of title deeds, prevailing in Bombay and other presidency towns.
- (7) The award of the registrar of co-operative societies on claims preferred by the company against its debtors should be accepted by civil courts as decrees capable of being executed.

Legislation to incorporate above concessions should be undertaken by the Government.

Unless the Government takes any such bold step to relieve the agriculturists of their past debts all lands will pass out of their hands into the hands of the money-lenders and all *bona fide* agriculturists will be reduced to the position of labourers. Time is not now far distant for the approach of such a calamity.

The present co-operative banks managed by honorary workers with no experience of banking or of the condition of agriculturists cannot be expected to undertake land mortgage banking. They should be left to advance small loans up to Rs. 5,000 and not more, and that too without mortgage. I have no doubt that a setback to the extension of village co-operative societies is imminent. Members of village co-operative societies now realize that each and all members are jointly and severally responsible for the debts of every one of them, as awards are now being taken against defaulting societies and executed.

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against any member who has even never borrowed. Scheming members of societies successfully obtain loans from a loan committee of Central Bank of inexperienced members never caring to know the real value of land or houses of the persons seeking advance. Some members got their own debts paid off by their debtors for whom Central Banks were made to sanction loans after making them members of village societies. Ignorance and illiteracy of the members of the village co-operative societies has been fully taken advantage of by such scheming members, who to conceal their sins always try to please Government officers and remain in lime light. They have enriched themselves at the cost of other members. Excluding few noble exceptions most of the honorary workers appear to have undertaken the work for motives not altogether altruistic.

**QUESTION 5.**—Estimate of the existing indebtedness of the agricultural classes is absolutely necessary and can be obtained with fair accuracy. Mortgages are mentioned in the parchas and village officials have an almost correct knowledge of indebtedness of their village people. If village officials, patels and patwaris are asked to furnish this information they will do so. I cannot give such an estimate accurately. I have already stated in my answers to other questions that farmers are being turned into tenants and labourers owing to their lands having been lost to the creditors and within a very short time, say within about 10 years, if no help is afforded, this process will lead to dangerous consequences. Those who have nothing left to lose can afford to create a situation dangerous to the Government as well as to those who have something at stake. Thefts and robberies will increase. Discontented labourers will be forced by circumstances to join organizations whose objective is to uproot the present social religious and political fabric. Unemployment among intellectuals has already thrown them on the side of the forces of disorder and these intellectuals who espouse the cause of labourers and tenants are inducing them to join hands with them. All the military power of the mighty British Government will fall flat before the combination of intellectuals and hungry and poverty-stricken masses.

Land owning classes cannot but afford to remain loyal to the Government of the day. It is to their self interest to remain so and not owing to any love or affection for Government; but once the lands are allowed to be entered in a microscopic minority the overwhelming majority of poverty-stricken discontented mass of people when organized with the help of intellectuals will create a demon which will devour Government and all the vested interests with it.

Let those who are responsible for carrying on the present Government realize this and let steps be taken as early as possible and before it is too late.

To relieve unemployment among intellectuals the only remedy is to encourage technical education and to help industries so that those who get themselves qualified can find employment in industrial concerns.

**QUESTION 6.**—I do not agree with those who think that an agriculturist has no work for 12 months. If he has 12 tiffans or 50 acres of land he has to begin summer cultivation from 1st April which lasts till rains commence. From the commencement of the rains and till the crops are gathered and stored or sold he is fully employed and this lasts till the end of February.

There remains only one month and that is the month of March. Collecting and taking manure to his field is the work of a month. In Berar at least no good agriculturist can afford to spare time for any other remunerative cottage industry.

In Berar the only allied industry supplemental to agriculture is of dairy; but owing to extensive cotton cultivation and consequent scarcity of fodder this is dying out. Weaving is an independent industry and very few weavers are agriculturists. It is impossible for them to do so. Weaver is always an in-door worker. He is unfit to take up field work.

Gardening is becoming rare and rare owing to scarcity of water. Hand-spinning there is practically nil in Berar. Carpet-making and basket-making are also independent industries like weaving.

**QUESTION 7.**—Co-operative Central Banks take advances from Imperial Bank on deposit of Government securities. There are no other banks in Berar who have any financial relations with co-operative banks. If Imperial Bank were

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to make advances to Co-operative Central Banks on the security of bonds and mortgage-deeds obtained by such banks from village co-operative societies it will aid the Co-operative Central Banks who will then be in a position to advance more for current agricultural needs. If any scheme like the one I suggested in my answer to question 4 is introduced, the question of financing co-operative banks will also be solved. There is no competition between co-operative banks and joint stock banks in my district or in Berar.

The co-operative movement has not at all succeeded in meeting the financial needs, either of agriculturists or of small traders and industrialists. The movement with its present financial position is not capable of meeting the financial needs of these classes.

I am strongly opposed to the use of legislation to curtail the liberty of money-lenders in charging interest to their debtors. Money-lenders are wise enough to devise methods for escaping from any such legislation and such methods ultimately result in the ruin of the debtor. As long as there is no competitor in the money market to compete with the money-lender in reducing the rate of interest, so long the village money-lender will stand supreme; no matter whatever legislation is introduced against him. Healthy competition is the only sound remedy.

Financing of co-operative societies should be done by Central Banks as is done at present and not by the provincial banks directly.

## Part II

Indigenous banking as a rule is done by bankers who have their ginning or pressing factories or both and who carry on cotton trade. Landholders sell their cotton to these bankers and allow the sale-proceeds to remain in deposit with them. They also receive deposits from other investors in exchange for handis payable after 61 days or on deposit receipts. These bankers carry on cotton trade on these deposits and they also borrow from Imperial Bank whenever necessary. They also receive advances from Bombay merchants on their cotton bales. They also advance to the small traders, on security of cotton, cotton seed or grain. Agriculturists who deposit their cotton with them also receive advances. Industries receive no help from any of these bankers. Most of these bankers have grown rich money-lenders in villages. Generally, most of these are Marwaris who commenced with practically no capital of their own. After they grow rich on money-lending they establish their firms in towns and take to cotton trading. It is very difficult to estimate the amount of capital invested by them. Their expenses however are very moderate. They have no financial relations with co-operative banks who prefer to allow their capital to lie idle during the months from November to May. They do not advance even temporary loans on the security of goods either to agriculturists or to traders.

I would like to suggest again that time is now ripe for allowing Imperial Bank to advance loans to indigenous bankers on equitable mortgages of their properties as they do in Bombay or other presidency towns.

Granting cash credits is unknown to the indigenous bankers. They lend money on security of goods or of immoveable properties and on personal credit. Rate of interest charged on loans against goods varies from 9 to 12 per cent per annum and loans against mortgages of immoveable properties and on personal credits varies from 12 to 24 per cent per annum. Most of the indigenous bankers have got their funds acquired by them on money-lending and they also receive deposits. On deposits they usually pay from 5 to 7½ per cent per annum. The solvency of the banker depends upon the rates he pays on deposits; but this is so very secretly done that the outside world does not know till the firm suspends payment and goes into insolvency. Many people have to lose their deposits.

There is absolutely no doubt that the reduction of the rate of interest would confer lasting benefit on agriculturist. Loans should be advanced by Government to agriculturists to buy improved agricultural machinery and implements. At present all fertilizers have to be imported from foreign countries. Government should encourage manufacturers of fertilizers in India for the benefit of agriculturists.

Prejudice against indigenous bankers is now increasing. They are sufficiently protected in law. As I entertain not the slightest hope that these individual bankers would ever be serviceable to the agriculturist community, unless there is

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a competitor who would advance on reduced rates of interest it would be useless for me to suggest any means by which they can be improved. I am strongly of opinion that competition alone would make them reduce their rates of interest. Individual banking is always carried on to enrich one's self at the cost of the community. If I carry on money-lending, I can get the land at 1/10th of the price, if I get it mortgaged to myself and wait for 3 or 4 years. This is the reasoning of all indigenous bankers. Money-lending to agriculturists on security of their lands must always rest with corporate bodies and not with individuals. Corporate bodies cannot have any love or liking for their lands and hence they alone can deal disinterestedly with a motive to better the position of the agriculturists. Indigenous bankers should be left to advance loans to industries or traders on security of goods. They cannot expect exorbitant rate of interest from them. System of account-keeping is theoretically perfect, but defective in practice. Account books are made up of loose papers stitched up, together by thread. The thread can at any time be taken off and new pages inserted. All the account books should be bound books with numbered pages printed. Then alone they can be relied upon.

Account books of these bankers or money-lenders are never open to the customers. As a matter of course they are kept secret and no stranger or customer is allowed to look into them.

The indigenous banking community will certainly complain bitterly if any measures are taken for regulating their operations and giving publicity to the same; but these complaints should not deter Government from adopting any measure for regulating this system of account books and also making it compulsory for all bankers who receive deposits to publish their annual balance sheets for the safety of depositors. Of course if restrictions are imposed by law, they will be entitled to some protection and that protection should be that the bankers who publish their annual balance sheets and use certified books for accounts, their accounts should be *prima facie* proof of the dealings mentioned therein and they should be allowed compound interest not exceeding 9 per cent per annum from date of suit till realization. Much noise is made about allowing compound interest, but the fact is ignored that the Imperial Bank capitalizes interest at the end of even three months on cash credit accounts and on hundis at the end of two months. Maximum rate of interest of the Imperial Bank is many times 8 per cent.

Though I have suggested in general that any legal restrictions and measures will not be of any use to reduce the rate of interest, I would like to suggest that when original rate of interest is over 12 per cent per annum the Courts should be authorized never to allow interest at more than 9 per cent per annum from date of suit till realization in spite of any contract to the contrary. To find that in mortgage suits compound interest more than 18 to 24 per cent interest is being allowed as per contract in the mortgage-deeds and hence the suggestion.

Personally I am opposed to the individual indigenous banking. Banking should always be in the hands of joint stock companies or associations; but at the same time it cannot be ignored that individual indigenous banking in India cannot be put a stop to for a long time to come. It is therefore necessary to devise means to make this class of bankers more serviceable to the community. I know some bankers who have plenty of capital of their own, but they take the advantage of the needy circumstances of the agriculturist classes and lend money at exorbitant rate of interest. As they can find borrowers at 18 to 24 per cent interest and that too on the security of lands, they do not naturally like to invest their capital in lending the same to industries or to other bankers with limited means on moderate rates of interest. It is therefore very difficult to suggest means to make the indigenous bankers serviceable. If bankers with limited means get money from Imperial Bank or any other State bank at cheap rates on equitable mortgages of their properties, they can be made to advance monies at moderate rates of interest to agriculturists; but again there will be difficulty of detecting frauds. Even if conditions are imposed upon them not to charge more than 3 to 4 per cent over and above what they will have to pay, they are likely to induce their debtors to execute bonds for Rs. 125 for Rs. 100 actually advanced and thus evade any conditions imposed. The only remedy therefore is what I have already suggested above, *viz.*, that of enabling the central co-operative banks and other joint stock banks on the lines I have indicated to advance monies at cheap rates. Healthy competition alone will be the sound and effective remedy.

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The net return to the indigenous bankers, after making allowances for legal expenses, management charges and losses through defaults, etc., is never less than 12 to 18 per cent.

With the exceptions of very few bankers who have huge capital of their own, there are many bankers who are not able to meet all demands owing to insufficiency of their working capital and this is the main reason why the few bankers who have plenty of capital get the opportunity of charging exorbitant rates.

I have already suggested establishment of joint stock banks for each district with local directorate with a view to carry on healthy competition and not to avoid competition.

### Part III—Investment habits and attraction of capital.

The existing banking resources in Berar are meagre and an additional capital of at least 5 crores of rupees will be necessary.

Investments are at present made by Government servants on high salaries and by medical practitioners and lawyers of long standing. They generally invest in Government securities, in Imperial Bank and in postal savings banks. Co-operative Central Banks also get deposits; but the idea is gaining ground that if Government takes off its support, it would be dangerous to invest in Co-operative Central Banks as at present managed.

Agriculturist classes have nothing to invest and always are borrowers.

Even if the existing facilities are improved in any way, it will be of no avail as long as majority of the people are not in a position to invest and as long as those who are in a position to invest can get 12 to 24 per cent interest in advancing loans on security of lands. It would therefore be simply waste of paper and ink to suggest any methods by which habit of investment can be increased.

#### Oral Evidence.

*Amraoti, 29th January 1930.*

*Chairman:* You are, I believe, one of the leading members of the local Bar. Could you tell us about your income at the Bar?—Nowadays I do not practice regularly though I am one of the leading and an elder member of the Bar. I own about 1,500 acres of land. My father used to do some money-lending and now my son does it. My son does cotton business also.

You are proprietor of some mills?—I am the Managing Agent of the Vidharba Ellichpur Mills.

In the beginning of your reply you have said that when an agriculturist borrows money from a professional money-lender, if he takes Rs. 100, he has to execute a bond for Rs. 125 for a period of six months. Is that very common? Could you give us instances?—Yes I could give thousands of instances. The agriculturist gets Rs. 100 and he draws a bond for Rs. 125 which he has to pay in six months.

The next thing is this. You have mentioned a penal clause of interest. Do the courts nowadays allow this penal interest?—They do allow it. Our High Court has held that when the bond lays down that the higher rate of interest shall be paid from the date of the bond the penal rate of interest should not be allowed. But if it is from the date of default, it is not considered to be penal and the courts allow it.

You have given us some details of agricultural expenditure and you tell us that the total expenses of cultivating 50 acres is never less than Rs. 1,100. Would you like to qualify the statement "never less"?—If the owner of the land himself cultivates it, it would be less. We do not then take into account his labour. My estimate is based on the assumption that all the labour, etc., is hired and if the cultivator labours himself, the cost would of course be less. My estimate of expenditure also includes the cost of manuring; but as a matter of fact, all tenants do not manure.

Do you mean to say that a tenant who manures his field only gets 8 khandis on 30 acres?—Yes. It has been my own personal experience during the last few years. In fields of exceptional quality we may get more.

MR. Y. G. DESHPANDE.

Are there fields which will give one khandi per acre?—They are the best fields. They are very few.

The total yield you estimate at 1,150 or Rs. 1,200 and the total expenses at Rs. 1,100, which leaves a margin of Rs. 100 out of which Rs. 75 is paid as land revenue and this leaves a net sum of Rs. 25 on 50 acres of land. How does the cultivator live during the year?—This is the condition of persons who employ hired labour. My estimate of the net profits is the profit of those people who do not cultivate their land themselves and as a matter of fact such persons prefer to lease their land out rather than cultivate it themselves.

As far as I can remember, about 200,000 acres are at present under cotton in Amraoti district, and if the net profit is Rs. 25 upon 50 acres, that would mean, say, only one lakh of rupees total profit per year. You state elsewhere that two crores of rupees are annually borrowed from the money-lenders and most of it is repaid every year. How is it that two crores of rupees are paid when the profit is only one lakh of rupees?—My estimate of costs and profit is the estimate of those who cultivate their own land.

You say that as a general rule the cultivator pays off his short-term loans every year as far as he can. That is an almost invariable practice?—Yes. Unless there is a scarcity, it is usual to repay at once the short-term loans which the cultivator takes to finance his crop?—You have got a very interesting scheme here for pools. You have said that the control should be in the hands of qualified and paid experts and that the control of finance and policy should never vest in honorary workers as is the case with co-operative Central Banks and credit societies. Your implication is that there should be closer control over the co-operative credit banks also?—Yes.

Do you think that it is really worth while having pools?—Yes. The World cannot do without cotton. If the Indian cotton is withheld, the world cannot do without it. Pooling is no good unless there is a widespread pooling movement throughout India.

The next thing is about the civil court sales. You would have officers of the standing of a senior Sub-Judge for this purpose? Would you prefer him to a revenue officer?—Most certainly. I would prefer a Sub-Judge to a revenue officer who is usually very careless.

You have a good deal to say against the co-operative credit banks. I do not propose to ask you to mention here any names. But have you got real instances and are you perfectly satisfied that your information is correct?—Yes.

You say that except for a few honourable exceptions most of the honorary workers appear to have undertaken the work from motives not altogether altruistic. Can you quote instances?—These two friends here are some of the few honourable exceptions (Rao Bahadurs Brahma and Deshpande).

What would you suggest as regards dairy farming?—Our experience of dairy farming is that it is not paying. Unless we get fodder very cheap, this business will not be profitable.

How is it profitable on the Bombay side?—In Bombay dry cattle are sold to the slaughter-house.

Do you suggest that?—It is against my religion.

Is it your considered opinion that any restrictions on money-lenders are useless?—Yes. I want fair competition. That alone will reduce the rate of interest in rural areas.

You suggest an amendment to the Imperial Bank Act, allowing them to advance loans to indigenous banks. Have you any suggestions to make?—I have suggested the provision of equitable mortgages that should be made. They have extended such a provision to Bombay, Karachi, Calcutta and probably to Madras also. I am of opinion that in towns like Nagpur and Amraoti it is necessary.

You say that Government should encourage the manufacture of fertilizers. Would you explain how we can do it?

About 1/3 of the manure that we use today is wasted by weather and sun and thus becomes useless. If it is properly preserved and proper precautions taken, then it will no doubt be useful. But cultivators do not take proper care. Therefore it should be the business of a firm to manufacture and sell it.

MR. Y. G. DESHPANDE.

How can you manufacture it?—There are some processes. Another point is that in Berar we have got different kinds of soil. There are some kinds where cotton cannot be profitable others where juar cannot be profitable, but the Agricultural Department have not been able to tell us which is the best soil for which crop.

What is your experience about the Agriculture Department?—I think it is of very little use.

Is this also your view about the Veterinary Department, or do you think it is of some use?—It is at present absolutely useless.

What proposals would you put forth for improving the use of the Agriculture and Veterinary Departments? It has been suggested to us by many persons that these departments and other departments are not working together and that there should be more co-ordination in their activities. Do you think that would do any good?—It may, but I think that some qualified students should be sent to America for experience of actual farming and these students after returning should give us advantage of their practical experience.

I understand that one of the Deputy Directors had gone to America.—I do not know. But he may have been handicapped in pushing his schemes.

*Professor A. C. Sen Gupta:* Supposing a man has got 20 acres of land under juar and has got a pair of bullocks, how much do you think he will have to spend during the year in addition to the *kadbi* with him?—He will require about Rs. 120. Generally the cultivators feed the bullocks with cotton seeds for six months only. That is a bad economy. The bullocks ought to be properly fed throughout the year and if that is done Rs. 120 will not be sufficient.

You say that you are required to pay about Rs. 200 for the services of a man. Do you state this about Amraoti or the villages?—I say it about villages. You will not get a man for that amount in Amraoti.

What is the minimum?—This is the minimum unless you want to employ a boy.

Is it not fact that the bigger the man the higher the wages he has to pay?—No.

So you think that about Rs. 200 will have to be paid per man. That makes it Rs. 400 for two men. What expenditure will you require for two pairs of bullocks?—About Rs. 400.

So you mean to say that a man having two pairs of bullocks and two servants will not make a profit?—I think so. Nobody can help it. The reason is that there is a fall in the prices of cotton and food-grains, but there is no fall in wages, etc.

You say that in the villages when a cultivator borrows money within time he is required to pay 25 per cent more over and above the interest. Will you please explain this?—Yes. If a man does not pay within the period, the creditor files a suit and as he has already executed a bond for Rs. 125 for a loan of Rs. 100, he has to pay 25 per cent more.

*Chairman:* Can you tell me if the Usurious Loans Act is applied to Berar?—I do not know.

*Rao Bahadur K. V. Brahma, C.I.E.:* I take it that you are against this so-called class 32 cases?—Yes. I want the execution of civil court decrees through civil courts.

I believe that you want that when the decrees are passed by the civil courts the sales should be held in the villages and not at the headquarters of the court?—Yes.

Have you had the advantage of reading the report on the land mortgage banks which was issued by the committee appointed by the Registrar, Co-operative Societies?—Yes.

Have you compared your own scheme with that?—No.

I take it that you want these land mortgage banks under the Companies Act and not under the Co-operative Societies Act?

I would prefer if it were started under the Co-operative Societies Act rather than the Companies Act.

MR. Y. G. DESHPANDE.

I appreciate your idea, but may I know as to what is the advantage in starting it under the Co-operative Societies Act?—There are many facilities such as absence of stamp duty. The knowledge of local people will also help to improve the banks.

I dare say you have had the advantage of going through the Egyptian Land Mortgage Banks scheme; they were started under the Companies Act. Are you aware that these banks did not prove a success as was anticipated?—I am not aware.

May I take it as your opinion that you would rather prefer the land mortgage banks to be started under the Co-operative Societies Act?—Yes.

Now about co-operative societies?—You have levelled your criticism against the persons working in the co-operative movement. I will just read a few lines to refresh your memory. You say—"Scheming members of societies successfully obtain loans from a Loan Committee of Central Bank of inexperienced members never caring to know the real value of land or houses of the persons seeking advance. Some members got their own debts paid off by their debtors for whom Central Banks were made to sanction loans after making them members of village societies." and so on.

I believe you have been associated with the co-operative movement since long?—I was.

During your time was this going on or not?—We used to decide the case on its merits. We always tried to see the conditions of the man who wanted to borrow.

Do you think that this is not done now?—I think so from instances that I have in view.

Am I right in taking that you have no personal knowledge as to what is going on in the bank?—I have no personal knowledge.

Are you aware that the societies have in the first instance to pass the loan applications?—Yes.

Are you aware that strict provisions have now been made to see that societies fulfil their responsibilities?—I am glad if any such provisions are now made, but I am not aware of them. So you are not aware. May I know whether this statement of yours applies to the state of affairs obtaining two or three years before?—Yes.

Do you mean to say that this criticism was levelled against the movement three years ago? It is not against the movement but it is against persons who are working in the movement.

Of course I know that it is against the member. Are you aware that there is a Loans Committee?—Yes.

I should like to know whether you think that all members of societies are ignorant and illiterate?—Most of them.

Do you mean to say thereby that members of societies cannot read and write and cannot understand what is going on?—Simply reading and writing does not help them. They do not understand anything that is going on in the societies and are made to understand something else.

Do you mean to say there is a systematic cheating going on in these societies?—Yes. For instance, suppose an individual member wants a loan of Rs. 100, he is told that he will have to pay some charges that would come to Rs. 5. He does not know that this is false and is thus cheated.

Do you know that it is a rule that the member asking for a loan has to state the purpose for which he wants the money?—Yes.

Do you also know that there is a *hasiyat* register?—Yes.

Do you know that the register gives information about the *hasiyat* of each member?—Yes.

Do you mean to say that if a member says his *hasiyat* is for a thousand rupees he is telling false?—Not that he purposely gives false information, but the member who gives his own *hasiyat* is cheating himself. Suppose a man decides his *hasiyat* on a garden he owns. I admit that the garden is worth Rs. 2,000 that day, but one cannot say if it is worth that amount after a few

Mr. Y. G. Deshpande.

years, because if it is not watered the garden will be destroyed and will not be worth Rs. 200 even. Now in this case the real valuation of the garden is Rs. 200 and not Rs. 2,000.

Have you seen the *haisiyat* register at any time? Is there any column in the register to show value of lands?—There must be.

Rao Bahadur K. V. Brahma, C.I.E.: There is none. There is acreage assessment and not the valuation?—Then I should say that it is not a *haisiyat* register, because *haisiyat* really means “for how much a man is worth” and if you have not got that column then it is not a real *haisiyat* register.

The Loan Committee has to take into consideration the value of the land and hence the value of the land at that time must be disclosed if the land is to be properly valued. Do you think any mistake can occur?—Yes. There are instances in which this has happened. I have known an instance in which advance has been given on unalienable land, i.e., the land which cannot be sold in executions of decrees.

Are you referring to the society organized in your taluq in your time?—No such society was organized in my time.

Chairman: Can you explain why you left the movement?—I have not left the movement. I am a shareholder of the Central Bank.

Did you take an active part at one time?—Yes.

Rao Bahadur K. V. Brahma, C.I.E.: Am I right in understanding that the Central Bank passes applications for loans without proper scrutiny?—Yes.

Do you want more check?—Yes.

Are you aware of the fact that if more checks are applied the members will revolt against the movement?—I am not aware. I agree with you that some members may revolt, but I would not listen to them.

Are you aware that under the present constitution of the Central Bank there should be a certain percentage of borrowing members on the committee?—Yes.

Do you think that this constitution is faulty?—No; I do not think so.

Are you prepared to continue the management in the hands of the borrowers?—Some of them must be there.

Are you aware that under the present rules the proportion of borrowers on the committee is greater than non-borrowers and that there is no alteration possible?—You have got practical experience about it and I think you are better judge of that. I would not like to keep it in the hands of borrowers completely.

Have you any idea as to how many awards the Central Banks have taken? I have no idea.

There are 2,000 members in the societies in this district. In how many has joint responsibility been a failure?

I have no definite knowledge.

You will admit that there are noble exceptions everywhere and in every society.—Yes, certainly.

Do you think that the Insolvency Act is a check on free finance?—It is.

Do you think that the Act is a good measure or a bad measure?—It gives facilities for the debtors to conceal their property and go to the Insolvency Court. I would like to have it amended.

Would you like a rural insolvency Act?—Yes.

I hope you know the implications of it. Would you, for instance, like a leasee, who has cultivated land and taken the crop, walk to the civil court saying that he should be declared as insolvent? It should not be so. I want it for purposes of famines.

You have read the Usurious Loans Act?—I have read some portions of it only the other day.

About the foreclosure of decrees, would you like that Act to be amended? Would you like that the civil courts should have free choice to extend time for payments?—Yes, on terms.

MR. Y. G. DESHPANDE.

Have you got any instances to point out to this Committee where this Act was applied too literally and you had to object?—Yes. I want the Privy Council ruling on this point to be exact.

*Rao Bahadur M. G. Deshpande:* You say that the idea is gaining ground that if Government takes off its support, it would be dangerous to deposit money in the co-operative banks. What support is Government giving?—People think so, even if Government is not supporting.

Do you know that Central Banks accept deposits?—Yes.

If you and the people think that there is Government support, do you think that all Central Banks are getting equally large deposits?—Our Amraoti bank is getting deposits. I have no knowledge of other banks. If you can take hold of the last year's balance sheet of the Amraoti bank, I can show you what as a business concern it may not be considered to be sound.

You have replied to the Chairman that there should be no restriction in banking; but you have stated that the money-lenders can be made to advance money at moderate rates of interest to agriculturists. How can you make the money-lenders do so?

As far as Berar is concerned, there should be financing by the co-operative society or by associations of bankers and not by individual money-lenders. Individuals always look to their own interests. It is natural.

You have stated that the financing of societies should be done by the Central Bank. Do you think that the society members will be able to secure loans at cheaper rates of interest?—Do you think that with the present arrangement, you will be able to advance money at a cheaper rate?—With a little improvement, there must be more good paid staff. I do not want to leave so much work to honorary workers. They give only their spare time. You cannot blame them. The idea of so much honorary work is only in India.

Do you agree to the present system of accepting deposits on different rates according to convenience?—Yes.

Supposing the provincial bank advances money at 6 per cent, do you think it is advisable that you should accept deposits at 5½ per cent?—Yes.

The apex bank is the bank of all the Central Banks. Why do you want different rates?—Circumstances in each case may differ. One bank may be doing very good business. The case of each Central Bank is different from that of others. The apex bank should give loans to other banks.

*Chairman:* Supposing the Central Bank has to pay a higher rate for its deposits than the rate at which the provincial bank can lend, would you be in favour of compelling the Central Bank to borrow from the provincial bank?—I do not think they should be compelled.

*Rao Bahadur M. G. Deshpande:* Do you think that the agriculturists find sufficient time for other subsidiary industries?—A good agriculturist cannot find time.

Do you find that in Amraoti we have got much land under wheat and gram?—No.

What work do the agriculturists do from January to March?—Threshing juar, etc. is going on till the end of February. In March the land has to be ploughed, manure has to be thrown in, etc. A good agriculturist has got full 12 months' work.

In the Central Provinces they have got sufficient land under wheat and their operations are over by March or April. Here they have got a season only up to November or December.—Rabi they may not have. But then the cotton and juar crops give them full work.

You say: "It is to their self-interest to remain so and not owing to any love or affection for Government; but once the lands are allowed to be centered in a microscopic minority the overwhelming majority of poverty-stricken discontented mass of people when organized with the help of intellectuals will create a demon which will devour Government and all the vested interests with it." I do not understand this?—Go to Bombay and you will understand it. It is due to communism.

Have you recovered during the last four years your loans in full?—No. They cannot pay.

Mr. T. G. DESHPANDE.

May I know why indebtedness in Berar is increasing every year?—Prices are low and there is no yield.

Have you got any land in Central Provinces?—No.

Do you not think that because they have got transferrable rights in land in Berar, they borrow money very easily?—I do not think so.

Have I understood you rightly if I say that what you really mean about these Collectors' cases is that the average revenue Sub-Divisional Officers are too busy with their routine work and the whole-time officers will be able to do this work more effectively? Sub-Judges will be better. I will give you a concrete case. In Schedule III of the Civil Procedure Code you will find a provision that a debtor whose property is under the management of the Collector is incapable of executing a lease or mortgage without his consent. He has to go with an application to the Sub-Divisional Officer to give his consent. The application is thrown away and he is asked to execute a document and then come. The Sub-Judge is better in any case.

You know that in the Central Banks in Berar, there is a large number of big borrowers owing very large sums. Have these big borrowers been favoured by some of the workers?—In some cases they may have.

Is it true that, in the early days of the co-operative movement in this district, some of these were useful in establishing societies in their villages and they are now taking advantage of the little good that they did to us?—Yes.

Do you think that the process of recovery against these people is now being pushed forward by the present workers?—The debtors are not able to pay. I do not know what measures they are taking to recover.

You have said that there are noble exceptions amongst honorary workers and there are also self-seekers. Would it be accurate to say that these self-seekers generally force the hands of the better type of worker and the latter cannot withstand this importunity?—Do you know in the first place that the banks never tried to recover the arrears from the debtor and that it is only later on that they tried to enforce joint responsibility?

Is it your opinion that the staff employed is not up to the mark?—I should think so.

Do you also think that the honorary workers fail to insist on a full day's work from their staff?—It is a fact that a full day's work is not taken.

As far as the *haisiyat* registers are concerned they are never properly checked by the honorary workers. Are they properly checked by the staff?—I do not accuse them of any bad intentions, but the check is inadequate.

These Loan Committees pass orders only on paper information?—Yes, of course.

Do you think that the honorary workers in Berar have now realized the dangers of the situation?—Yes, they have realized.

Do you think that they will be able to bring about an improvement?—It is too late.

Do you think they ought to accept with a better grace closer Government supervision?—I am against it.

Then how will the movement improve?—I want supervision of those who will identify themselves with the movement.

Towards the end of your statement you say that the idea is gaining ground that, if Government takes off its support, it would be dangerous to invest in Central Banks, that is to say, the idea at the background of the depositors' minds is that, if there is any trouble, Government will step into the breach. You know there was a crash in the movement in 1920-21 and Government sanctioned about Ra. 40 lakhs?—Yes. I know that.

Those who were interested in the movement have not forgotten that. There is an expectation, that should an emergency repeat itself Government might repeat its favour.—Yes.

Do you not think that there is scope for reducing the rates on deposits paid by banks here?—Not now.

MR. Y. G. DESHPANDE.



What is your suggestion for increasing the efficiency of these co-operative banks?—There should be a qualified Manager and a well paid staff.

Who will control the Manager?—The Chairman should control him. The Chairman and the other Directors should also be paid some remuneration.

Vice-Chairman: You said that as a business proposition the Amraoti Central Bank is a failure. I suppose you say so because of the large percentage of unrealized interest?—Yes. Not only on that account. But is it one of the chief reasons?—Yes.

Do you also think that the percentage of bad debts provided for is very small?—Yes.

Taking into consideration the fact that all members of societies are jointly responsible, will you admit that the unrealized interest is eventually realizable?—On account of joint responsibility it is possible.

Do you mean to say that the accumulated liabilities of individual members now generally exceed their assets?—Yes.

Do you mean that joint responsibility will have to be enforced on a much larger scale?—Yes.

If the major portion of the personal liabilities is eventually realizable would you still say that bad debts are not estimated?—No; I do not say like that. What I mean is that in a business concern full provision must always be made for bad debts. You cannot be too sanguine about it.

I take it that the features I have referred to are the worst features of the financial position according to you. But you now note that there is full provision for bad debts and in view of the joint liability the money is eventually realizable, I see much force in your complaint, but I am trying to draw your attention to the redeeming features of the movement. Do you accept it?—Yes.

Are you aware of a tendency on the part of the honorary workers to resent official control?—Yes.

Do you think that the departmental officers interfere with banks only in the interest of efficiency and maintaining a good name?—That may be their intention.

Is it your impression that co-operative officers have tried to use their influence to make co-operative institutions so many nuclei of political opinion favourable to Government? Have you ever had any such impression? No, I have not had that impression.

Does it not then come to this that the departmental officers interfere only with the object of helping the banks?—I cannot say. There may be a certain officer who may have that intention in his mind. I do not accuse them of any such motive now, because even if they tried to do such a thing they will not succeed.

You have said that restrictions on money-lenders will not do much good, and you want free competition. Has not the co-operative movement performed that function?—It has done it to a negligible extent.

Do you think that in areas where co-operative societies have been started the ordinary rate of interest has gone down?—To some extent in the beginning only. But you cannot make any comparison between those days and these days.

You have said that the Imperial Bank should extend facilities to the co-operative banks. Why do they not do it now?—I cannot say why. But they do not advance money to co-operative banks on credit.

Do you think that the reason is that the Imperial Bank does not feel so sure about them?—May be.

Can you make any suggestion to improve the position in this respect?—I do not think that the money of the Imperial Bank is unsafe, if advanced to co-operative bank.

Can you do anything to remove that impression?—It is very difficult to convince them.

Talking of the subsidiary industries do you think that the hand-loom industry is doomed in view of the altered tastes of people?—Certainly not.

MR. Y. G. DASGUPTA

You spoke of fertilizers. Do you admit that there is a widespread prejudice against the use of bone?—It is fast going out.

I may state that the Royal Commission on Agriculture came to the conclusion that not more than 10 per cent of the total produce of bone in India was being used internally?—If you can sell it ready prepared, it will be used, but if you want us to manufacture it, we will not.

You have already told the Committee that you will welcome some sort of legislation as regards indigenous money-lenders?—Yes.

Will the general body of money-lenders welcome it?—It will not.

Do you advise Government to proceed with such a legislation in spite of the protest, because it will be beneficial to the public?—Yes.

*Chairman:* I am only going to ask you one or two more questions. Here is a schedule rate of bills of exchange in force at present. It has been pointed out by the Indian Chamber of Commerce that these scales of duty have always been regarded as high by the commercial public and that progress on sound financial lines is retarded by them. I would like to ask if you advocate that the duty on such bills payable at sight should be abolished or reduced, and if to be reduced, to what extent?—I would like it to be abolished altogether.

Should any distinction be made between bills of exchange payable after more than one year and those payable earlier?—In our part of the country bills for more than a year are uncommon. I recommend reduction for bills payable within one year. We generally use hundis which are payable after 61 days and occasionally after 91 days.

For what purpose are these bills used?—For financing commerce.

Are the bills payable after a year very uncommon?—Yes.

Can you tell us what will be the loss of revenue involved?—I cannot say.

Do you think that the reduction in these rates will increase the use of these bills?—Most certainly.

You have recommended warehouses. Would you like a warehouse certificate to be a negotiable instrument under the Act?—Yes.

*Seth Narsingdas Daga:* You have referred to certain people borrowing without having anything in the form of security. Will you please say how are they able to raise a loan? Who gives them a loan?—Kabusis.

I will explain more. It is really creditable. Generally many of these Marwaris come to these places without any money and they either begin to serve or they take a small sum from any of their relations or friends and living very economically build up their business. It is indeed very creditable to them.

*Mr. P. D. Pundalik:* Have you come across any case in which a man came here, worked as a labourer and built up his business after he had saved enough for starting it?—I have come across such instances.

*Vice-Chairman:* Supposing that we have to fix a fair maximum rate of interest under some sort of legislation, what would you propose?—Nine per cent.

*Professor A. C. Sen Gupta:* Do you think that if there was some Government control on co-operative societies the voluntary workers will not like it?—Sometimes they do not.

Why do they not like it?—Because the ways of the officials are at times overbearing although I am prepared to admit that nowadays that mentality is changing.

*Chairman:* Are you prepared to concede that the main difference between a Government servant and an honorary worker is that one is a paid servant of the public and the other is an unpaid servant of the same?—Exactly so. There is no difference. But some time ago Government servants never thought that they were servants of the public but were the masters and that is why that mentality was resented. Nowadays, however, they have begun to realise that they are also servants of the public.

Thank you Mr. Deshpande. I am afraid we have asked you a great number of questions.

MR. Y. G. DESHPANDE.

**MESSRS. J. B. DESHMUKH, Landholder, and M. S. DESHMUKH, Retired Extra-Assistant Commissioner and Landholder, Amraoti.**

**Reply to the Questionnaire.**

**QUESTION 1.**—(1) (a) (1) Mainly professional bankers. (2) Indigenous bankers. (3) Co-operative credit societies where they exist. (4) The Government on a small scale. (5) The Imperial Bank of India very rarely. The lessor helps his needy lessees and the broker advances money to cultivators with the hope of securing business when the crops are reaped.

(b) Ditto.

(c) Very nearly the same.

As regards the advances made by the professional money-lenders they vary according to the credit of the borrowers and the kind of security offered. The rate of interest ranges from 6 to 24 per cent per annum and breach of contract is attended by a penalty. The *sawai* system is rampant in villages.

Advances for current cultivation are short-term loans usually for 6 months to be paid at the time of harvest, while those for capital and permanent improvement and special needs are long-term loans generally for 12 months and to be paid at the time of harvest.

Mostly immovable property and sometimes ornaments form the security given. The practice of offering standing crops as security is now obsolete. Loans are advanced on terms of compound interest and on condition of foreclosure or sale of the mortgaged property. Instances of usufructuary mortgages or mortgages by conditional sale are to be found in several places. For petty sums *batta* is also charged. *Vaar-Patta* system is slowly dying out.

**Government.**—Taccavi loans under the Agriculturists' Loans Act and Land Improvement Loans Act to a very limited extent. At times a very ridiculous amount, say, one rupee per acre, is given for cultivation. Those who avail themselves of these loans invariably resort to the professional money-lenders as their needs are not satisfied by taccavi loans.

**The Imperial Bank of India in a selected few cases.**—A big landlord with a big guarantor may perhaps get advances. The rate of interest is the higher than 6 per cent or one rupee *plus* the bank rate with three monthly rests. There is one tiny joint stock bank in this district which advances loans on mortgages.

**Co-operative banks.**—In Berar there are about 750 rural co-operative societies which advance loans only to members. Agriculturists holding land can become members. The liability being unlimited, big landlords who can easily obtain credit elsewhere are reluctant to become members.

**Indigenous banks and bankers.**—*Nil.*

**Professional money-lenders.**—It is this class to which the agriculturists look up for help. There is some personal element in the contract which is direct. The rate of interest charged is generally high.

Nearly five crores of rupees would be required for paying off the debts of the agriculturists and three crores of rupees would be necessary for annual recurring expenses.

The system of advancing grain is fast disappearing. However where such advances are made  $\frac{1}{4}$ th of the quantity is generally charged. The advance is made in the month of October and the grain is returned at the time of harvest.

There is no security that the borrower would get money at proper time and at moderate rate of interest and the debtor is solely at the mercy of the money-lender. Dearth of capital can explain this state of affairs. The short-term loans for cultivation expenses are paid at the time of the harvest and failure is attended by penalty. The land revenue has also got to be paid in the month of February and hence the borrower is in a hurry to dispose of his produce. The rate of interest being high the agriculturist cannot afford to wait and dispose the produce at the rate prevailing in the market when the produce is ready.

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This state of things cannot be altered unless Government comes forward and gives a long helping hand to the agriculturists. Land mortgage banks suggested by the Royal Agricultural Commission ought to be started forthwith and the co-operative banks should be liberally subsidized. Any legislation like the Deccan Agriculturist Relief Act would be abortive.

**QUESTION 2.**—The principal crops of the Amraoti district are cotton, juar and wheat. As regards cotton, there is an act which regulates its marketing in Berar. Cotton is sold through adatyas and its rate is settled between the purchasers and the adatyas. The agriculturist knows the rate when cotton is already sold and delivered. He knows it when payment is made by adatyas. Some big adatyas sell the cotton carts to purchasers in big lots at an uniform rate and then determine themselves the rate of the individual carts. Thus upon the discrimination of the adatyas depends the rate that an individual agriculturist will get and not necessarily upon the quality of his cotton.

Generally, raw cotton is sold. A few big landlords sell ginned cotton. Cotton is ginned mostly with a view to secure good seed. The practice of selling ginned cotton cannot thrive owing to unnecessary and unjust interference and harassment by the Income-tax Department. In consequence the agriculturist is to a certain extent deprived of his legitimate profits.

Petty agriculturists sell their cotton in their villages instead of selling it in the cotton market. It is here that the swindler has a big field. The weights and scales are invariably false. But the agriculturists in absence of any pool or co-operative efforts has got to resort to this rick. The expenses of the marketing one khandi of kapas (cotton) is the same as for marketing a maund of it.

In towns wheat and juar are sold through adatyas, while in the villages the transactions are concluded by the purchasers and sellers directly.

As regards the forming of pools and co-operative efforts in marketing produce, it appears that time is not yet ripe for such formation or effort. When the agriculturists are steeped in ignorance and poverty it does not appear that such a movement will meet with any appreciable measure of success. Such movement pre-supposes enlightenment and sustaining powers. Still the co-operative credit societies will do well to make an experiment in that direction.

**QUESTION 3.**—The principal crops of this district excepting wheat are raised from almost every land. The value is generally from Rs. 150 to Rs. 250 per acre. The value of land where wheat can be grown is almost the same. The value depends upon the quality and position of the land and the price of the produce.

(a) It is more often than not that the value fetched in Government auction is very low and the same holds good in the case of sale by court decree. The revenue officer in his zest to recover land revenue neglects the interest of the defaulter and as soon as the bid is high enough to realize the land revenue he is in hot haste to knock down and proceeds to sell the next field in the same undesirable manner.

(b) The execution of decree by sale of land has been transferred to the Collector for the past few years.

(c) The value fetched by private negotiations is very generally proper and adequate. Because there the seller has the fullest opportunities of higgling and has time to wait and carry on the negotiations.

**QUESTION 4.**—There is no legal impediment to mortgage of land in Berar except in the case of palampat and jagira.

There are no land mortgage banks or agriculturist banks in this province worth the name. There is one bank at Nagpur which answers that description. But people entertain grave doubts about it.

It is the Government who should take initiative in this matter and found land mortgage banks. The agriculturists are so heavily indebted that such banks are a dire necessity. If the banks are to be any use to the agriculturists, the terms for granting loans must be liberal. The loans should be paid up by annual instalments. The amount of the loan and the actual profits should be the main factors in determining the amount and number of instalments. It must not be grudge even if the number of the instalments comes to 60 or 70.

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QUESTION 5.—As regards debt, it was incurred almost under all the items (A to H) at different times.

This is due to professional money-lenders and latterly to co-operative societies.

In co-operative societies the rate of interest is charged at the rate of one per cent, and by professional money-lenders at annas eight to rupees two or even more according to the status of the borrower.

Yes, land is passing on into the hands of the creditors.

There are no irrigated tracts or famine zones in this district.

If this process goes on, it will certainly take away from the actual cultivator the incentive to produce more and cultivate in an efficient and better manner.

#### Oral Evidence,

Amraoti, 29th January 1930.

(The questions were answered by Mr. M. S. Deshmukh, Mr. J. B. Deshmukh concurring.)

*Chairman:* I may explain in the beginning that the written statement which you have put in will also be used as evidence. We shall put you oral questions to elucidate information on those points which are to our minds not quite clear from the written statement.

You state that short-term loans are for six months while long-term loans are generally for twelve months. Is it not a fact that a long-term loan is usually for a longer period than 12 months?—A short-term loan is that which is contracted in June or July and repaid in October or November, while a long-term loan is contracted in March or April for agricultural operations and is repaid at the end of the harvest, i.e., up to April.

In addition to that you have also loans for long periods repayable in five or six years?—Yes.

Would it not be more correct to divide these loans into short-term loans, intermediary loans and long-term loans?—Yes.

Now, about the Government taccavi, you say that the advances are inadequate. Could you give us some examples of taccavi advances being inadequate?—There are good many instances. Supposing a man applies for Rs. 500. According to his estimate he applies for the full amount, but in some cases he does not even get Rs. 200 or Rs. 100. There may be some difference in calculations made by Government officials and the applicant gets the amount is generally inadequate.

You say people invariably resort to professional money-lenders. Do you know of cases wherein those men who have applied for taccavi had to go to money-lenders, because they could not obtain the full amount really necessary?—There are good many instances of this kind. There are instances of this kind in my own village.

Had you any experience of this kind when you were in service?—No. Fortunately we had not such years as we have now.

You stated, Mr. Deshmukh, that nearly five crores of rupees would be required to pay off the debts of agriculturists of Amraoti and three crores of rupees would be necessary for annual recurring expenses. How do you arrive at these figures?—I have got these figures from a friend of mine who is a Government officer. He has estimated it at this figure.

You say that co-operative credit should be liberally subsidised. Do you think that co-operative banks are doing their work properly?—Yes.

Why do you think co-operative banks should be subsidised? Is it not a fact that they have ample resources?—I have not got any personal knowledge of the working of the banks. But I hear that they have not got sufficient funds.

Do you think that co-operative banks can alone manage the work of financing the agriculturists on short-term loans?—I do not think they can.

Do you think it would be better if the co-operative banks were relieved of long-term loan business and land mortgage banks started?—It would be better.

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As regards marketing, you stated that adatyas sell a number of cotton carts together and then determine the rate to be paid to individual cartmen. Have you had any experience of that?—*Mr. J. B. Deshmukh*: Last year I saw about 200 carts were sold and the adatyas then divided the money according to the status of the cultivator.

Did the adatyas do this fairly? Or was there any complaint?—He takes not only the quality of cotton, but other personal considerations also into account when dividing the amount of sale.

Later on you say that the practice of selling ginned cotton does not thrive owing to unnecessary and unjust interference of the Income-tax Department. Can you explain what you mean?—We get cotton ginned with the intention of getting good seed for bullocks and for sowing purposes, but the Income-tax Department without taking this intention into consideration charge us at 10 per cent. What we wish is that they should scrutinize our accounts and charge us accordingly.

Do you allude to private sales when you state something about false weights and scales or do you allude to any market?—*Mr. M. S. Deshmukh*: I allude to private sales in villages.

As regards forming of pools for marketing produce, do you think that the agriculturists are ready for it?—I do not think so.

In your written statement you say that when land is sold in auction sales the revenue officers do not trouble themselves to get the full price of the land. You have not said anything about civil officers. Do you think civil court officers will do better?—I think the sales in the revenue court are better than the sales in the civil court. In the case of decrees executed by civil courts they are generally done at the headquarters which is not profitable.

*Rao Bahadur K. V. Brahma, C.I.E.*: Is it a fact that you deal with the Imperial Bank?—Yes.

Do you think you get a fair deal from the Imperial Bank?—Yes.

Will you give the committee an idea how you are benefitted by dealing with the Imperial Bank of India? Will you also let us know the rate of interest they charge?—We can get the money more readily and hence there is less trouble. They charge one per cent more than the bank rate. What was the rate of interest you had to pay last year?—It was changing between 6 and 9 per cent.

Do you think it will be a good thing if people like you are financed by the bank?—Yes.

Have you any complaints against the bank?—I do not see why we should be charged one rupee over the bank rate. Also they want a surety. I think this is unnecessary once the bank is assured of our solvency.

Can you tell me from your personal knowledge how many agriculturists of your status and standing in Amraoti are financed by the Imperial Bank?—To my knowledge only three more persons are financed—*Mr. J. B. Deshmukh, Mr. Bhole and Mr. G. B. Deshmukh*.

Do you think that this facility should be extended to other people of your status?—Yes.

*Chairman*: Are there any conditions other than those mentioned by you?—We have to repay by the end of March.

Do you execute a pronote payable on a demand?—Yes. But they give time for one year and in the interval we are require to execute a document, purporting that we will pay the amount by the end of March.

*Rao Bahadur K. V. Brahma, C.I.E.*: Are the accounts made annually or quarterly?—Actually interest is charged daily owing to the changing rate, but they are settled every three months.

Would you like that even on these conditions, such as they are, the Imperial Bank of India should follow a policy of advancing money to people of your status and standing?—If nothing else can be done, it should be continued.

What facilities would you suggest?—We should be paid at the bank rate and the stipulation of a guarantee should be removed. There should also be some provision whereby money should not be recovered in years of distress such as famine years.

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There is a scheme before us called the Egyptian scheme. I will only tell you at this stage that there is a proposal to advance money to the agriculturists and the cotton shall then be sold at a convenient time. Do you think that a facility like this will be appreciated by the people?—Yes.

*Chairman:* You have been selling cotton for many years. Could you tell me whether the prices rise as the season advances or go down?—*Mr. J. B. Deshmukh:* Yes; the prices are rather high in the beginning.

Do you think if an organization was started and cotton was held up, the prices would go up? Suppose in all the villages there is no cotton for sale, will the prices go up?—I think so.

Do you think that the prices of cotton in the Amraoti market are affected by the local supply and demand or by world factors?—I do not think they are governed by world factors.

Sometimes when the crops are poor the price is still low. How do you account for it?—I think there are many reasons for it.

I am only suggesting to you that even if you pool all your cotton, the prices may still not rise?—I do not know.

*Vice-Chairman:* As an executive officer did you find any cases wherein applicant for taccavi applied for large amounts because they knew that their application would be scrutinized and only a small sum would be actually sufficient?—I cannot say.

When an aditya sells a large number of carts in lots and gets the prices of the carts from the purchaser and then distributes the proceeds amongst the various cart-owners he keeps some balance with him as *kasarbatts* which should have gone to cart owners. Is such a practice in vogue?—Yes.

The number of cultivators ginning their own cotton, as you do, is very much?—Now the number is increasing. I think they may be 25 per cent.

*Professor A. C. Sen Gupta:* You say that the *sawai* system is rampant in villages. Is it for grain loans or for cash loans?—For grain loans. It is for seasonal *sawai*.

*Rao Bahadur M. G. Deshpande:* You said that income-tax is levied on ginned cotton. Can you suggest any remedy to avoid this?—What should be the procedure hereafter?—They should scrutinize accounts and accept the real profit.

Do you think that there should be income-tax on cotton for seed purposes?—My opinion is that it should not be liable to taxation.

In your reply you have stated that in villages they have got false weights. Do you want that there should be no scales in villages?—There should be standard weights.

Are you aware that a new Standard Weights and Measures Act has been passed? That would probably meet the needs. Can you say as an ex-executive officer if taccavi is advanced on the security of land or on personal security?—It is advanced on security of land.

How is it that taccavi is not properly given to a cultivator who has at least 50 or 60 acres?—In the first instance the grant is inadequate to the requirements.

*Seth Narsingdas Daga:* I understand that the Imperial Bank of India adjusts the accounts every three months and adds compound interest at the end of that period. Is it not a fact that the indigenous banker only adds interest once in the year?—Yes.

Is not the indigenous banker's method better?—No. Both are the same, because the indigenous banker's interest is calculated according to the Hindi months and we therefore have to pay interest for ten days more during the year.

Is there only one price fixed in the market for cotton?—There is no price fixed in the market. The rate for the superfine cotton is declared in the market.

MR. N. P. HIRURKAR, B.A., LL.B., Pleader, Amraoti.

Part I—Section I.

Reply to the Questionnaire.

QUESTION I (a).—1. For expenses during cultivation the agriculturist obtains finance by one or more of the following methods:—

(i) By contracting loans on personal credit from local money-lenders—

(a) These transactions are generally put down in writing by the debtors, by executing a pronote or a bond, or signing a *Ruju* or acknowledgment, on a book in possession of the creditor, known as *Ticket-bahi*.

(b) At times the loans are taken without any writing by the debtors, but debited by the creditor, if he maintains accounts, in his own book, to the account of the debtor.

(c) A third system exists in that the debtor pawns his ornaments and takes advance against their security.

(ii) (a) If money is not available with any of the abovementioned systems, either owing to suspicious credit of the debtor, or owing to the dictatorial position of the local money-lender, then he has to execute a mortgage, the loan being repayable either at the next harvest or within the range of a couple of years to come.

(b) If terms of local money-lenders are not acceptable, and if facilities of co-operative societies are easily approachable, then he takes loan from such of these societies by becoming a member thereof and by mortgaging his property.

(iii) In number of cases when crops are nearing harvest and offer prospects, then loan is taken by entering into advance contracts in respect of the prospective yield. These contracts are generally made in respect of cotton and in some instances of *juar*.

(iv) In very few cases, where the creditor advances seed for sowing, he insists upon repayment in kind of the corn supplied. Such contracts are only with respect to *juar* and wheat.

(v) *Sawai* transactions are an additional mode of money-lending, 25 per cent of the principal advance is added to the principal and the bond is obtained for the amount, as if the amount was the real principal. This principal does not carry interest for a stipulated period which is generally 4 to 6 months. After that period the amount is treated as principal and ordinary rate of interest at 18 to 24 per cent is calculated over the same. In these transactions the rate of interest paid by the debtor generally goes even to 50 per cent or even higher than 80 per cent per annum. Those transactions are found in cases of both secured and unsecured debts.

2. QUESTION I (b).—(a) In majority of cases, the advances required being high the agriculturist has to execute mortgage of his property. This mortgage is either with the co-operative society, or bank, or with the rural or urban money-lenders.

(b) In very few cases recourse is had to Government for loans of *taccavi* or loans under *Agriculturists' Improvement Act*.

3. QUESTION I (c).—(a) Monetary needs due to failure of monsoon or such calls for ceremonial purposes have to be met by a recourse to mortgage contract as in paragraph 2 (a).

(b) The demand of land revenue is met by one of the methods given in paragraph 1 (i) (a) to (c) or if money on personal security is not available, then by either of those given in (ii) (a) and (b), obtaining at the same an additional amount to meet the profitable cultivation expenses of the year to come.

4. (a) Rates of interest for unsecured debts, advanced on *khata* or *ruju* are 12 to 18 per cent per annum on pronotes or bonds 12 to 24 with terms of exhortability raising the rate up to 30 and in few cases to 36 per cent per annum.

(b) The rate of interest for secured debt ranges between 12 to 24, the rate of interest changing in inverse ratio with the amount advanced.

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5: The period for which unsecured debt is contracted generally varies with the amount of loan. Small debts are generally contracted from 4 months to a year. Large sums are generally embodied in instalment bonds payable within the period of 1 to 3 years.

The secured debts are generally contracted for a longer period and with the idea of repaying after 3 years and before 5 years, if no breach of condition is made to bring into operation the penalty clause in the bond.

6. Land and houses are generally accepted as sound security. Security of standing crops is hardly accepted as such.

7. Majority of agriculturists have minor holdings, and Government plays a very negligible part in financing this class.

Imperial Bank of India virtually plays no part in financing agriculturists directly. They still finance merchants and dealers in cotton, who in turn finance the cultivators.

Stock exchange banks have nothing to do with the financing in this part. The rest of the bodies do play an important part in their own way. Co-operative banks through their societies finance agriculturists for all the purposes in question 1 (a), (b) and (c), but the major portion of this money goes towards ceremonial purposes, capital investment or permanent improvement and needs arising out of failure of monsoon; and a very small proportion towards the average requirements of an agriculturist. The reason appears to be, the obligation of executing a mortgage to secure the debts. Professional money-lenders play a more important part in meeting the average requirements of an agriculturist, as they advance money on personal credit to a greater extent than the co-operative banks. Merchants and dealers in cotton, to ensure their own business, advance money required some time before reaping the crops. This money is realized by them at the time when the produce is brought to market for sale.

Except the Berar bank at Amraoti I do not know if there is any bank to be called an indigenous bank. The Berar bank advances money to agriculturists, but it is doubtful, if it is in a position to finance the agriculturists to any substantial extent.

Bankers who are not professional money-lenders are generally after augmenting their income in season by entering into temporary contracts of supplying funds to local agencies of cotton-purchasing companies and earning arbitrage. To the agriculturists they are hardly helpful. I am unable to give the extent to which grain advances are made. Such advances are generally made in circumstances given in paragraph 1 (iv). Generally repayment, if at next harvest, is expected to be at least double the quantity advanced and of a new quality for the old one supplied.

8. Defects in the present system are numerous. A great number of them arise out of the illiteracy and imprudence of the agriculturist debtor. Education and inculcation of thrift will remove a good number of them. Co-operative Department is out to do the needful, but the success is slow and out of all proportion to the efforts made. Absence of a sufficient number of sincere and disinterested honorary workers is one of the reasons for the scant success. Principles of co-operative movement are not found to have been brought in practice, even by some of the members of societies. Concentration of advances in few hands is one of the points in instance. This concentration drives number of members to professional money-lenders and keeps an agriculturist in need at a distance from co-operative societies. Joint and several liability of a continuing member, even without any debt against his account, threatens the advancement of the movement. The idea of having to atone for the sin of another member drives an honest agriculturist to the professional money-lender, even at the risk of agreeing to harder conditions. Imperial Bank, the most powerful financing agency, hardly has any direct contact with agriculturists to finance them in their needs.

The burden of expenses incurred in taking loan together with expenses fastened from time to time to the date of realization, especially in cases of professional money-lenders, viz., stamp duty, customary discount of the creditors, court-fee, is out of all proportion to the loan taken. This reduces the paying capacity of the debtor, threatens thrift drives him to poverty and ultimately makes him prefer dishonesty to credit.

9. The agency of Imperial Bank should be brought into operation to finance agricultural needs, through the media of their solvent constituents, having direct touch with the agriculturists. Co-operative societies should be permitted to

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advance loans on personal security of one or more individuals. Effective co-ordination of banking agencies should be brought about. Government should encourage the workers in the co-operative movement by giving them grants for education propoganda. In co-ordination with Imperial and co-operative bank, bankers' associations may be started and developed into indigenous banks.

10. Of the credit agencies working in our area there is co-ordination between Imperial Bank and co-operative bank agencies, between the Imperial Bank and merchants and dealers in cotton, but not between any two of other agencies. Scope of improvement is already suggested at the end of paragraph 8.

11. QUESTION 2.—Individuals take their cotton to the nearest cotton markets and the grain to grain markets at big towns at their own cost. Petty stocks are purchased in rural areas by some persons intending to make business out of it, and these dealers bring the commodities to the markets mentioned above. Stocks taken at the spot by rural creditors in repayment of loans are sold by them in these markets.

At the cotton markets, brokers of different companies fix the rate and sell it to the local agents of these companies. The real seller does not in general come in contact with the purchaser of his commodity.

12. Effect of forming pools will be beneficial to the agriculturist, provided such pools are arranged on a very wide scale, so as to be easily approachable to every agriculturist, however distant he may be from metal roads. The scheme should be well organized, with a central body at district places, or at any rate at places where there are cotton markets with branches in rural areas. The agriculturist will save much of his time, labour and expense he incurs in feeding his cattle and servants at costly places. He will be kept away from the temptations of incurring needless expenses and of making similar purchases of attractive goods and articles within town areas. He would thus gradually and unwillingly learn same lessons in thrift. These pooling agencies should be in a position to carry on the duties of sale agencies, giving a homogenous rate, with due margin for its own expenditure to gin cotton at the nearest factory, and to store cotton seeds with them to be supplied to the agriculturists in the area at a similarly homogenous rate. They will have to maintain warehouses. For prompt payments arrangements should be made with money-lenders or bankers within the area allowing them shroffage until they are paid from funds of central financing bodies, as is generally done by foreign firms, making purchases through their local agents.

These sale societies would be arranged only through the Co-operative Department. It is only this banking agency that has its branches spread over rural areas. Remittances in connection with this department of pools will have to be arranged in cheapest possible manner. A special form, like that of a hundi or a cheque should be utilized and it should be available for credit to the account of any of the banker with any bank, at district or taluq places, without any discount being charged by the collecting bank. If postal department is made to do this collection many of such forms would be conveniently collected through the nearest post office, and number of agriculturists might not even demand cash payments and might choose to credit their account with the price of their commodities. Shroffage that would have to be paid to local bankers, by the pooling agencies, would also be proportionately reduced. To materialize the scheme, agencies, would also be proportionately reduced. To materialize the scheme, widely warehouses. This demand is too big to be met by the banking agencies that would run the pooling or sale agencies. Government will have to meet the demand of this capital expenditure.

13. Imperial Bank through its branches finance big-trading firms during the process of marketing. The same bank finances bankers and merchants who are their constituents and who enter into contracts with some of such big-firms, of supplying funds to their local agencies charging them shroffage. They generally pay money directly to the sellers at the instructions of these agents and get their dues with interest from the head office of their firms.

During the process of marketing there appear in the market some persons who want to make business on the expected rise of the value of the commodity. To these, money-lenders advance their amount during the waiting period of these businessmen. A portion of such advances is also indirectly financed by the

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Imperial Bank, as the creditors in these cases are generally constituents of the bank. Where co-operative sale agencies are started, as experiments, co-operative bank through its adst agencies supply their funds in the process of market, but the extent of such financing is at present very small.

14. Facilities for internal remittances to banks or bankers and to merchants dealing through banks are satisfactory. Still there is scope for reducing the exchange rate at least 1/16 per cent, keeping the minimum change charged 4 annas. These facilities are available to the public as well, if they deal through constituents of banks. A great deal of difficulty is, however, experienced when the persons to whom the remittance is made is not within the easy reach of a bank. Hence a substantially large portion of rural remittances goes through post offices. The commission charged, by that department is very high. Postal department may be brought to a position of co-ordination with other banks and to make collections, on their terms. Payments of cheques or hundis at sight at the counter should be as prompt as possible. Business should be so arranged, that within ten minutes of the presentation, the person should get payment. Usual detention at the counter is one of the impediments in the popularity of cheque system.

15. The reduction of duty on hundis or bills payable after sight would surely encourage extensive use of hundis at least, as is evident from the fact that after abolition of stamp duty on cheques, there has been a satisfactory rise in their circulation.

16. QUESTION 3.—Value per acre of land where wheat can be reaped is between Rs. 250 to Rs. 350. *Bagait* land per acre is at times valued higher. Leaving the special advantage of the water fountains already dug, the value can fairly be said to be Rs. 400 to Rs. 500 per acre. The value of land in which only juar or cotton can be sown ranges from Rs. 100 to Rs. 200 per acre. This valuation is generally as is fixed in private negotiation.

In the event of sale in execution of civil court decrees and of auctions for non-payment of Government assessment, the valuation is generally 1/3 of the valuation at private negotiations.

17. Amongst the factors affecting the valuation the following are important:—

- (i) The nature of encumbrances over the land.
- (ii) The nature of harvest of the preceding year.
- (iii) The fetching value of the yield in the year preceding.
- (iv) The general theory of supply and demand as between the vendor and vendee.
- (v) The proximity of the land to be sold, either to the village or to the holdings of the intending purchaser.
- (vi) Conveniences of the tiller, including availability or otherwise of lessees.
- (vii) The level of the land, including the existence or non-existence of *nalas*.
- (viii) Proximity of the land to river and existence of a well.
- (ix) Proportion of unculturable area.
- (x) Prospective impediments in the title of the vendor, e.g., if he be a Hindu, the minority of the co-parceners existing.
- (xi) Dishonesty of the vendor or of the adjoining farmers, threatening delay in possession or loss of crops by encroachments on land or by thefts.

18. QUESTION 4.—Palampat lands, inam lands, areas in Melghat taluq. have got legal impediments attached to them, if they were to be mortgaged. To my knowledge there is no bank for the provision of long-term credit.

19. If long-term credit could be given to the agriculturist-debtors and if the holdings are let out to them and arrangements could be made for liquidating their liabilities from this usufruct, i.e., the lease money, the scheme would save properties of a number of agriculturists. Personal security of another solvent agriculturist for regular payment of lease money would safeguard the interests of the financing bank.

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20. The procedure of record of rights is extremely dilatory. Entries taken on mutation registers are certified and finally taken on record of rights registers months after the transactions take place. This procedure allows fraud to go undetected till it is too late.

21. All transactions affecting mutations of fields should be immediately reported to the office of Sub-Registrar, within whose area the fields situate and the village officers of the village. Fields affected by any such transactions should be noted down on statements affixed outside the Registrar's office, and at the *chawdi* concerned. Progress reports of these mutations should also be noted from time to time over statements at both these places. Fields should be removed from these statements only after the mutations are certified and transferred to the book of record of rights. Certifications and enquiries leading thereto should not be held in abeyance, until the next circuit of the Revenue Inspector. It should be so arranged that the certification of mutations are done within a month of the transaction. The duty of certification will have to be entrusted to any revenue officer, who is expected to visit the area in the nearest future or by calling parties at the tahsil; if no such tour is likely to be taken up, within a short time. The gist of the statements referred to above, including the progress reports, should be advertised from time to time by beat of drum in village through village kamdars. Inspection of the book of record of rights should be available at cheap cost at the most, 4 annas per entry, at the village with the patwari, without any reference to the tahsil. A receipt book with the patwari for the six said purpose would ensure the number of entries so inspected and the names of individuals who took the inspection. The statements mentioned above to be posted to the *chawdi* and at Sub-Registrar's office of transaction upto certifications, should be open to inspection without any charge.

22. Deposits will be a very weak source for meeting the working capital or long-term credit banks such as land mortgage banks. Funds from central institutions and debenture bonds would be the only sound sources for the purpose. Government guarantee both for principal and interest would stimulate an easy floating of these debentures.

23. An initial deposit of a fraction of the capital in Government securities should be earmarked as a safeguard against loss, in case liquidation of the bank is thought unavoidable. Audit of such banks should be made by Government agency. Auditors should take special precautions to report from time to time on the financial condition of the working of the banks. Such banks should receive advice from the Registrar, Co-operative Societies, in matters of policy.

24. The Agricultural banks should receive deposits at 3½ per cent with some more margin, for fixed deposits, but never above 4½ per cent. In no case the period of fixed deposit should be more than 2 years. Funds from central institutions should be received at 4 per cent at the most. The debentures should carry interest at 5½ per cent. The advances to agriculturists should be made at rates varying according to the demand from 10 to 12 per cent per annum.

25. QUESTION 5.—It is possible to obtain a fairly accurate estimate of agricultural indebtedness so far as the liability is secured. This information can be obtained from the Registration offices and from record of rights registers. The accuracy, however, stands the risk of being an over estimate, in cases where there are mortgages of houses and only so far as these mortgages have been subsequently satisfied. There is no possibility of the trace of the satisfaction of the mortgages of houses. The estimate of indebtedness in relation to the debts on personal credit, unless the professional money-lenders and creditors co-operate and render help in that direction. The wider range of inaccuracy in the above process might, to some extent, be reduced by reference to the records with the co-operative societies, as to them the debtors are expected to give the details of prior liabilities.

26. The rates of interest are given in paragraph 4 above. The method for calculating is in majority of cases at compound rate system. Even in cases of co-operative advances payment of interest is expected to be made every year. The result comes to a calculation of compound interest, with annual rests. It is only in cases of advances by Imperial Bank that the rests are six months on loan accounts and quarterly in overdraft accounts but these advances, as already pointed out, hardly concern the agriculturists.

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27. There is no speciality about the methods of enforcing the payment of debts. Pathan money-lenders about whose dealings there was some speciality, do not appear to be in the field of money-lending in recent years in this area.

28. Number of people and efficient farmers are being gradually driven to the position of tenants by loss of their holdings. The process is seen in quicker operation in cases of those farmers who lack in education, thrift and who have no foresight while spending the cash in hand.

29. This process, no doubt, takes away from the cultivator the incentive to till the soil in an efficient and better manner, especially in cases where the tenancies are annual. The call for daily needs, feeding one-self and dependents is more urgent, and if the tenancies are for a longer period, say for 5 years, the tiller takes the same interest in the tenancy as if it were his own holding, but in cases of annual tenancies, the idea that efficient tilling might possibly not give him the fruit of his labour, threatens him from putting more than an average labour in the tenancy.

30. Industries on big scales, as would absorb the wastage or harvest, would pay the farmer a better return for his produce. Linen-producing factories or the paper factories might consume stalks of some of the different crops produced in Berar.

31. The best method of securing working capital for such enterprises would be by issuing notes by the co-operative banks and by obtaining money from the local professional money-lenders. The time for marketing of these wastages would synchronise with a period when the money of local money-lenders generally lies idle and in waiting for nearly 4 or 5 months. These notes should carry some interest and should have easy circulation, so that the purchasers of these notes may get cash against the same from any Banking Agency, when he needs the same for advances to the cultivators.

32. It is clear from the above that the financing machinery for the working capital should be the co-operative bank and the professional money-lenders, working in co-operation. For capital investment the finances should be raised by share capital to be organized by big banking agencies and working under the supervision of Co-operative Department with a representative Directorate guiding the policy of the working.

33. QUESTION 7.—The relations between the co-operative and the Imperial Bank in this part are as stated in paragraph 30 satisfactory. There is no competition between these two agencies, their respective fields of operation being quite exclusive. Joint stock bank, there is none this side. Indigenous Bank really called as such is to my knowledge only one and can hardly think of competition.

34. As suggested by the Report of the Royal Commission of Agriculture, the expenditure of the educative work should be met by Government from provincial revenue.

Exemption from income-tax would also give an incentive to investors and many from professional money-lenders would come to the societies or banks to a larger extent.

Inclusion of their debentures in the list of trustee securities would also augment the capital in the movement.

35. With what little funds they could command, the co-operators have succeeded, to a substantial extent, in meeting the financial needs of agriculturists; but they have not yet thought of entering the commercial financing, probably owing to absence of sufficient funds and sufficient number of sincere honorary workers. With more funds at their command, they are capable of meeting the commercial needs, in case they venture to advance loans in commercial field, on personal credit of one or two individuals; but this venture will have to be taken up, long hence, after putting the existing structure on sounder basis after a sufficient educative propaganda. It will be an unwise step to take to commercial banking to the prejudice of the satisfaction of the needs of agriculture.

36. The details of the English Money-lenders Act, 1911, are not known to me. Yet licensing of money-lenders, whose single transaction does not exceed an amount of Rs. 100, will be highly essential in the interest of the debtors in

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general. The reservation will have to be made in the interest of those of petty earners who, it is found, are oft in need of that amount for a period of a month or two. Most of the servants of the State having low pay, including menial staff, have to get their needs satisfied by borrowing money from the nearest acquaintance. Some have to pay interest, others not. Even if no interest is paid, the loan would be styled as lent; and these transactions therefore will have to be excluded from licence provision.

37. Supplying to the debtor a copy of his account after every six months as is done by the Imperial Bank will conduce to the greatest benefit of the debtors and would, to some extent, mitigate the rigour of indebtedness and reduce to some extent the litigation over genuine or false pleas of repayments.

38. The financing of societies should be done through the Central Banks and not directly from the Provincial Banks. This financing through the banks entails a little burden over the societies, in that the societies get funds at a rather higher rate. Still this burden is necessary to safeguard the interests of the Provincial Banks, as in many cases they might not remain in an easy touch with the financial position of the societies without the aid of Central Banks.

## Part II.

39. QUESTION 1.—For the sake of the answers in this section I use the following classification of bankers:—

I.—Professional money-lenders who carry on purely money-lending business and take to agriculture also, if the debtors fail to pay and lands come to them either by foreclosure or in court sales. These are all individuals and never form into associations.

II.—Association of persons, collecting share capital and doing banking business purely, and never choosing to take land in lieu of money. Berar Bank, Amraoti, is the only bank of this type to my knowledge.

III.—Individuals who carry on other business investing their individual capital, and receiving deposits, mainly to have at their command a capital not their own for the betterment of their individual business or trade.

IV.—Individuals doing the business of persons in class III, at the same time carrying on money-lending as a supplementary vocation, as is done by persons in class I.

V.—Firms or associations of persons doing business as those in class III.

VI.—Individual who take to financing traders or dealers in cotton only at the time of the marketing season of the cotton.

VII.—Associations of individuals who in co-operation join into partnership with their respective capital only for the season and carry on dealing or trade in cotton or in any other staple crop.

The classification is not necessarily exclusive.

40. QUESTION 2.—Classes I and II principally finance the agriculturists, class IV does the same to a small extent compatibly with the trade or business it carries on, class VII does finance the agriculturists at a time when the crops are approaching marketing period, mainly with the intention of ensuaging their business and enlisting clientele. Class I finances local industries to a slight extent by advancing money to local weavers or artisans; but their eye is generally on land. To a similar extent classes III, IV and V finance industry only if the commodities produced have a good demand at their shop. Class VI alone finances trade.

41. QUESTION 3 (d) (e).—Between bankers of classes I, VI and VII, within their own class, there is generally a rivalry. Outside thier class there is neither rivalry nor co-operation much less co-ordination. Between those in classes IV, V and VI there is co-ordination only, if there is a similarity of business.

42. Those falling in class VI are generally constituents of the Imperial Bank. These alone and some from class VII derive benefit of the facilities afforded by the Imperial Bank. The facilities afforded by the Imperial Bank to their constituents are no doubt adequate, except for the fact that there is a further scope for business if the payments of cheques at the counter are arranged within a shorter time.

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43. QUESTION 5.—Answer to this, in connection with class I bankers, is already given in paragraph 4 (a) and 5. The same holds good in respect of persons in class IV, so far as they carry on lending.

44. Classes II, V and VII join in partnership according to their share capital. In class VI there are generally persons who have for all time at their command individual capital. There are some in this class, who invest their capital in Government or trustee securities, and during the time of season, against these securities take loans or advances or overdraft accounts from the Imperial Bank of India. There are others in this class who are allowed cash credit on personal security by the Imperial Bank of India. Persons of all the classes except those in class I do get short-term deposits from individuals at a low rate of interest.

45. Rates of interest on deposits paid by the persons mentioned above vary according to the exigency of time. They range from 6 to 9 per cent per annum, but individuals of class VI receive deposits at a rate which is generally less than the current bank rate on advances.

46. QUESTION 6.—Answers to the first query is given in paragraph 4, paragraph 1 (iv) and paragraph 27.

47. Licensing money-lenders prescribing homogeneity of rates in similar kinds of debts enforcing supply of half-yearly statement of accounts to the debtor and asking for preparation of annual balance sheets of creditor and supplying them only to their debtors would in the beginning go a long way in mitigating the rigour of indebtedness.

48. The reduction of interest would confer a great benefit on agriculturists, but it is doubtful whether before they realize the importance of thrift, their resources would be increased and whether they would pay a more efficient attention to their holdings. A very small percentage of the agriculturists would, however, think of making investment in purchasing improved implements of agriculture, if they are relieved against the abovementioned high rate of interest. The general tendency, however, not to supplant the old implements with modern ones, will for years to come, continue as it is.

49. QUESTION 7.—There is a prejudice against some section of professional money-lenders, especially against those Marwaris who show Jewish obstinacy while getting their debts satisfied. They have sufficient protection in law. It is doubtful, if their dealings with their clientele is on sound lines.

50. The system of discounting the advance at the outset is in vague somewhere. Penal clauses in cases of non-payment at a particular time are generally inserted against the desire and in a more rigorous term, even if the debtor consents to such penalty system of maintaining double sets of account books affords scope for fraud. Avoiding passing of receipts for repayments and avoiding return of document or at any rate even if it is returned, avoiding an endorsement of discharge over it are also some more defects. In some cases interest for a full month is enforced even for a period of a fraction of a month.

51. QUESTION 8.—Associations of bankers of different classes should be organized. Different sets of rules as would be suitable to their business should be framed. Care will have to be taken to assure them that such a step is meant for placing their business on sounder lines, rather than for curtailing their field of operation or for putting a jealous vigilance over their transactions. These associations should also join into a higher organization and such organization should be tacked on to the bigger banking concerns such as the co-operative banks or Imperial Bank, or a district bank with local Directorate.

Co-ordination of professional money-lenders with local co-operative societies might be arranged gradually. The idea of competition between the money-lenders class and the co-operative societies will have to be dispelled by education. The debtors' class will also have to be taught the importance of thrift. Persons who entertain even at the outset, a dishonest notion of outwitting the creditor, should be placed at a special disadvantage. The intention of such a class of debtors is easily ascertainable by these local money-lenders and members of co-operative societies, from the nature of their ordinary life and tendencies for repayment or otherwise. These local organizations should be invested with

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the right to enforce a preparation of budget estimate of the probable expenditure over their agricultural operations. Before advancing the debts, these budgets should be scrutinized. Strict conformity to these budgets should be attended to every month. Marketing of commodities through these associations should be made a condition precedent to the advance of loans.

Heavy liabilities through unforeseen circumstances can be liquidated by resorting to the system of usufructuary mortgages ensuring the liquidation of liabilities in a certain period of time. *Bona fide* agriculturists would join such an organization. The supervision of operations of agriculture will have to be entrusted to a body consisting of agriculturists themselves.

Schemes of irrigation will be largely beneficial to the successful working of these associations.

These associations will have to organize labour unions, available in need, for a schedule rate of wages to facilitate the cheap cultivation of their lessees.

52. A lower charge of irrigation, if irrigation is possible granting without enquiry remission or suspension of land revenue on the recommendation of these associations, a lower rate of income-tax are examples of some of the facilities which can be afforded to these associations to ensure their popularity.

53. In majority of cases, the accounts maintained by professional money-lenders, in so far as they deal with agriculturist-debtors, are far from satisfactory. In very few cases accounts are open to inspection or verification by customers.

54. Those who can be called best creditors, *i.e.*, such as are generally regarded by the debtors as trustworthy, though they are comparatively very few, would welcome any such measure; but the majority of them and especially those who aspire to be rich within a comparatively short period would certainly resent any measure attempting at any sort of organizations that would regulate their business or give publicity to their business.

55. QUESTION 9.—The average net return over the capital of an indigenous banker after making all the usual allowances is nearabout 6 per cent per annum. In very few cases who has the fortune of having a very honest clientele the return might be 7 per cent per annum.

56. QUESTION 10.—The indigenous bankers are not able to meet all the demands for accommodation. They have to refuse advance to their customers for either of the two reasons given. In majority of cases, the refusal is on account of the unacceptable nature of security.

57. QUESTION 11.—An answer to this has been suggested in paragraph 51. Out of the three banking agencies suggested, the institution of a local district bank with a local Directorate would alone inspire confidence and would be able to link the local funds with the main banking agency. The Co-operative Central Bank can fairly be taken as such a bank and there would hardly be any necessity of starting any such bank where Co-operative Central Bank is already in existence. The methods adopted by the Co-operative Central Banks are sufficient to attract and mobilize local knowledge and experience. The answer to the last part of the question is already suggested in paragraph 51.

58. QUESTION 12.—Though for some months after realizations of the debts the money of the creditors lies unemployed it cannot be said that a large amount of money in their hands unemployed throughout the year. For the period mentioned above the unemployed capital flows for a short period to the Imperial Bank to the largest extent. The period for which what little funds remain unemployed, being very short, the only better use of the same would be to subsidize cottage industries. This use of the fund would be feasible only if such industries are conducted under the direct supervision of the associations mentioned in paragraph 51. Otherwise the creditors will have no guarantee of return of his capital at the requisite time.

### Part III.

59. QUESTION 1.—Funds of the professional money-lenders, savings of individuals, Government money lying idle with the Imperial Bank, large funds of the capitalists, share capital of banking firms, savings of large estates administered under Court of Wards Act and Guardian and Wards Act. Reserve funds

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of all organizations surplus collections of municipalities and other local bodies funds with the Insurance Companies can fairly be said to be principal banking resources in this province.

60. Savings bank accounts with post office, Imperial Bank, co-operative banks and with some of the accredited individual bankers are the institutions that help savings. System of purchasing postal cash certificates encourages savings and an habit of investment in persons of limited means. The Imperial Bank renders an amount of service to the public in encouraging in them a habit of saving when they offer to advance a substantially large portion of loan, for purchase of Government securities at a rate which leaves some margin for the purchaser. Co-operative societies shall not be able to reduce the indebtedness of agriculturists, hence it is too early to expect them to encourage the habit of savings and investment. The deposit lying with the co-operative bank are on index in this respect. These deposits are mainly attracted by higher rate of interest given by them and mainly from persons who have already a surplus capital and do not require any lessons in thrift saving or investment. The system of advancing loans against securities or even allowing overdraft, with a very small margin for fluctuations in their prices adopted by the Imperial Bank goes a long way in encouraging investment.

Those persons who have got surplus capital invest their money in trustee securities carrying interest, and they are certain of having for their use money at any time without any appreciable reduction of their working capital.

61. In town areas there are facilities for investment of savings, but in rural areas there are hardly any except some branch post offices.

62. Even in town areas the conflicting hours of business of the savings department and of the constituents is a greatest handicap in this respect. Either the agency of banking which receives the savings should be open for a few hours in the morning or the transmission of the savings of individuals should be arranged free of cost by the department where they serve through departmental messenger, who often goes to or nearabout this banking agency. If interest on every day balance is allowed, these savings instead of over the minimum at credit between a day in the first five days of the month and the last date, then there would be an additional attraction to this deposit account. In the rural areas, the co-operative societies should open a savings department and should receive deposits even from individuals who are not members.

63. With the increased poverty of Indian villager the tendency to invest in silver and gold is dying out.

64. QUESTION 2.—Postal cash certificates do not seem to be popular. The minimum face value of the certificates may be reduced to 5 rupees. Advances against the certificates should be encouraged. The certificates will thus be within the means of even a very poor man and he will have a certainty to his mind that in case he needs it he will get money for his use against these certificates.

65. The present rate of interest over these certificates is attractive. Some of the banking concerns challenge this to be competitive. Yet as the utility of these, as means of savings has not been appreciated by people in village areas, at any rate in their interest the rate needs no revision.

66. Employees of Government in all the departments, some of the pleaders and other persons of educated class having limited means take advantage of savings bank account system with post office or Imperial Bank or co-operative bank.

The rest of the queries in this question have already been answered in paragraph 60 to 62.

67. QUESTION 3.—The Imperial Bank does the business of sale and purchase of Government securities and of collecting interest over them for their constituents. Co-operative Central Banks in our area, I think, have not yet undertaken to do this business. I do not know what facilities have been afforded to the public by the Government in this respect.

68. Government securities should be brought within the easy reach of the agriculturist population of small investors. Their minimum face value should be brought down to Rs. 50. Their sale and purchase should be done by the

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nearest banking agency, including post office and the association if formed suggested in paragraph 51 above. Interest should be collected by such nearest agency, for their holders, at the least cost. Income-tax should be reduced and in number of cases tax free securities should be specially floated for the benefit of *bona fide* agriculturists or small investors. The renewal fee of the prices should be reduced in cases of pieces of the denominations of 100 or below. The rate of commission for sale and purchase of the securities held by these classes should be done at a rate lower than the one now charged by the Imperial Bank to their constituents.

69. Only Imperial Bank does the business of sale, purchase, collection of interest, etc., of securities other than Government for their customers. They charge commission at  $\frac{1}{2}$  per cent for all these transactions.

70. The agriculturist class which gets proceeds of the sale of their crops is in general indebted to a large extent. Those who are so indebted first try to pay off their creditors; next they purchase their probable requirements for some months to come. Very few of them try to reserve something for future cultivation. The general tendency is to pay off or send whatever comes to hand and to count upon the favour of the creditors, in times of need for cultivation.

Of the educated class most of them are servants either of the state or of trading concerns or private firms. These as a rule, get what is barely sufficient for the maintenance of their family and dependents. Such persons of the above class who get fat salaries and are in a position to save deposit their surplus in saving bank accounts and after sufficient collections invest their savings in the purchase of immoveable property.

Of the pleaders class nearly 60 per cent are in no better financial position than servants of the state of a higher grade. Those who can save follow the process of saving and investing in immoveable property.

Persons who are in the commercial field often transact in an adventurous way and generally aspire to have a short cut to riches. Their transactions generally pass imagination and some of them take pride in amassing wealth even at the risk of being declared insolvents. They always keep their capital floating in the commercial and money markets and generally augment the same with the galloping speed. It need not be told that in this process number of persons are driven to poverty, as there is never any rise in the national wealth. The wealth in the commercial and money markets only undergo the process of changing hands.

71. With the general decline in the wealth of the Nation the tendency to hoard is hardly conceivable.

72. Some of the farmers do lend to fellow-agriculturist, but the terms are very easy. The idea generally predominant is that of mutual help.

73. An agriculturist as a rule never entertains an idea of investing his surplus profits. The collections of a prosperous year generally go to the satisfaction of the instincts for comforts, enjoyment and merriments, as far years together those instincts remain unsatisfied.

74. QUESTION 4.—The growth of cheque, though speedily of late, is yet not satisfactory. The abolition of stamp duty over cheques has given a satisfactory impetus to the circulation of cheques.

Persons who are in the commercial circles and those who often come in touch with those persons use cheques to the largest extent. Those who have to make remittances very often owing to some other reasons, have resorted to the use of cheques on grounds of economy. Some persons of legal and medical professions take advantage of the system, if they reside at places having branches of Imperial Bank. In some of the co-operative banks there are arrangements for facilitating the use of cheques.

75. The condition of keeping a minimum balance in current account as is enforced by Imperial Bank, is in some cases prohibitive to the opening of those accounts, and thus discourages the use of cheques. If however, the money to the credit of an individual is allowed some interest, nominal as it may be, over every day balance then the money to those accounts would flow with greater

force and the habit of using cheques might grow. Prompt payments at the counter and reduction of exchange rate is pointed out in paragraph 14, change in the hours of business of banks to suit the convenience of persons otherwise engaged between 11 to 4 p.m. referred to in paragraph 62, are some of the difficulties, the removal of which would increase the circulation of cheques. The idea of making payments to Government servants and bank employees above Rs. 100, will hardly be welcome, as long as cheques are not accepted in the market, as coin or currency notes.

76. The use of Vernacular scripts in respect of cheques would surely encourage their circulation. In the case of Marathi script to safeguard against imitations of the signatures over the cheques will have to be demanded in *Modi* instead of in *Balodeh* chances of imitation in the former would be less than in the latter.

77. The banking and investment habit in India is slow. The main reason is general ignorance about money market. An impression goes round that if money is kept in any bank, Government will be able to understand the financial position of the depositor and would then enhance taxation. Another belief that absolute secrecy will not possibly be maintained by the bankers and the amount to the credit of the depositor will be easily disclosed to any one is also a threatening factor. That the Income-tax Department will be able to pry into the account of the depositor and would tax him heavily or at any rate cause him a nuisance at the time of checking his accounts is also one of such causes. Such an impression has gained strength when the Income-tax Department was some time ago supplied by the Imperial Bank with information about the amount of interest the constituents had earned.

78. About Government securities or loans people think that it is a bad investment, giving very little interest. The fluctuation in prices is another impediment. The floating of irredeemable securities in the past caused repentance to number of persons who went in for them. Issue of loans with frequency creates an impression that the financial position of the Government is not sound and the money invested would not be safe. The difficulty experienced in case of loss of the pieces of securities is an important factor in preventing people from purchasing them.

79. The educative propaganda will certainly create in the people a tendency to investment and saving. The same will have to be carried through non-official banking concerns such as co-operative banks and societies. If this propaganda is carried through the Government agency, the means will defeat the end. People will look upon the move of Government with suspicion and will entertain doubts about their motive best as it might be.

80. The opening of branches of Imperial Bank has facilitated the commercial financing at small centres of business. Besides such financing it has facilitated remittances at low costs.

#### Oral Evidence.

*Amraoti, the 30th January 1930.*

Chairman: Are you a member of a co-operative society?—I was a member of the Standing Committee of the Institute for the last two years I am a shareholder in the bank.

You have stated that co-operative banks through their societies finance agriculturists for all the purposes in question 1 (a). But the major portion of this money goes towards ceremonial purposes, capital investments or permanent improvements and needs arising out of the failure of the monsoon and a very small proportion towards the average requirements of agriculturists. Do you mean to say that the money is misapplied?—It comes to that.

What remedy would you suggest for that?—It is very difficult to suggest remedies. It is a question of the honesty of the persons borrowing.

You do not think that up to now the movement has produced a high degree of honesty among the members?—There has been some improvement, but not much.

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What do you consider to be the average requirements of the agriculturists?—Recurring expenses for home cultivation.

Are you of the opinion that the co-operative bank should concentrate on financing those operations?—Yes. Advances should not be given on long-term loans.

Do you think that the co-operative credit society would be more successful if other agencies existed for making these long-term loans?—Not necessarily an independent agency.

Later on you have recommended that co-operative societies should be permitted to advance loans on personal security of one or more individuals. Would you extend this operation? Do you think that the co-operative bank should also advance money on short-term loans on personal security of one or more persons?—Yes.

Would that note be going against the spirit of the law of co-operation?—Certainly it may. We have to change the law.

In another place you have said the co-operative bank is out to do the needful, but its success is slow. You say that the absence of a sufficient number of sincere and disinterested honorary workers is one of the reasons of the scant success. You say that the concentration of advances drives number of members to professional money-lenders and keeps an agriculturist in need at a distance from co-operative societies.

Could you give us some examples?—It has been referred to in the latest report of the department.

You say that the idea of having to atone for the sin of another member drives an honest agriculturist to the professional money-lender even at the risk of agreeing to harder conditions. Are you not in favour of joint responsibility?—I am in favour of giving loans to two or more persons on personal security; but if a man gives a mortgage, he may also be given a loan. We must safeguard other persons against the persons who are wilful defaulters.

As regards internal remittances, you are in favour of reducing the post office commission on money orders? To what extent?—It should be at the same rate as the exchange rate of the Imperial Bank.

Have you come across any bills payable after more than one year?—I am sorry, I have not seen any hundi or bill business. Therefore, I cannot give you any opinion.

You refer to your scheme for a land mortgage bank. I understand that according to your scheme you are in favour of a possessory mortgage of land and the bank should lease the land back against the mortgage?—That is my idea.

On failure of the payment of the lease money what do you suggest?—I have suggested that there should be some security. I would lease the land to the mortgagor provided he pays regularly; otherwise I would lease it to some other person.

You have alluded to the difficulty of estimating agricultural indebtedness. You realize that it is a great difficulty?—Yes.

Are you aware of the principle we have followed in our enquiry?—Yes. Even then the information will not be complete. I doubt whether people would give the correct information. Your enquiry may be a good and fair index. I agree that the amount of indebtedness is varying from day to day.

Are you in favour of the licensing of the money-lenders or not?—I have suggested it with some reservation.

Would you licence all money-lenders?—Of course with the reservation, I have made.

Are you aware of the fact that a large number of widows and others sometimes lend money on pawn of jewellery?—Yes.

How can you get these people to keep accounts?—If no single transaction of theirs exceeds Rs. 100, they need not be licensed.

You have recommended the organization of associations of bankers. How to organize these associations?—Simply by propaganda we can encourage such organizations. There can be no compulsion.

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You have also said that the idea of competition between the money-lending class and the co-operative societies will have to be dispelled by education. How do you propose the co-ordination of professional money-lenders with the local co-operative society?—I have suggested subsequently that these local money-lenders may leave some of their money with the societies.

Do you not think that the present co-operative bank competes with the sowkar?—Not necessarily competing. But they are trying to mitigate the indebtedness of the agriculturist. The agriculturists do not find that there is any competition because they find that the ultimate expenditure comes to the same thing.

Could you explain this more clearly?—When he has to go to the local money-lenders he has not to pay anything as expenses towards travelling. At the same time he has got facilities for payments in the society. There are certain other considerations as well.

You say that those who are indebted, first try to pay off their creditors. Do you find the agriculturists, as a rule, pay off their short loans to the sowkars every year?—Those who are honest.

Do you think that they are prompt in their repayments to the co-operative credit bank? I understand that the recoveries by the co-operative credit bank in recent years have improved. But five or six years ago the repayments were not satisfactory even in bumper years, and the position would appear to be that the co-operative credit bank did not recover the arrears in the bumper years, but have begun to recover them now?—The demand has improved. They appear to be prompt because the man from the co-operative bank nowadays often visits the village and demands repayment.

*Vice-Chairman:* You have suggested that loans should be given on personal credit. Do you think that such loans on personal credit should be advanced even to borrowers who have no assets?—Personal credit of one or two individuals. The credit should be determined according to the value of the property he possesses, but is independent of it. There may be a man who may not possess any property and can repay Rs. 500 if offered. We must form an estimate of his paying capacity.

What would happen in cases of default?—There are two persons. One is jointly responsible with him I have not suggested that such loans should be given on the security of one man; but on the joint security of two or more men.

The Chairman asked you about the utilization of loans for purposes of agriculture. Are you not aware that in the course of their audit activities the Circle Auditors and the Society Moveris of the Central Banks do try to check these?—Yes. Whether the facts are disclosed to them is the question. I am not sure to what extent it works.

You know that the principle underlying joint responsibility is that there should be a mutual check exercised on the members so that extravagance could be checked and the more luxurious members should be encouraged to practice thrift. Would you like to relax this central principle?—We find in practice that this principle is not enforced. This should be done by education. To some extent people are incapable of understanding the spirit of the movement.

In their uneducated condition we should not join people together?—No; if they do not realize what the effect would be, it is not advisable to join them.

By education, do you mean that the members of the bank should go and explain matters to them or they should be educated in the schools?—A society should be formed and all the members should be instructed in the principles. The institute can educate.

I put it to you that the real position is as follows:—When the societies were established the co-operative staff did impress on the members the meaning of joint responsibility in the early days of the movement, recoveries were fairly good and so joint responsibility was never enforced in practice. On account of the economic depression of the last few years, we are compelled to enforce joint responsibility and that is why the burden of joint responsibility is being felt more during recent years?—I do not think so. They did not understand this and realize the consequences.

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Do you think that the Agriculture Department does not do any work in this respect (about educating the agriculturist in his work)?—I doubt very much.

*Seth Narsingdas Daga:* Do you think sowkars are dishonest in keeping accounts, etc.—I cannot say anything, nor have I said it, in my statement.

*Chairman:* Are you willing to admit that from time to time famines occur and long before the British Government was established or the co-operative credit movement was heard of the indigenous money-lenders kept the agriculturists alive?—Yes.

Are you willing then to admit that without due reason aspersions should not be cast on this class?—Yes. I did not cast them in my statement.

*Seth Narsinghdas Daga:* You have made some reference about double account books. Is it your personal knowledge or hearsay?—I have relied upon the *mukhtiyars*. I cannot say if the *mukhtiyars* are liars.

*Chairman:* In paragraph 7 you say that Government has played a minor part in financing minor holdings. Do you think that Government should finance?—No. The agriculturists directly.

MR. R. V. DHARMADHIKARI, Inspector, Berar Co-operative Institute, Amraoti.

Reply to the Questionnaire.

**QUESTION 1.—AGRICULTURAL CREDIT AND CREDIT FACILITIES FOR SMALL INDUSTRIES.—Present system by which the agriculturist obtains finance—**

(a) *For expenses during cultivation.*—The cultivation season begins in Berar in April if the preliminary operations are taken into consideration. The main crop being cotton, which covers nearly half the cultivated area in Berar, the agriculturist has to get his cotton-seed. He buys this in the open market with money borrowed from the village money-lender generally. If he is a member of a co-operative society, he borrows from that institution. Adatyas, who work in the cotton markets, advance him seed also on credit. He further requires money for weeding operations and cotton-pickings. For these he borrows from the village money-lender or from the Adatya in a lump sum promising to repay the former in the season (*hangam*) and to repay the latter by selling the cotton through him in the cotton market. If he is a member of a co-operative society, he borrows sums in part as they are required, promising to repay in the season. At times he takes taccavi loans from Government. There are instances when he tries to borrow from more than one of the above sources simultaneously. He at times takes advances in kind, i.e., seed with an agreement to return one and a quarter times or one and a half times the quantity of the seed taken.

(b) *For capital and permanent improvements.*—For these he borrows from the village money-lender or the co-operative society, if he is member of one. For purchases of land, thus adding to his holdings, he borrows for a longer period. This period generally extends over 3 to 5 years. As regards permanent improvements, these are generally very few. He may dig a well or put a bund to his field. There are no other improvements. For these he borrows only at times which are very few. He borrows for these agreeing to repay in 2 or 3 years. There are rare instances of people taking a land improvement loan from Government. I know only of 2 so far, where the money was repayable to Government over a period of more than 15 years.

(c) *For other special needs.*—He goes to the village sowkar or the co-operative society. Members of co-operative societies have often been found to resort to the village sowkar, even after borrowing from the society. He generally buys things on credit for ceremonial occasions, the repayment being agreed upon in the *hangam*. The shop is generally the same and a fixed one.

*Rates of interest.*—The village sowkar generally charges 18 to 24 per cent. There are instances of the rate being as low as 9 or 12 per cent or as high as 30 per cent. The co-operative societies charge a general rate of 12 per cent, but in some cases as low as 9 per cent. The Government rate of interest is generally 6 per cent. This works out in case of temporary loans or borrowings in kind at 25 per cent for 4 to 6 months, i.e., 75 per cent or even more.

The period of loans depends on the nature of advances. For cultivation expenses, for expenses for family maintenance, things bought on credit, seed borrowed, the period is the next *hangam*, i.e., a period of 6 to 8 months or at times even less. Security offered is standing crops, personal security, a promissory note or even family ornaments when the lender has reason to be doubtful of a punctual repayment. Loans for ceremonials, etc., being bigger loans, cover a period of 3 to 5 years, and are generally secured by mortgages of immovable property. In such mortgages a sowkar from Akot taluq (Akola district) once observed that the amount advanced against a mortgage is 25 per cent to 40 per cent of the value of the property mortgaged, but in cases where the amount of mortgage exceeds 33 per cent it is generally difficult for the mortgagor to redeem his property. Societies have often advanced 50 per cent of the value, but have found that the debt has often increased instead of being reduced by regular repayments.

*Other conditions attaching to the grant of loans.*—A main condition attaching to the loans is a higher rate of interest in case the loan is not paid in the prescribed period. A condition is that crop must be sold through the adatya who advances money. In a few mortgages the condition is taken *gaben maming*

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thereby that the property would pass to the creditor, in case the money is not repaid within the period of repayment agreed upon. In a few cases the mortgages are possessory.

*Part played in finance by different bodies.*—Government gives taccavi and land improvement loans. The Imperial Bank plays at present little or no part in financing agriculturists. In Berar, some co-operative banks have arranged for credits with the Imperial Bank, but this is not financing agriculturists direct. Again it is a problem whether the Imperial Bank can directly finance the agriculturists individually, as the question of financing agriculturists bristles with many difficulties, as co-operators working through Central Banks are perhaps learning by experience.

*Joint stock banks.*—I am informed that the Ideal Democratic Company of Nagpur has advanced Rs. 2,50,000 in Berar. I have no other information.

Co-operative banks in Berar have advanced nearly Rs. 90 lakhs. The number of members is about 11,800. This works out to Rs. 760 per member. An inquiry shows that these members are generally indebted also to outsiders, and this indebtedness may be taken almost at the same average or a bit higher than the average loan per member due to a co-operative society. The Land Mortgage Bank Committee which met in 1927 in Berar has arrived at a figure of Rs. 15 to Rs. 20 crores as the total indebtedness of Berar, and this figure may fairly represent the need of Berar. Further, taking the expenses of cultivation on paid labour at Rs. 8 per acre and taking the area of cultivated land in Berar at 66 lakhs of acres, the expenditure on cultivation comes to six and a half crores of rupees and for other needs at double the amount. The figure of Rs. 20 crores as agricultural indebtedness appears a reasonable one.

*Defects in the present system are.*—When the advance is in kind, such as seed, grain, etc., the debtor is to be satisfied with the quality he gets. This brings in a deterioration of quality in seed. In case of things bought on credit, his selection is limited to things available in the shop and the dealer takes care to see that he includes sufficient profits to cover the loss in interest for the period of credit given. As regards cash advances, there are *batta*, writing charges, stamp duty, registration fees, etc., which all mean a deduction of 5 per cent or even more in the cash he actually gets. If he fails to pay, the amount is doubled by interest, and during the process of recovery, the expenses come to the amount of advance. Thus with a debt of Rs. 33 the man loses his estate worth Rs. 100 at 24 per cent; this happens in 3 or 4 years.

*Defects in the methods of disposal of crop.*—The cotton market evils in Berar are well known. The agriculturist is at the mercy of the *adatyas*. If he has borrowed to meet the expenses of agriculture from an *adatyas*, he must go to the very *adatyas* and the evils are intensified. He cannot hold back his crop for a better rate, as he has to pay his debts.

*Remedies.*—These are to form pools and co-operative sellers' societies, and better education of the people. This would improve the income of the producer and do away with much of the profits of the middleman. So far as I know of the habits of the agriculturist, he borrows from where he can and as much as he can. The problem gets beyond me, when I try to think how he can be restricted to borrow from one source only, never mind if he is the village *sowkar*. Further the rates of interest must be limited at the highest to 12 per cent and in no cases should a higher rate of interest be allowed by civil courts. This may put a limit on increasing indebtedness. Penal rates of interest should not exceed the limit of 18 per cent. I put the figure at 18 per cent, because this would give at least 5 years for doubling the loan. Another essential condition should be that in all dealings the creditor must give a receipt to the debtor for money repaid. *Sowkari* may be made licensed business and their balance sheets, etc., must be prepared by qualified account experts.

*Co-ordination of several financing agencies.*—So far as I know, there is absolutely no co-ordination at present. There is much scope in this direction. If co-operative banking is encouraged, Government should give its taccavi and land improvement loans to members of co-operative societies, through their societies. In giving such advances it must be however seen that the money can be easily recovered, e.g., the total indebtedness of the individual does not exceed 40 per cent of the value of his agricultural land or 40 times the land revenue paid

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by him. Further if village sowkars are to be brought into the scheme, they must have certain facilities to encourage honest money-lending. They may be encouraged to form co-operative unions of money-lenders. I was once told by a sowkar that looking to his expenses of recovery, the remissions he has to give, and the losses he has to suffer consequent on insufficient recoveries, he does not get more than 6 per cent on his capital. If this is so, if he is given some of the facilities of the co-operative movement such as free inspection, etc., and his suits decided at less cost by arbitration courts, he may be induced to form co-operative unions. The indebtedness is so much today that the village sowkar can never be ousted, and further he is not always the bad man he is supposed to be. He must be brought into the scheme of co-ordination. There are no doubt heartless money-lenders, but their business is always small and with a desire to get rich quickly, he exploits his debtors by charging a highest rate of interest and trying to grab land. This class can be controlled by introducing a method of licensing sowkars as a business. Before he comes to the civil court he must show that he has been working as a licensed money-lender for at least 3 years.

**Question 2.**—Present method of marketing principal crops.—Principal crops of Berar are cotton and jawar. Jawar is sold only after keeping enough to maintain the family. It is sold in the grain markets of Berar. Real and important crop is cotton, and is sold in the cotton markets of Berar. These markets are governed by the Grain and Cotton Market Law of 1897. These markets should really be an advantage to the seller, but there is a trade between two parties, of which one, the buyer, has the full advantage of technical knowledge of the business, while the other, i.e., the agriculturist, is completely at his mercy. The rate declared in the market is generally not paid to the seller on one pretence or another, the weighments are at times defective and the seller has to return to his village early in the evening and he has to accept the money paid to him. He cannot take his cotton cart back to his village, because if he attempts this once, he will find no buyer again for his cotton. These markets are now public property and I need not dilate on them.

**Pools and co-operative effort in marketing produce.**—There is ample scope for this, but one must go the right way in doing this. It is no use in having a co-operative sale shop if it seems to follow the methods and ways of the dealers. I do not mean his wrong ways, but doing the business of the middleman just as he is doing. This will mean creating a 125th middleman, where there already exist 124. The right way is (1) to bring about the production of a uniform quality of article in large quantities, (2) where the qualities are different, to sort and grade these and (3) then to offer to the buyer the quantity in a lump at the right moment. In order that the seller should not be put to monetary inconvenience, arrangements must be made by those bodies to partly finance him on his produce brought to sale. This may mean arrangements for storage.

**Credit facilities required for the financing of products during marketing and the facilities actually existing.**—There are at present no such facilities actually existing today for the producer. He sells his produce outright, gets the full amount (whatever he can) and spends it on his needs real or supposed and pays his sowkar, if anything is left over. If pools or co-operative sale unions are formed and he is taught the advantages, he may learn lessons of thrift. What is wanted is education and propaganda and for that more co-operative effort is needed.

**Question 3.**—In Berar the value of land per acre is not determined for different kind of crops. The factors governing the value of land are:—(1) The nature of the soil, (2) nearness to the village, (3) portion of poddarb (marketable) land, and (4) facilities of irrigation with well-water. An important factor affecting the value is the closeness to your old holding.

Land sectioned fetches generally a less value, due to the facts that (1) the land has to be sold, (2) the purchasers generally see that they get it at a small price as possible, and (3) the recent death of cash. Value of land is purchased by private negotiations is governed by the general principles of purchase and sales and is often very much inflated.

**Question 4.**—There is no legal impediment in Berar to mortgage land and agricultural holdings on the ryotwari system prevail almost everywhere. There

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are no land mortgage and agricultural banks in Berar for the provision of long-term credit. As regards the question of land mortgage banks, I would refer to the report of the Co-operative Departmental Committee which met in Berar in 1927 and published its report in January 1929. Personally I am of opinion that the money required for financing the long-term credit must be found by Government at least to start with as has been proposed by the Baroda State. Even in the Madras Presidency the money at the start is proposed to be found by Government. If Banking Unions are formed of village sowkars, the question of long-term credit may be solved partly. In the case of these land mortgage banks and co-operative banks, a facility may be given in the following form. The registration officers at present send a copy of the transactions for correction of record of rights. A carbon copy may be similarly supplied at the end of every month to such banks.

**QUESTION 5.—Indebtedness of a village or a district.**—I carried out the economic enquiry of a village by name Kathora, 6 miles from Amraoti in Berar. I attach a note, as Appendix A, giving the indebtedness of the village and its causes. Here the method followed was to get into a close touch with the villagers, making their legitimate and hygienic interests our interests and thus gaining their confidence. I found that personal indebtedness is almost equal to the indebtedness on mortgage security and this has been my experience with co-operative societies. I tried to find the indebtedness of the Chikhli taluq (district Buldana) by local enquiries which showed me that the indebtedness of the taluq was Rs. 80,00,000. I tried to find out sowkars and their business. I was given to understand that there were 3 sowkars dealing in more than Rs. 50 lakhs, 10 dealing with more than a lakh each, and 25 dealing with more than quarter of a lakh. This gives the figure at Rs. 70 lakhs or so. The Co-operative Central Bank has lent out Rs. 4 lakhs. There may be petty sowkars, dealing in another Rs. 5 lakhs. There are 22 taluqs in Berar, and the indebtedness of Berar at this calculation works out to Rs. 18 crores, a figure close to Rs. 20 crores given above.

I have given the calculations by security and purposes for Kathora village in the appendix.

A main cause of indebtedness is that in Berar agriculturist has too many facilities to borrow. He borrows from wherever he can. He borrows from more than one sowkar, firstly, on personal security, then on the security of his crops, and then on mortgage security. I may appear too radical when I suggest that in no case a second mortgage should be allowed after a certain date by an enactment in the matter, if there is a genuine desire, to check the indebtedness of the agricultural class.

**QUESTION 6.—Subsidiary industries.**—These are of two kinds allied to agriculture and supplemental. Allied industries, such as carpentry and smithy, exist in all villages. As long as the present agricultural machinery is Indian and village-made, these two may continue. But it is feared that they would also be killed slowly when iron and improved machinery is introduced in the agricultural operations. Rope-making is going out of fashion slowly, though it is an allied industry. As regards supplemental industry, there is none in existence in Berar so far as I know. Spinning has completely disappeared and with it weaving. I remember, some 35 years back, hand-ginning was done on a very large scale, hand-spinning was done in every family more or less and I could purchase bed covers, *pasadis* (cotton khaddar for covering the body at night) some 25 years back. The Mahars (depressed classes) maintained themselves on this industry and one finds old hand-loom lying in a rotten condition in some villages.

To encourage these industries is a very difficult problem. Subsidiary industries is a necessity if the agriculturist is to be made to lead a better life, especially in Berar where there are no facilities of irrigation. Go to a villager and ask him to do something in his spare time, and he would reply that he had no spare time, and when he admits that he has time to spare he would at once ask you, if the subsidiary industry is a paying one, meaning thereby that he must at least make out 4 to 8 annas day out of it. He is not satisfied with less. Propaganda and education in the right spirit is necessary. He would plainly tell you that the weaving industry was killed by machinery and foreign competition. Dairy-farming and hand-spinning and weaving are the only two main industries likely to succeed in Berar. Cur-making was prevalent in some parts, but is killed by foreign refined sugar.

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There is a co-operative weaving society at Basim. Here I found that the members of the society could not hold back their finished goods for want of funds. No one would advance them funds on finished goods, because it was considered risky owing to fluctuations in prices and arrangements were necessary for the safe and proper custody of these articles. The members have therefore to sell out the goods at whatever price they can and the members are not prosperous. Unless co-operative sale supplements co-operative produce, things are bound to continue in the present condition.

#### Supplementary Note.

Rural schools must be with an agricultural and industrial bias. I have heard schoolboys learning in Marathi III or IV standard, saying "does one knowing reading writing go to farm?" लेहेनदाः कोठे वावरात जातो काय ? Unless this spirit disappears and dignity of labour is taught in village schools no improvement is possible in rural conditions. I have observed that carpenters from Marwad carrying work in villages of Berar and taking away more than a thousand rupees a year from many villages in Berar, while the Berar carpenter would never do building work, etc. Even students from technical schools would not go to villages and do work there, but want to stick to towns and are more inclined to service than to independent work.

When I urge on spinning as a subsidiary industry what I mean is that clothing being the second important thing in life, that is the only thing which will help people in adding and supplementing their income. I would invite attention to page 142 of an essay on "Hand-spinning and hand-weaving" written by Messrs. Puntambekar and Waradachari and published by the All-India Spinners' Association, Amhabad. In the statement given on this page figures are given, showing additions over other earnings and their percentage. An addition of 12 to 20 per cent in a family's income is not a small thing that can be easily neglected. If *khadi* cloth is doomed in India, rural population of India is also doomed. It is for the betters to show example to the rural area by wearing *khadi* themselves and it is no use saying that rough-spun cloth is doomed. "The King speaks the population moves" राजा बोले दूठ होले is a well-known phrase and an Indian phrase showing the mentality of the Indian people.

## APPENDIX A.

### *Indebtedness at Kathora and its causes.*

The village is situated 6 miles from Amraoti, Berar.

The total acreage of Kathora village is 1,897 acres of which 500 acres are owned by non-residents of the village and Mr. Kurkaji Patil, a local money-lender, owns 314 acres. Excluding this area the villagers hold amongst themselves 1,083 acres. Out of these 1,083 acres, 251 acres are mortgaged to cowhans and the co-operative society at the place for Rs. 22,197. Interest comes to Rs. 9,724 on this amount from the dates of mortgages and the total outstanding comes to Rs. 31,921. Out of these 251 acres, 123 acres are mortgaged to money-lenders against a sum of Rs. 18,651 and 128 acres to the local co-operative societies for Rs. 13,270. Average indebtedness thus comes to Rs. 128 per acre. The rates of interest range from 12 to 24 per cent. The money-lenders charge 12, 18 or 24 per cent and the interest is often compounded. The society rate is 12 per cent.

Personal indebtedness was also inquired into. This was a work of patience and tact. It is always difficult to make the agriculturist or the villager to speak of his indebtedness. He thinks that if he lets out the cat out of the bag, his prestige in the village and amongst his castemen would disappear. It took us nearly six months to gain sufficient confidence of the people. We found that the agricultural class owed nearly Rs. 25,000 on personal security. The labouring classes except the Mahars owed Rs. 5,000, while the Mahars were indebted to the extent of Rs. 2,000. The total indebtedness on personal security thus comes to Rs. 32,000 or almost the same as indebtedness on mortgage security. These debts carry a rate of interest varying from 9 per cent to 30 per cent.

Mortgages are simple mortgages and not possessory. Kathora village consists of 143 families out of which 54 are agriculturists. Only 10 families

out of these are free from any debt. Kunbi families who live by labour are 18 out of which 10 owe nothing to others. 55 are Mahar families, out of which 40 are so poor that no one would lend them any thing. Of the remaining 15 families, 10 owe nothing to others, this is because the families are either small or very hardworking.

Thus out of 143 families, 30 are free from debt, 73 are indebted and 40 so poor as that no one would trust them with a pie.

The causes of indebtedness may be given below:—

- (1) Mutual quarrels resulting in litigation, etc., 20 per cent.
- (2) Agricultural operations including family maintenance. Repayable on next crops, 5 per cent.
- (3) Failure of monsoons, 5 per cent.
- (4) Inability to pay lease money, 50 per cent.
- (5) Marriages, 15 per cent.
- (6) Insufficient income and inability to make both ends meet, 3 per cent.
- (7) Old small debts inflated by interest, 2 per cent.

There is no case to show that money was borrowed as an investment in agriculture to improve and add to one's income.

Average family expenditure ranges from Rs. 250 to Rs. 300. There are 143 families at Kathora. This means that there must be an annual income of Rs. 42,900 per annum at least, to make both ends meet and that too on a poor scale. The people live on agriculture either as owners or labourers. Out of the total acreage of 1,897 acres, 500 acres are held by outsiders and little of this land is served by Kathora labourers. Supposing that 300 acres out of this is not served by Kathora labourers, there is labour available on 1,600 acres. Labour earned is nearly Rs. 8 per cent per acre, while net income is Rs. 10 to Rs. 12 per acre. Figures work out at Rs. 12,800 to Rs. 16,000 for labour and at Rs. 16,800 as net income or at a total of Rs. 30,000 to Rs. 32,000, while the expenditure required is Rs. 42,900. Further land is unevenly distributed, standard of living differs and no wonder that there are families who barely get maintenance, while indebtedness is increasing. A strong case is therefore made out for reviving and encouraging subsidiary industries, which have been killed by foreign competition.

#### Oral Evidence.

*Amraoti, the 30th January 1930.*

*Chairman:* What are you by profession?—I am an Inspector in the employ of the Co-operative Institute. I was formerly Secretary of the District Council from which I have retired.

In answer to question 1, you have given an account of how loans are borrowed for expenses of cultivation. Later on you have given an account of the loans for capital and permanent improvements and lastly you have discussed loans for other special needs. You say that the members of the co-operative credit societies borrow money for the first two from the co-operative credit bank. But then although they are members of societies they go to the money-lenders for special needs. Is that correct?—They do not go to lenders in all cases.

You make a distinction between a short-term and a long-term loan?—Yes.

When advances are made to the society, is any distinction made? The society takes away a certain sum for financing their loans. Is the amount given in one lump sum?—For short-term loans the people come and borrow as they require; they take it even in three or four instalments. For the long-term loans they take it in one lump sum.

The instalments for repayments are fixed on the society and not on the individual member?—The society fixes instalments for the individuals.

How do you make a distinction?—The Central Bank says that some are long-term loans and some are for one year.

You mean to say that they have two separate khathas for a society, one for long-term loans and the other for short-term loans?—Yes.

Do you think it is possible for a society to finance long-term loans?—So far it has been successful in Berar.

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It has been stated before us that the first thing an agriculturist always does is to repay to the sowkar all short-term loans which he has taken for his year's agricultural expenses?—Yes. He does, if he can, pay from year to year. In ordinary years all these repayments are made.

Does the co-operative credit bank always insist on these payments being promptly made?—Yes.

Are they recovered regularly?—They are.

Are you of the opinion that a land mortgage bank would be a good thing?—Yes.

I think you have said that the co-operative credit bank is already financing long-term loans. What is the need for a land mortgage bank?—Their workings are quite different. The present banks are financing long-term loans; but if they can be relieved of that duty and the land mortgage banks take it over, these Central Banks will be free to advance for the current needs of the agriculturists more. They will be able to spread their activities and be helpful to more people.

Your meaning is that the advancing of long-term loans is not one of the proper functions of the co-operative credit bank. The funds with which you carry on your business are largely taken as short-term deposits and it is not sound finance to take money on short-term deposits and to lock it up in long-term loans?—I agree with you.

You can have a much wider scope if you can restrict your business to ordinary short-term loans for financing agricultural operations?—Yes. The present work is being done on the understanding that the deposits will be renewed.

Do you think the village of Kathora is typical of Berar?—Yes.

Your enquiry shows that out of 1,897 acres, 251 acres were mortgaged?—Yes.

At a total of Rs. 22,000?—Yes.

That is to say, that 1/7th of the area was mortgaged?—Yes.

Do you think that it is a fair example of the whole of the district?—I believe so. The mortgaged area will not exceed one-fourth.

How many persons did you find were free from debt?—Out of 143 families, 54 are agriculturists. Only ten of these are free from debt. Out of the labouring families, ten are free from debt. Forty Mahar families are so poor that no one will lend them.

Have you made a distinction between landholders and others?—Yes. 54 are landholders, out of whom only ten are free from debt.

Could you tell us at what time of the year you made this enquiry?—I was practically there from July to February. I was making this enquiry all the time.

Could you tell us how much money was borrowed for financing their crops during your stay?—I cannot say that.

Could you tell us how much of these loans were short-term loans borrowed for the period of the harvest?—Nearly one-third, which would ordinarily be repaid at harvest. My estimate was made before the harvest. The people paid back this money at the harvest.

*Rao Bahadur M. G. Deshpande:* You say that there are two khatae in the societies for short-term and long-term loans?—Not separate. The understanding is that so much is short-term and so much is long-term loan shown in one khata. The short-term loan is taken to the first instalment.

What exactly do you mean when you say Banks make long-term loans?—If a transaction requires ordinarily three instalments for its being fully satisfied, we give one or two more instalments to make payment easier. There is a small amount like that. The instalments may at times be 6 or 7. I have already said that, although as a business principle it may not be correct, we are sure that the deposits will be renewed and experience teaches us that they are renewed and the banks have their own reserve capital (nearly Rs. 3 or Rs. 4 lakhs) which can be locked up in long-term loans. There is a resolution of the Khamgaon Conference that this amount may safely be locked up in long-term loans. Such long-term loans are a necessity at times.

Are you a cultivator. How much area have you under your own cultivation?—Yes. I have 40 acres under my cultivation.

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Can you give me your expenditure and outturn?—My expenditure is nearly Rs. 800 and my outturn is generally Rs. 1,200 a year.

How much profit do you get?—I get Rs. 8 or Rs. 10 an acre.

Out of 40 acres do you ever lease out your land?—I have never leased out.

Have you come across with cases in co-operative societies where the people lease out their lands?—They do.

May I know at what rate they generally lease out?—The rates vary. The average comes to Rs. 10 per acre.

*Chairman:* For what lands are you speaking? Is this for the whole of Berar? Is that the average for all your societies?—In ten or 15 poor villages I found this rate prevailing. Akot and Daryapur taluqs are rich taluqs and there the rate may be Rs. 15 to Rs. 20.

*Rao Bahadur M. G. Deshpande:* You know that there is a proposal before the Committee that indigenous bankers should be supplied with cheap capital so that they can advance money to the agriculturist at a cheaper rate of interest. If that scheme is carried into effect, what do you think it would affect your movement?—Nobody would be coming to the co-operative societies.

Have you got societies in villages where land is not transferable?—There are a few societies, so far as I know, in the Akot taluq.

May I know the amount of debt borrowed from societies in tracts where land is transferable as compared with that from societies where land is not transferable?—I cannot do this off hand.

Can you say if members of societies where land is not transferable are more heavily indebted than in societies where land is transferable?—They are equally heavily indebted. I know that in Akola there are villages in which land is not transferable.

In such villages do you think that your money is recoverable?—Yes. Even the members hold fields with transferable rights and then we have their personal property.

It is said somewhere that Berar lands are passing to the creditors and farmers are being turned into tenants. Can you recommend any remedy for this?—I do not think it has gone to such a pitch as to require immediate action. At Kathora I found only very few cases where lands have passed into non-agriculturist hands. The original tenant has gone but another tenant has taken his place. I do not think that any legislation is necessary. He is losing his land, because he is inefficient.

What are the grounds why the Imperial Bank is not financing agriculturists?—I have stated in my reply that the question of financing agriculturists bristles with many difficulties and I doubt whether the Imperial Bank can directly advance loans to agriculturists. I do not know the rules and byelaws of the Imperial Bank. But I see no harm if the Imperial Bank assisted agriculture.

*Professor A. C. Sen Gupta:* If arrangements can be made to finance village money-lenders and sowkars in such a way that they would charge only 6 per cent would you consider that a great misfortune?—I would not, because the co-operative movement is intended for education. The blame is not with the movement, but with the way in which the movement was worked and the way in which people understood it.

*Chairman:* By people whom do you mean?—The workers in the movement.

*Professor A. C. Sen Gupta:* You say that the movement has not proved successful, because education has not spread. You have not been able to give much education to the people. You say that there is no educative effect, that effect which you never got?—I have never said that. I only mean that we have not been able to spread education to the extent we desire.

So after all would you rather sacrifice that material benefit that the cultivators would get in the form of less interest in order to get the benefit of education which you have not been able to give properly?—I still do not agree that we have not been able to give any education. Because the workers in the movement want to do more than what they have done it does not mean that we have not been able to do anything. There are societies which are giving

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their members money at the rate of 10 annas or 7½ per cent. We are prepared to lose material benefit for the sake of the educational benefit.

**Chairman:** What educational benefit?—The principles of co-operative movement are mainly three, and if you are able to bring home to people these three principles, the loss of one per cent interest will not be a loss.

**Professor A. C. Sen Gupta:** What are the three principles you are talking about?—Self-help, self-reliance and mutual help.

How are they getting self-help? You are working for them?—You will find societies which are managing their own affairs. I am not speaking of Central Banks and I am not speaking of the few leaders. In villages there are certain societies which are managing their own societies.

Do you cultivate with your own hands or with hired labour?—With hired labour.

You say that you get about Rs. 8-10-0 per acre net profit. When quoting the figures which years do you take into account?—Recent years except the last one.

That is to say, it is the average for the last four or five years?—Yes.

You say that the enquiry shows that these members of co-operative societies are jointly indebted also to outside sowkars and this indebtedness may be taken almost at the same figure or a bit higher than the amount of loan taken from the co-operative society?—Yes.

Could you give any information about the loan made to the cultivators by adatyas? Is it very common?—It is a very small item in these days.

Is it compulsory that the cultivator must sell his produce through the adatya?—It is a moral obligation. Moreover, the cultivator also goes to him, because he thinks that he will get the same price everywhere.

Is it compulsory to go to the same adatya?—No.

How do you reconcile when you say in the written statement "if he has borrowed to meet the expenses of agriculture from an adatya he must go to the very adatya and the evils are intensified"?—I shall have to describe practice in the cotton market. When a cart is taken to a market you have to go to some adatya, and once you go to a man you feel you must go to him again.

You said that the cultivator would be getting from this money-lending adatya the same rate that he would be getting from any other adatya. If this is so then how can you reconcile this?—I meant it in comparison to the co-operative adat shop.

You say further that rates of interest must be limited to 12 per cent and in no case should a higher rate of interest be allowed. Do you think it is practicable?—This is ideal. We do desire low rate of interest.

Do you admit that many people lend about, say, Rs. 50 and take a bond for Rs. 100?—Yes, it does happen.

How do you expect a low rate of interest?—It is a desire.

As regards subsidiary industries, you say when a cultivator admits that he has spare time he asks you if he will get 4 annas to 8 annas a day out of it.

Do you think that this is an unreasonable attitude?—It is not unreasonable, but it is not laudable.

What do you mean? If a man works why should he not expect something in return commensurate with his labour?—Because it is his spare time industry and not the main one. Even if he adds 1 anna to his income he should do it.

What I mean is that a man expects income in proportion to the labour involved?—I think that in such cases the meaning of subsidiary industry is not properly understood.

You have given a quotation, saying that on hand-spinning a family can add 20 per cent to their income. Is it your own experience?—No. I have taken it from one book.

**Mr. P. D. Pundarik:** What is the difference between the co-operative adat and present adat shop?—There is practically no difference except that there are no malpractices in an adat shop and there may be some in ordinary adat shops.

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Do you mean that the general class of adatyas is of that type?—I do not mean that, but the malpractices do exist.

How do you say that in co-operative adat shops there are no malpractices?—Because the staff there is more under control.

Will it not be the case with other adatyas?—At least my experience is different. I have sold my cotton through other adatyas and I have a sad experience.

Can you say if the carts coming to the market are strictly according to samples?—No.

Do you admit that if the stuff is of inferior quality, the price should be less? Yes.

You admit that generally adatyas as a class are not bad?—Yes. I do not want to blame the class as a whole.

*Chairman:* You stated quite clearly that at present the only real difference between a co-operative adat shop in Berar and the ordinary adat business is that there is no kind of malpractices in the co-operative shop. But I understand that at present these adat shops are not very popular. Why so?—Because of the influence of the old adatyas—still co-operative adat shops are growing in popularity. There is a marked increase at Akola. Formerly they received about 1,500 carts now they receive about 3,000.

My point is this that if these shops are not very popular, the malpractices of the ordinary adatyas must have been exaggerated. Is it not?—What I mean to say is that the influence of old adatyas is still strong. The adatyas catch hold of one man from a village, pay him Rs. 3 or Rs. 4 more and ask him to bring other cartmen along with him.

*Rao Bahadur M. G. Deshpande:* Do you think there is anything peculiar about the cotton market which demoralizes human nature? Do you think as a class adatyas are no good at all?—I do not blame the whole class as such, but there are bad examples. In some cases they are not competent for the service for which they are charging, *i.e.*, I may say that many of them know nothing as to how local rates are fixed. If you ask them difference between the Bombay rate and local rate and how to work out the latter from the former even 25 per cent will not be able to say.

*Mr. P. D. Pandalik:* Do you know of the present cotton market rules? Is the Cotton Market Committee empowered to refuse licence to anybody?—I do not know. But I want the cultivator to be represented more on the Committee.

Supposing that the Cotton Market Committee has not got any power to refuse the licences then do you agree that the Cotton Market Committee should be empowered to do that?—Yes.

*Seth Narsinghdas Daga:* You stated that people who take loans are under moral obligation to go to the adatyas from whom they have taken loans. When the cultivator pays interest on the loan what moral obligation makes him to bring the cart to the adatyas?—When a cultivator knows an adatyas, he cannot avoid him.

*Vice-Chairman:* Suppose you are called upon to say that for advancing money to rural areas we should set up some efficient agency of credit what agency would you prefer?—I would lean towards co-operative banks.

You told Rao Bahadur Deshpande that in the Melghat there are a few villages where land is not transferable. Do you know that that land is partly transferable?—Yes.

Do you also know that very often to clear bad debts these restricted tenants do get permanent?—Yes.

Do you know the case of Raja of Malkhed who became heavily indebted and went on leasing his land?—No.

Rao Bahadur Deshpande raised the point as to the percentages of tenants who have lost their lands to sowkars. According to you the percentage is not very great. Mr. Greenfield in his recent survey found out this percentage to be about 13. Do you accept it?—I would put it even below that.

Do you not think that amongst the practising adatyas at present there are even previous convicts?—I do not know.

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But do you admit that there are men of objectionable character?—Yes. There are men who have failed to become successful in other vocations and have joined this business.

Do not some of these adatyas go out as far as 4 or 5 miles out of the town to receive incoming carts and offer them sweets, etc.?—I have not heard this, but they even now go to the approaches of the villages.

Do you know that the present Cotton Market Law is going to be amended and a representation will be given to cultivators and it is also proposed to prescribe certain rules for licensing of adatyas?—Yes.

If we tell you as a result of our village survey, we have found out that members of co-operative societies are more heavily indebted, how would you receive it?—I do not agree. I think that these people even if they would have been out of the movement would have been equally indebted.

*Vice-Chairman:* You have read the report of the Land Mortgage Bank Committee and you know that this Committee has laid the greatest stress on the necessity of exercising a close and continuous supervision over the income and experience of the borrowers. The ordinary long-term loan business that the Bihar co-operative banks have started, doing now is not really so systematic and regular?—No.

It cannot dispense with the necessity of regular land mortgage banks?—No.

You will also agree that the mere establishment of land mortgage banks without the insistence on the budgeting habit will not be a panacea?—That is why I want the co-operative movement to do the business.

Do you know that the King Committee's Report recommended that the Imperial Bank should grant advances on pro-notes of societies on certain conditions?—Yes.

Have you any idea of the nature of these conditions?—I do not remember.

If I suggest to you that the unwillingness of the Imperial Bank to advance money on these bonds is due to a fear that the loans called for by these bonds are not realizable on fluid assets, would you agree?—I do not agree. There will be difficulty in realization as in the sowkari business.

Do you think that the low pitch of cash recoveries during the last few years would justify such an apprehension on the part of the Imperial Bank?—I have replies from societies that they would repay better and more if their demands have been more insistent and more urgent. I do not think that the short repayments are all due to bad crops. It is also partly due to the laxity in recoveries by the staff of the Central Bank.

You know that the Imperial Bank authorities have their sources of information and they have gathered that there is perceptible laxity in recovering and if as a result of that they hesitate to treat these practically as negotiable instruments, you will agree that it is not unjustifiable?—That is not. We have mended our ways during the last two or three years. We have learnt by experience.

You seem to say that there has been a sufficient realization on the part of official workers of the evil effects of laxity. Do you believe that there will be no set-back?—Yes. I am certain that there will be no set-back.

Has that created in the honorary workers a greater willingness to accept, with a good grace, such official advice and supervision as may be lent with the sole object of improving the efficiency of our institutions?—That was always welcome and even now welcome.

According to you, the difficulty about subsidiary industries seems to be that people are by nature unwilling to work extra hours?—Yes.

Will you also further agree that a desire to increase their income will not help in removing this unwillingness?—I agree.

Will you also further agree that a desire to increase their income should come more as a result of social reform and education?—Yes. I agree there also.

And the duties of Government, local bodies and other public bodies are really more theoretical than practical? We cannot do very much?—There is a practical side also. We can do so by example.

You will agree that the change of heart must be brought about more by public leaders than by legislation?—Yes.

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The products of these subsidiary industries will meet local requirements which are at present being supplied by the traditional artisans?—Not completely. I have seen villages where Marwadi carpenters take away more than Rs. 2,000 from the village. Local carpenters would not do the work. This mentality must go.

Have you fully studied the reports of the Khaddar Association? Are you aware that their original total fund was something like Rs. 19 or Rs. 20 lakhs and every year there is a deficit of Rs. 1 lakh?—I take it from you.

The Khaddar Association give advances to weavers, but the profit on their fabrics do not leave them any net surplus and khaddar as a commercial proposition for solving the problem of unemployment has failed?—I have never taken khaddar production as a commercial problem. It should be a subsidiary industry for the village if the mentality is changed.

Do you also agree that in view of the inveterate fondness for luxury and aping civilized ideas, the future of cottage industries, the products of which are mostly rude, is doomed?—Then the whole of India is doomed.

*Professor A. C. Sen Gupta:* You say the main cause of indebtedness is that in Berar the agriculturists have too many facilities to borrow. That means your idea is that with facile credit there will be more of debt?—It may increase with additional sources.

Why do you find it difficult to believe that a member of the co-operative society who has one additional source of credit should be more heavily indebted than another who has not such a source?—It is true that facile credit leads to heavy indebtedness. That does happen.

We have found generally that members of co-operative societies are more heavily indebted than others?—The others may not have given you proper figures.

We have not got it from the Co-operative Department at all. We have got everything not only of members of co-operative societies but of all others?—I can tell you this much. My experience is that it is difficult to get at the indebtedness of villagers. Our *haisiyat* registers contain a complete list of the debts. It also gives the debts from other sources. The village prestige is such a thing that people would not give their debts very easily.

Our enquiry has disclosed that members of the co-operative societies are more heavily indebted than others?—I do not agree that this is correct. The other villagers would not have given you their complete indebtedness as readily as a member of the societies may have done.

*Rao Bahadur M. G. Deshpande:* You say that when they enter a society they are already heavily indebted. Do you think that society members have been lax in their work?—I understood Professor Sen Gupta's question to mean that they were perhaps more heavily indebted than other villagers.

*Chairman:* Thank you very much for all the trouble you have taken to assist us in our enquiry.

**MR. MAHADEO HARBAJI PANDE,** Officiating Secretary,  
Central Bank, Amraoti.

Reply to the Questionnaire.

**QUESTION 1.—(a)** The cultivator manages to defray the expenses of cultivation from the cash obtained by selling whatever surplus quantity of grain there may be in his store. If the money so obtained falls short of his requirements, he borrows money from his relatives, if he can. Failing to secure help within the family circle, he out of necessity approaches the money-lender. But before that he tries to borrow from co-operative credit societies if he be a member of one. At times, he has to mortgage his crops. But very rarely he takes taccavi.

(b) For capital and for permanent improvements, etc. The old fashioned cultivator does not borrow to improve his land or to purchase new land. He lives economically, works with all the members of the family in the field and thus in four or six years saves sufficient for this purpose.

The modern farmer depends for this on which he obtains either from the money-lender or co-operative credit societies or Government.

(c) For the special needs, e.g., failure of monsoon, etc. The old fashioned farmer provides subsistence not only for his own family, in famine times, but also for his dependants. For the payment of land revenue, he never looks to others for help. If he is obliged to borrow for ceremonial expenses, he borrows only as much as he can repay from the crops of one or two years.

In these days cotton is grown to the neglect of every other variety of food-stuffs. Consequently when the cotton crop fails the cultivator finds himself in difficulty, and has to look to others for every little thing he needs.

Funds to meet expenses on social occasions are raised by mortgaging land to money-lender or by taking loan from a co-operative credit society. The rate of interest ranges from 9 to 12 per cent per annum. Rate of interest depends on the honesty of the borrower. Where neither security nor honesty is forthcoming, 18 to 24 per cent interest is charged. Loans are taken for 4 to 12 months. Loans can be obtained if a respectable person stands security or ornaments are pawned.

The farmer living after the old style never takes any loan for cultivation purposes. In scarcity, men do not get food and cattle fodder. But the cultivator labours cheerfully and produces good crop and thus helps in tiding over the scarcity, so when a cultivator stands in need of help himself it is clear that there is something wrong with the modern method of cultivation and mode of living.

The old system of agriculture put in brief was somewhat as described below:—

In former times food-grains formed the principal crops and cotton occupied a subordinate position. The result was that men have enough to eat and could maintain a large number of milch and agricultural cattle. Children of the agriculturists thus were well fed and the agriculturists could sell milk and *ghes* and add to their income. They had not to purchase bullocks. The little cotton they grew was spun by them and Mahars and Koshtis wove cloth out of that yarn. Thus every one had money and was not required to borrow. The agriculturist was then thrifty and had not learnt to waste his money on useless luxuries. He was solvent and could possess cash and gold.

The modern agriculture depends solely on money. The farmer of these days is possessed with the wrong notion that when he has got sufficient ready money he can procure anything. Therefore, with the idea of getting plentiful cash, he sows cotton. But the cotton crop is the most delicate crop being susceptible to disease. The debt has to be paid by hard cash, and to secure this he is tempted against his better judgment to sow more and more cotton. The result is that food crops are neglected, resulting in scarcity of fodder and grain. Both men and cattle suffer in consequence. At first artificial manure came to be used as a supplement to cowdung manure, but the time is fast approaching when these artificial manures will be supplanting the cowdung manure. Machines would then follow in the wake. When cotton commanded good price farmers had ample money and they formed expensive habits. They are sticking to them even now when the price of cotton has gone down. The cultivator has therefore

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**QUESTION 4.**—No. There is no impediment as all the land in Berar is ryotwari and can be transferred. There is no land mortgage bank in Berar. Banks on the lines of the land mortgage bank if started would do much desired good to the landholders and tenants in this province. Banks like these ought to be established at every taluq place with sufficient capital and long-term loans should be advanced to the agriculturists on low rate of interest with easy instalments.

(a) At present the mutations are not readily certified and this causes much complications, reliable information being always not available. So this should be done by the Government agency as quickly as possible.

(b) and (c) They should get all these references free of any charge. The working capital of the mortgage banks be derived from (a) deposits and (b) debenture bonds. Debenture bonds should carry Government guarantee for interest. These banks should be subject to the Government audit which will give the Government reasonable opportunity to know the real state of accounts.

**QUESTION 5.**—I do not know any such estimate as none has been done so far as my knowledge goes; this should have been done by the Government which is evading to take survey of this nature. Recently an economic survey has taken place of one village in Berar, viz., Itki, in Daryapur taluq, but as the report of the same is not yet out, I do not know the estimate arrived at. But that is a very model village in Berar and even there, so far as my information goes, indebtedness is not less than Rs. 125 per head of population. Such an estimate can be arrived at accurately by the inquiry on the lines of the survey made in Itki by the Government officer and they should undertake it if they desire any good of the people in this province. The debts are generally incurred by the agriculturists for the purposes set down in the questionnaire. The debt of the nature set down in the questionnaire is due to the agriculturists and the creditors generally are the indigenous bankers and the professional money-lenders majority of whom is of Marwaris and Pathans. The extent of indebtedness is due both to compound interest and the interest not being paid.

Several other causes of indebtedness are—

- (i) want of thrift,
- (ii) want of system of budgeting.
- (iii) illiteracy,
- (iv) deception practised by the sowkars,
- (v) the industry as it is not much paying, and
- (vi) standard of living being increased, but proportionately the income not being increased.

The rates of interest charged are from Re. 1 per cent to *sawai* and is calculated at compound rate, and payment is enforced in case the money is not paid privately by resorting to civil court. Yes. The large number of people who are good farmers are being turned into tenant and the land is passing from hands of the *bona fide* cultivators to those of the banias.

**QUESTION 6.**—Garden produce and to a very little extent cotton-ginning are the only subsidiary industries in my district at present carried on by the agriculturists. By providing facilities of capital, sale and purchase of the raw material and the finished products, encouragement can be given to these industries. Co-operative societies and the Government should provide the capital.

**QUESTION 7.**—There is no relation worth mention between the co-operative banks and the Imperial Bank of India, the joint stock bank or the indigenous banks. For long-term capital the co-operative banks have not got money. Extra capital for financing the co-operative movement in this province and district would be required. There is no competition between the co-operative bank and the joint stock bank here. The co-operative movement in this province and district succeeded only to a very limited extent which can be said to be negligible, in meeting the financial needs of the agriculturists, traders and the industrialists. Usurious Loans Act is not at all being used in this province. The civil courts should be asked to make use of the provisions of the same wherever absolutely necessary. No legislation like English Money-lenders' Act or Money-lenders' Bill is at all necessary and on principle I am opposed to these enactments. Co-operative lending and borrowing should be done on the provincial basis. Financing of the primary societies should be done by the Central Banks.

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## Part II—Indigenous Banking.

QUESTION 1.—The functions of the indigenous banker is to advance money to the needy people, to accept hundis in some cases and to issue hundia.

QUESTION 2.—The indigenous bankers advance money to the agriculturists, traders, etc., by either taking security, if necessary, or on simple bonds or promissory notes or *khata* bahis.

QUESTION 5.—The rate of interest for the deposits received by the indigenous bankers is not more than 4 to 8 annas per cent per month. In most cases interest is not at all paid.

QUESTION 6.—*Vide* reply to question 1. Reduction in the rate of interest is bound to improve the state of the agriculturists in the province to some extent side by side with that there should be a spread in mass education and facilities for training in their budgeting must be available to them through the co-operatives banks, if possible.

QUESTION 7.—I do not think that there is a prejudice of the people against the Indigenous bankers. There may be some who are the Shylocks among the money-lenders and as such are detested much by the general public. At present I think there is a reasonable protection given by law to the indigenous bankers. But the laws being not perfect and which is not possible to make, they are deprived of the means on which they can rely for the recovery of their money. At present deception and dishonesty being in most cases played by both the parties, every one tries to get advantage of the other; and this leads to unsoundness in the system.

QUESTION 8.—If the modern methods of the banking are followed by the indigenous bankers, they are likely to be improved. It is necessary that they should submit their accounts for audit and publish their account and balance sheets. It is possible for the co-operative banks to make use of the indigenous banks to some extent. The indigenous bankers would be opposed to the idea of their accounts being kept open for inspection and verification and also to the introduction of any measure.

QUESTION 10.—Indigenous banks or the bankers are not able to accommodate all and have at times to refuse advances to some owing to unacceptable nature of the security or insufficiency of capital.

QUESTION 12.—It is a fact that there is some amount of money in the up country which is lying idle and it is to some extent nowadays flowing to the towns for long and short-term deposits.

## Part III—Investment habit and attraction of capital.

QUESTION 1.—At present there are Imperial Banks, co-operative banks, post-savings banks and indigenous banks which are the only places for the people to receive encouragement for saving and investment; but these institutions are meant only for the town-people and not for the people in the rural tracts and thus they meet very little need. Co-operative banks do to some extent help in this way, but all this falls much short of the real need. The public, therefore, are not provided with full facilities for saving and investing their money. Saving could be attracted to a large extent if the administration of saving banks was localized and developed by the co-operative organizations in the province. The opening of Public Debt offices in up country centres and development of markets for transactions in Government securities might help in attracting the deposits in co-operative and other banks doing work in the mofussil. So the existing facilities can be improved and extended to the smaller interior places. The people are accustomed to invest their money in gold which becomes useful to them at times of need, specially in villages where there are no means to save and to invest the money in.

QUESTION 4.—There is a growth in the habit of issuing cheques only in the town-people and specially among the high salaried Government servants and merchants. This is, I think, to some extent due to the abolition of the one anna stamp duty. If cheques were allowed to be used in vernacular and signed in the same script, they would be more popular.

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## Oral Evidence.

*Amraoti, the 30th January 1930.*

**Chairman:** In the first place I should like to ask you a question on a point which was discussed a little while ago. It was suggested that a good cultivator could not find time to devote to a subsidiary industry. Would you be prepared to agree that the position really is that the cultivator can earn more by devoting all his time to his cultivation than by doing weaving, basket-making, etc.?—I agree with you. He can find some time when he has to watch his fields and has to sit there. Then he can do rope-making or basket-making, which a good agriculturist does even now for himself.

Those cultivators who are found to have a lot of spare time are not good cultivators?—I agree generally they are not.

Do you think that agriculture in Berar is capable of improvement?—Yes. I think so.

What are the principal difficulties at present? Do you think that the agriculturist is inclined to be idle?—Yes, to some extent he is.

If he worked more hard, he could get a better outturn?—Yes, provided he had more money for investment in agriculture.

As you know, we have an Agricultural Department for many years. Do you not think that the department is doing good work?—I do not think it is doing any good at all to the public.

What would you like to see the Agricultural Department doing? What would you recommend?—The experiments they are making and the methods they adopt involve much expenditure, which the ordinary cultivator is not able to bear. They are not practicable from the financial point of view.

As regards finance, what would you yourself recommend as the best method of providing these short-term loans, the ordinary recurring loans which the cultivators take every year for their ploughing, sowing and other operations?—The co-operative banks, provided more capital is available to them.

Do you think it would be possible for the co-operative bank to finance all the cultivators?—Under the present circumstances, no.

As far as I can understand the situation in this district, there are about 100,000 cultivators altogether out of which 2,000 are members of co-operative societies. That is to say, only about 3 per cent have joined the movement up to now. How long would it take before 25 per cent joined the movement?—It depends on propaganda and the amount of money available.

Through whom would you like to see the propaganda carried out?—Both by officials and non-officials.

You feel really then that we should all concentrate on developing this movement?—Yes, I mean thereby that officials should not interfere. They should simply help.

How do you interpret interference?—Interference in the administration or management.

What would you exactly like them to do? Our Tahsildars and Extra-Assistant Commissioners might be able to do a good deal in their tours?—They should go there, call the people and explain to them the advantages of co-operation and induce them or prevail upon them to join the movement.

Do you not think that it will be a good thing if they exercise some supervision over the purposes for which they spend the money that is spent and also help the societies in prompt recovery of loans?—This is not interference. I would welcome official co-operation if it does not interfere with the Central Bank.

I dare say that you have come across many cases where the people themselves are quite satisfied with their local mahajans?—Yes. All are not bad men.

I assume that only the cases of malpractices come to our notice. As long as the money-lenders are doing their business honestly, we hear nothing?—Yes.

Would you be prepared to support any attempt to help the indigenous banker and money-lender? There is one school, of thought which says that the indigenous money-lender is the natural source of credit and will always be

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the more suitable agency for financing the local agriculturists and that our aim should be to improve this system rather than attempt to destroy a very old established industry?—That is a good idea.

Do you think that the long time which it takes to obtain a decree and the various restrictions on executions have led to an increase in the rate of interest?—Not so much but that is one of the factors causing increase in the rate of interest.

It has been put before us that if the Government could guarantee prompt recovery money-lenders would agree not to charge more than 9 per cent?—Delays in recovery do more harm than good.

What is your estimate of your net profits from agriculture? I do not think it is more than 5 or 10 rupees for a model agriculturist. The agriculturists who waste their time, can get no profit and hence they are getting more indebted. By net profit I mean the balance left over after deducting the expenses of cultivation and labour.

What would you put down as ordinary feeding expenses of a man and his family?—Minimum for quite an ordinary man is Rs. 200 to Rs. 300.

*Professor A. C. Sen Gupta:* You say there is *sawai* for one month?—In very rare instances.

For what sums?—For very small sums.

*Mr. P. D. Pundlik:* You have said in your reply that a large number of people who are good farmers are being turned into tenants and the land is passing from the hands of the farmers to the banias. Will you give the percentage?—I cannot. There are some concrete instances before me. We cannot say that they are rare.

You are yourself a money-lender. What percentage of land you have got in return for your money?—That may be about one-tenth or less. I recovered the whole amount in cash and got very little land. I also dislike taking land. It does not pay. In the case of several other persons, I believe they have got much more. In my neighbourhood I have seen two or three money-lenders who had had not more than 100 acres of land and who now possess 3,000 acres or more even within 20 years.

You are not in a position to give the percentage?—No. It is not most common, nor is it very rare.

*Vice-Chairman:* Were you associated with the Yeotmal Co-operative Bank?—Yes.

Had you had any experience of official interference with the affairs of the bank?—Not very much. The Deputy Commissioner wanted to interfere and the co-operative bank protested against that and the Deputy Commissioner stopped there. Interference by non-departmental officers is rare.

You will agree that sometimes the departmental officers have to interfere only in the interests of efficiency. You must be aware of a case in your bank in 1926 when either some members of the staff or some honorary workers were found guilty of misappropriation?—Yes.

You must be aware that the honorary workers wanted to let him off lightly and the departmental officers wanted to prosecute him. Would you call that interference on the part of departmental officers?—No.

You will agree, therefore, that sometimes there may be differences of opinion and if the officers at all differ from the non-official workers, it is only in the interest of great efficiency, and you welcome such interference?—Yes, but the circumstances in that case were quite different.

Do you welcome legislative regulation so that the accounts of indigenous bankers may be open for verification?—I do not think that on principle it is good. If money-lenders are required to show their accounts, why not the other professional men?—For any legislation for regulating the activities of money-lenders, you will not be prepared to exert your influence on the floor of the Council Hall?—I do not think it is practicable and good on principle. But nevertheless I will help to some extent.

If a debtor asks for a receipt, do you not think that he is entitled for one?—Yes, certainly.

Have you ever heard of a case where money-lenders refused to give receipts?—Yes, a lot of cases.

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Do you believe that some legislation should be made to compel them to do so?—There is already legislation. The tenants also do not demand receipts in some cases.

*Rao Bahadur K. V. Brahma, C.I.E.*: You have said that the present defect in the present system of financing so far as the sowkars are concerned are the unregulated and unsystematic character of the financial dealings sole dependence of the agriculturists on the sowkars or bankers, illiteracy of both the parties and especially of the former and the lack of knowledge of accounting and legal procedure. What is the exact meaning of the unregulated and unsystematic character of the dealing? What do you want to convey?—It is not on a scientific basis.

*Professor A. C. Sen Gupta*: You say you would like that to be regulated and systematized by some provision of law. How can that be?—Unless education is spread you cannot do it.

*Rao Bahadur K. V. Brahma, C.I.E.*: In your statement you have said that the difference between the two parties, namely, borrower and money-lender, is that the one is at the mercy of the other. I believe your remedy for that is spread of education. May I take it that you are in favour of compulsory education?—Yes.

You have also said that under the present system of financing on high rate of interest cultivators are highly indebted to money-lenders. Would you like to get the rate of interest regulated?—Yes, but it is not practicable, I believe.

Would you like to have a provision similar to one in the Transfer of Property Act whereby no interest is charged during the period a suit is filed and the passing of decree?—I believe there is already such a provision. I do not know if there is any legal provision, but at least that is a practice and I know of decrees of this kind. Generally the judges do not give interests for the aforesaid periods in simple money decrees.

Would you welcome any such legislation?—I would.

What would you fix as a maximum of a fair rate of interest both from the point of view of the borrower and the money-lender?—From the point of view of borrowers it should be less, but I would fix one per cent per mensem from the point of view of both.

What is the normal rate of interest on secured debts in your district?—It all depends on the man. The rate is generally 12 per cent.

You have written in your statement that this is a crushing rate of interest. How is it?—I said it with reference to something else.

I gather from your written evidence that you are in favour of facilities being extended to agriculturists for holding their crops for certain amount of time if they get advances?—Yes.

You refer to modern methods of banking in your written statement. What modern methods do you suggest?—Honesty in dealing, accounting and auditing, etc. The accounts should be shown to the debtors.

You have stated in paragraph 72 of your written statement that there is some amount of money in the up country which is lying idle and you would like that amount to be used. May I know which methods would you suggest for collecting this money to divert to agriculture?—If this money is deposited at postal savings banks and the same money made available to agriculturists, it will be very useful.

Is it your idea to advance this money through co-operative societies?—Yes, through any other agency, if possible.

*Professor A. C. Sen Gupta*: You have stated about the intensive survey in Itki. Do you consider it to be a typical village in Berar?—Yes.

Do you think it to be a good or bad village?—It is a good village.

You think that the cultivation in that village would be typical of Berar as a whole?—It ought to be.

If it is found to be otherwise, what would you say? Would you say there is something wrong?—Yes. I should say there must be some factors which have not been taken into consideration.

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*Rao Bahadur M. G. Deshpande:* Are you a Director of the Yeotmal Central Bank?—Yes.

What is your experience about loans that are advanced by the bank? Whether the Loans Committee scrutinizes the applications or depends upon the recommendations of the society?—I have no personal experience as I am not in the Loan Committee.

What is the rate of interest in your bank?—3½ per cent for savings bank and 4½ per cent for six months. For more than a year it is 5½ and 6 per cent and so on.

At what rate does your bank advance money?—It advances at the rate of 12 per cent, but at times at 10 per cent also to some societies.

Do you know that the complaint of the society members is that the rate of interest is high?—Yes.

Would you like it to be reduced?—Yes, but I do not see how it can be done. We have begun to take deposits at such low rates and it is impossible to decrease the rate of interest on loans.

I will put before you a scheme. The Provincial co-operative bank should make payments to the societies direct without the intervention of the Central Banks and the societies in all such matters should deal with the Provincial Bank. The present staff of the Central Banks will be the agency and other things will be just the same. How do you like this scheme?—I do not approve of the scheme, as I think that the Provincial Bank will not get the benefit of the advantage of local workers as it is a different thing to work one's own bank and to help Provincial Bank. I do not approve of the idea.

What is your opinion about taccavi?—There are various complaints about taccavi. It is not freely distributed and not given to deserving persons. The amount which is necessary is not given to the district or to the taluq concerned. Then again much of the amount is spent to the Tahsildar's favourites.

Do you recommend that the taccavi should be distributed through the co-operative societies?—Yes.

You have stated in reply to Mr. Pundlik's question that about two to three thousand acres of land has gone in the hands of one or two money-lenders. Is it not?—Yes. These are a few of the many instances.

Can you stop this?—This can only be stopped by advancing money to the agriculturists.

But will they not be further debtors?—First of all you must make them free and then see that the money advanced to them is used for proper purposes. You must educate people.

*Mr. P. D. Pundlik:* Have you got any experience that owing to the free right of transfer in Berar people are more indebted?—No. It is not only because of that right.

Are the people in Central Provinces where there is no right of transfer equally indebted?—Yes.

*Chairman:* Do you mean to say that the indebtedness is the same whether there are transferable rights or not?—So far as my experience goes, it is just the same.

*Professor A. C. Sen Gupta:* Do you think supposing the right of transfer was abolished, the rate of interest will rise?—Yes, just likely.

*Chairman:* Will it not be possible to reduce the expenses of a society if the society takes deposits itself rather than loans from the Central Bank? Are there many societies who take deposits?—Very few. In my district there are about 10.

I understand that in one society you have deposited quite a large sum yourself?—Yes.

When you think that your money is safe here why do not other people also deposit their money with the society?—I cannot say. They might not have got money.

Do you not think we should encourage the societies to take deposits direct?—Yes.

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How much land have you got?—I have got about 6,000 acres or more.  
 You say you got only Rs. 5 to Rs. 10 per acre? Is it not?—I get Rs. 5 to Rs. 8 only on some lands and at times up to Rs. 10. The land is poor.  
 Do you cultivate through servants?—Yes.  
 Do you give any portion on sub-leases?—Yes.

*Seth Narsinghdas Daga.*—How much land did you get in money-lending business and how much have you bought?—I got about 300 acres from money-lending business and all the rest has been bought.

Do you do money-lending business?—Yes, to a little extent.

Do you think all the money-lenders make false accounts?—I do not say they do it as a class, but a high percentage of them do it.

Can you tell me the percentage?—About 30 to 40 per cent.

You say that money should be made available by Government to cultivators at low rate. Do you not think that it will affect co-operative societies?—No. Co-operative societies will also grant loans at low rates.

Wherefrom will the co-operative societies get money?—Some people will deposit the money with co-operative banks, when money is lying idle, as Government will advance.

*Chairman:* Do you think that if the co-operative societies take to issuing certificates like the postal cash certificates, people will buy them?—I do not think so.

Do you think that it would be a practical means of encouraging thrift?—Yes. Thank you.

MR. PARMANAND, I.C.S., Deputy Commissioner,  
Yeotmal, Berar.

Reply to the Questionnaire.

QUESTION 1.—(1) In respect of expenses during cultivation the monetary needs of the cultivators may be considered in three stages as follows:—

- (1) First stage terminating with the sowings;
- (2) Second stage including weeding, hoeing, etc., and terminating when crops are ready;
- (3) Third stage commencing from the time when crops are ready till it can be marketed.

(2) During the first stage credit is required principally for removing *khod* and *kundas* and for purchasing cattle and seed. Cotton seed is usually purchased, while *juar* is not. Owing to scarcity of credit, borrowing is resorted to only for essential improvements with the result that efficient farming is checked.

(3) During the second stage it is required for payment to labourers employed in weeding, hoeing and other operations. Labour is at this time expensive and monetary market tight. The demands of the better class of cultivators in this stage are much greater in proportion to those of the poorer whose own and their families' personal labour is then available.

(4) During the third stage money is required to pay up the most insistent of the creditors, to purchase necessities of which purchase has been postponed, to celebrate festivals, to pay up the rent to the landlords, to perform marriages and to pay up labourers.

(5) Regarding the rates of interest, I beg to refer the committee to the detailed statistics that have been collected at its instance; I have not been able myself to scrutinize them with any care.

(6) The following observations are based on general information obtaining mainly by conversation with agriculturists.

(7) On small loans the common rates of interest are  $1\frac{1}{2}$  per cent to 2 per cent per month. On larger loans, particularly those secured by mortgage, the rates of interest are from 1 per cent to  $1\frac{1}{2}$  per cent per month. A fairly solvent person who can furnish first class security finds but little difficulty in obtaining loans at 12 per cent per annum and cases are not very rare where the rate of interest is only  $\frac{1}{2}$  per cent per month. In *sawas* the interest is 25 per cent per annum. Another system that obtains in these parts is what is called the *khak*. Under this system the borrower pays a fixed instalment per month. The first instalment is paid up before the loans is advanced together with some other deductions. He has then to pay up at the fixed rate per month until he pays up  $1\frac{1}{2}$  times the money said to have been advanced to him. A further requirement of this is the "War" system in which the instalments are payable weekly on the fixed day (War). Before the instalments are fixed interest is added to the principal advanced at a fairly liberal scale (about 25 per cent). The creditor's agent who is called *warhari* goes round to collect the instalments. This system is suitable only for small loans. It was at one time adopted by the Buti of Nagpur, but is not so prevalent now. The *Rohillas* still favour this system. As is well known, most mortgage-deeds provide for an enhanced rate of interest, provided payment is not made within the stipulated period which is usually short.

(8) For small loans for purchase of seeds, etc., no kind of security is given. In other cases the pawning of ornaments serves to secure the loan of small amounts. For substantial sums fields are always mortgaged. A repayment is to be made in a fixed term on failure to do which an enhanced rate of interest, of course compound interest, becomes chargeable which generally paves the way for the transfer of the land to the creditors.

(9) Standing crops are rarely given as security. At one time a system of advances was in vogue called *lawani*. This was really a deal in futures, the cultivator being relieved of all risks owing to fall in prices and incidentally of all gain owing to higher prices. The boom period of cotton prices saw the end of this system and it is no longer in vogue now.

(10) One instance was brought to my notice in which 75 per cent of the price of cotton was paid up by a *sowkar* as soon as cotton was handed over

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to him and the balance at the rate then obtaining on any date on which the seller may choose to settle his accounts.

(11) Government plays but a limited part in the agricultural finance. For permanent improvements it advances taccavi under the Land Improvements Loans Act and for expenses of cultivation under the Agriculturists' Loans Act. The total amounts advanced during the past three years are given in table A. There is no doubt that these loans touch only a very few persons. Table B shows the number of persons to whom loans are advanced.

(12) The Imperial Bank of India plays very little part in advancing loans to actual cultivators. It does advance on deposit of gold, but that it does so is not generally known. Its part comes in when the purchasers are concerned. To them it gives short-term loans even on personal security. It also advances against cotton locked in the godowns. It also advances to the co-operative bank. No other joint stock bank has any appreciable dealings in this district.

(13) There are two Central Banks, Yeotmal and Pusad. The latter may be ignored as its dealings are insignificant. The Yeotmal Bank advanced during the last three years the amounts shown in Statement C. Similarly, the amounts advanced to individuals by societies are shown in Statement D which shows also the purposes for which they were advanced. The statement also gives the number of persons by whom the loans were held.

(14) By far the largest part is played by indigenous bankers. The distinction between them and professional money-lenders and merchants and dealers is not understood. They finance almost the entire agricultural industry of the district.

(15) Adatyas and gin owners also make some advances to cotton-growers.

(16) I am unable to give any estimate of the total amount required under each of the heads.

(17) A system of grain advances, *sawai*, obtains but to a very limited extent only.

(18) The cultivator requires of his creditor dealings that are honest and above board and the creditor desires that the cultivator should pay up to the best of his ability punctually. Some of the popularity attached by the Central Banks is owing to the faith on its fair dealings and much of their difficulties can be accounted for by the failure of their creditors to pay up punctually. I would advocate that Government should undertake advances on a reasonable rate of interest not exceeding a fixed multiple of the land revenue to be recovered by the processes usually adopted for recovery of land revenue. The security of land will be ample security for the repayment of the loan. The small loans will save many a cultivator from treading the way to the sowkar's shops where if he goes once he cannot help going again and again.

QUESTION 2.—(19) Cotton is sold by the cultivator in the cotton markets and in the gins in outlying places. To some extent it is also sold in small quantities to itinerant traders.

(20) When sold in gins there is no check on the purchaser or seller who fixes the price by mutual agreement.

(21) Cotton markets are highly organized on paper. They are governed by the Berar Cotton and Grain Markets Law. The management is in the hands of a Committee consisting of representatives of local bodies of buyers and sellers of cotton. The majority of members are from among the buyer class. This has led to demands for better representation of cultivators. The new rules meet this demand and are under consideration of Government.

(22) In these markets the market dues are low. Other charges like *dharmadaya*, charges for weighing and exactions of beggars, etc., are also moderate. It is believed that adatyas sometimes do them down by not paying them in full price of produce. Owing to the illiteracy of an average cartman this is possible.

(23) The rate at the markets is declared by principal buyers on the strength mostly of Bombay prices. The price is declared at some places by secret signs. In this district only one rate that of cotton of average good quality is declared and deductions are made by the purchasers if the quality is below the standard quality. In these deductions the cultivator is said to lose rather badly. There is a demand for the fixing of the price of cotton before a cart leaves the market, but opinions are sharply divided on this point.

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(24) There are no *ganjs* or any other organized grain market. *Juar* is sold mostly directly to purchasers.

(25) It is possible that an *adat* shop run on co-operative lines will be a success, but the initial difficulties are great. *Adatyas* provide facilities which these shops will take some time to provide. The experiment is being tried at *Darwha* with a fair amount of success.

(26) The ordinary cultivator always requires credit, but he feels the need particularly keenly after the crops are almost ready till they can be sold. During this period the only person who does at present advance money to some extent is the *adatyas*. Greater facilities in this direction are required and to the extent to which the *adat* co-operative societies can provide then they will ensure their success. These facilities may be enlarged either in the size or duration of advances.

(27) The purchasers of cotton stand in need of credit facilities after they have paid for the cotton till it is actually sold in Bombay. Besides the price of the cotton they have to pay the charges of ginning and pressing, freight and insurance. Some *adatyas* provide this credit facility and pay cash down for *hundis* which are actually cashed about 4 to 6 weeks afterwards. About 1 to 1½ per cent is charged for this. Some *adatyas* are said to provide facilities even to small cultivators to sell in Bombay, but the insurance charges, etc., serve as a handicap.

(28) The Imperial Bank of India advances money on cotton locked up in its godowns. This facility is resorted to only by larger dealers. Smaller dealers deal with *adatyas*. The individual cultivator depends on his *adatyas* or his *sowkar*.

(29) As far as internal remittance is concerned, there is no difficulty. Telegraphic transfers are availed of by many dealers. The local *hundis* are also discounted.

(30) I think licensed warehouses will be very helpful, because the Imperial Bank of India would advance loans on the strength of certificates from this warehouse. At present the absence of such warehouses is a great handicap to the Imperial Bank of India which has only one agent in this district. It is unlikely that the bank itself will undertake this work. Government aid does not also appear to be necessary except by way of help and guidance to the cotton market committees that might be encouraged to erect such godowns.

(31) *Hundis* emanating from this district are encashable in Bombay, but they can be disposed of locally also.

(32) Only the railway receipts are used for raising money and they too only in support of the *hundis*, because under arrangements between Bombay dealers and the local merchants the latter are allowed to draw up *hundis* only for about 75 per cent of the value of cotton raised to them.

QUESTION 3.—(33) Land varies in value with its situation and other advantages. Land capable of producing garden crops is the most valuable agricultural land, such land has mostly some means of irrigation attached to it. Next in importance would come the famous "cotton soil" land and then the other land.

(34) The price fetched in Government auction for non-payment of land revenue is difficult to find; so few fields are actually sold on this account. Sales by court decrees are mostly of encumbered fields and it is impossible to make proper allowance for the various factors that influence the prices; sales by private negotiations probably provide the most accurate means of ascertaining the price of land.

(35) Of late there has been a falling off in the price of land mainly owing to the fall in the price of cotton which in 1927 was Rs. 120, in 1928 Rs. 103 and this year about Rs. 91.

QUESTION 4.—(36) There are no legal impediments to the mortgaging of the holdings of an ordinary *khaska* tenant. He has virtually a free hold estate. *Izara*s are also freely transferable. The only restrictions are in respect of *inam* lands. Ordinarily service *inams* cannot be mortgaged for any but a very brief period. Maintenance *inams* also may not be mortgaged for such a long period that the mortgaging would amount to alienation. Ordinary tenants in *izara* and *jagir* villages have no rights in the lands which they can mortgage. The permanent tenants stand in the same position as occupancy tenants inasmuch as the

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izardar can claim the right to pre-empt whenever certain transfer takes place Jagir villages can be mortgaged, but a recent Privy Council ruling has thrown some doubts on the jagirdar's right, because it has been held that he has only a life interest in the inam.

(37) There are no land mortgage banks or agricultural banks in this district.

(38) I have no well thought out scheme for the establishment of such banks, but I feel that unless the mortgages effected with such banks are held to debar subsequent mortgages with others, the success of such banks is doubtful owing to the notorious preference on the part of an ordinary cultivator for the executing sowkars when the time arrives for repayment.

(39) The existing records of rights are realisable and generally upto date and I have no improvements to suggest. It may be pointed out here that the record of rights has not been extended to jagir villages and that in izara villages it deals with only the proprietor, permanent and ante-alienation tenants and tenants of antiquity.

(40) No action appears called for any reduction in the costs of references in the record or rights and the registration records and of processes.

(41) An average sowkar in Berar does not desire to retain land; he generally likes to dispose of it at a reasonable price, and the argument that money-lending is more profitable than cultivation is familiar.

QUESTION 6.—(42) No remarks.

QUESTION 7.—(43) The Central Bank in this district has no connection with any other bank except the Provincial Co-operative Bank and the Imperial Bank of India. The former advances money to the Central Bank and the latter allows the bank to draw on it up to a fixed amount.

(44) There is in this district no competition worth the name between the co-operative banks and the joint stock banks.

(45) The co-operative banks have touched only the fringe of the problem of agricultural indebtedness as would appear from the figures collected for the Committee; the loans advanced by the co-operative banks are almost insignificant as compared with those advanced by the indigenous banks. I do think the co-operative movement cannot fully meet the financial needs of the agriculturists in this district, because in a larger number of cases the agriculturist wants credit, that is far above his assets. The average agriculturist does not understand the principle of co-operation and fails totally to understand that punctual repayments are essential for the success of the movement. Some good can be done by charging a different rate of interest from punctual and unpunctual debtors; the experiment is being tried in Yeotmal, but it is too early to judge of the result. Its good effects can be counteracted to some extent by lack of uniformity in the fixing of the kists, but I think the experiment is likely to be attended with a certain measure of success. In institutions run by local men persons in authority require the help of some hard-and-fast rule to counter the demands of the relatives and friends for indulgent treatment. There is no hope, however, that the co-operative movement can ever meet the financial needs of all the agricultural classes. The badly involved persons will be always out of its reach and so will the imprudent. The latter can be left out of account for the present; they can be either saved by education and advice or must be left out. Regarding the homelessly involved persons facilities for liquidation of their debts should be provided. The provision of conciliation board is a remedy that might be investigated.

(46) I am not acquainted with the precise provisions of the Money-lender's Bill introduced in Punjab. I strongly advocate the passing of an Act on the lines of the English Money-lenders Act, 1900, to require registration of money-lenders, for the re-opening of harsh or unconscionable bargains and for punishing false representations or dishonest concealment of facts. The Act should go further and should also provide for the maintenance of accounts in a prescribed form in the vernacular of the place where the transaction takes place and for the supply of a statement of accounts to the borrower periodically and on demand.

(47) The present system by which the Central Banks lend money to societies within their jurisdiction is the best owing to advantages of the local knowledge. It is manifest, however, that the Central Banks should have some kind of federation and should help each other.

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## Part II.—Indigenous Banking.

**QUESTION 1.—(48)** The bankers are enterprising and have capital. They are therefore to be seen undertaking all kinds of profitable business and it is difficult to give any exhaustive list of their functions. Some of their activities that relate specifically to banking will be enumerated below and will give some idea of their activities and will show what an important place they fill in the economy of the community.

(49) The following kinds of business are undertaken by the indigenous banker:—

- (1) acting as a pawn broker,
- (2) advancing money on personal security,
- (3) advancing money on mortgage,
- (4) buying up litigation,
- (5) supplying short-term credit to exporters,
- (6) supplying hundis and thus facilitating internal remittances,
- (7) accepting deposits,
- (8) undertaking risks by—
  - (a) standing as sureties in civil litigation,
  - (b) standing as sureties for Excise, Public Works Department and other contractors and other,
  - (c) as sureties for repayments of debts or performance of contracts.
- (9) as money changers,
- (10) bullion dealers.

**QUESTION 2.—(50)** As regards agriculture, the indigenous banker finances almost the entire needs of the agriculturist. It is only recently that the co-operative banks have begun to share in this business. In this district the joint stock banks have commenced advancing loans on security of gold or of cotton locked in their godowns, but their business is insignificant in comparison with that of the indigenous banker. As pointed out already, the Government share in the financing of the agriculturists is also very small.

(51) The principal trade in this district is that of export of cotton. The trade is mostly in the hands of outside firms dealing in cotton like Birla's, Gokuldoss's, Jajnadas Nersey's, Toyo Menka's and others who have branches or agents in the district. Besides them a large number of other merchants, big and small, who are also bankers, deal in cotton.

(52) The only industry of importance is the ginning and pressing industry. It is mostly in the hands of outside firms, but some indigenous bankers have also put up gins and presses.

**QUESTION 3.—(53)** (a), (b) and (c) I am not aware of any estimate of the amount of capital invested, the volume of the business or the expenses of the indigenous bankers. All that can be said is that the amount of capital invested and the volume of their business must be very great. It is a popular belief that their expenses are phenomenally low and it is a popular saying that a Marwari who comes with only a lode soon becomes a big sowkar. The expenses are kept low by the very modest standard of living adopted by most sowkars. It is not unusual to find that their standard of living of a rich sowkar and that of one of his poor employees is about the same. Great saving is also effected by the help rendered by their relatives who help in looking after their business. It is also usual for them to employ persons on very cheap "all-in" terms and Rs. 250 a year is considered a decent remuneration. There would appear to be no check on the employees doing a little business on their own; in fact this is the recognized method. No joint stock or co-operative bank can hope to run as economically as an indigenous bank.

(54) (d) The relations between the indigenous bankers are very complex and are generally based on relationship other than that of business. The prominent among them always have dealings with someone or the other in all important trade centres in the country, and if they have occasion to deal with a centre with bankers in which they have no connection it is never a difficult matter to find out another banker who could serve as a link.

(55) The co-operative banks have virtually no dealings with the indigenous bankers though it is said that in some parts the cheaper credit given by the co-operative banks has been used for enlarging the money-lending business of the borrowers.

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(56) The Imperial Bank comes in only when the indigenous banks have to deal with outsiders. The bank is used principally for the remitting money from one centre to the other, for dealings in securities and for obtaining cheap credit.

QUESTION 4.—(57) I have examined the various kinds of hundis that are in use. There is very little difference between hundis of one kind and those of another. They are all based on what might be called the "Shahajog" principle the essence of which is that the hundis are payable only to persons who are considered satisfactory or safe persons to deal with. The hundis are generally payable at sight "Darshani", but hundis that are payable at fixed period after sight are not unknown though they are rare. It is also the practice to enter in some hundis, particularly in those used by less orthodox bankers, the words "office dhara". The addition of these words implies that the hundis will not be payable on holidays; other hundis can be cashed on holidays also. As far as I could gather, it is not possible to "cross" the hundis like cheques or to make them payable to bearer or order or only to the persons named in it by varying the endorsement on it.

QUESTION 5.—(58) A reference is invited to the replies to question 1, section 1.

(59) The indigenous bankers accept deposits from customers and allow a very handsome rate of interest on what amounts to a savings banks deposit. There are no formalities to be observed, no hours of business and no holidays. There can be little doubt that in this matter they have a distinct advantage over co-operative or joint stock banks. This explains why they can attract good deposits. I am unable to give the rates of interest allowed by them, but as much as 6 per cent is not uncommon, while some others allow even higher rates.

QUESTION 7.—(60) I beg to invite a reference to my replies to question 1.

(61) To a large extent the present high rates of interest are accounted for by the monopoly enjoyed by the indigenous bankers. There is no doubt some competition among the indigenous bankers, but in much of the business transacted by them the personal element is very important and an agriculturist does not ordinarily think of changing his banker any more than one thinks of changing one's solicitor. If cheap credit could be made available by advances on security of gold or silver or of produce deposited in the godowns by the co-operative banks or the joint stock banks, this monopoly would tend to be disturbed and rates of interest would fall—another method of reduction in the rate of interest would be to make credits available to the indigenous bankers themselves at a lower rate than what they pay at present to persons depositing money with them. Both of the above methods have operated for some time in Yeotmal and it is said that the rate of interest has declined.

(62) It is difficult to say what the effect of reduction of rates of interest will be on the agriculturist. It would appear, however, that if only the rate of interest on loans advanced on good security is lowered the average agriculturist will not be tempted to waste it in extravagant ways.

(63) There is the common prejudice, mostly due to jealousy, that one finds everywhere against the bankers. The Kabuli money-lender is not much in evidence in this district.

(64) I know of no protection in law which the bankers appear to be in need of. The institution of Collector's cases has been a genuine grievance with them, out it will soon end.

(65) There are allegations that the bankers, particularly the smaller ones, cheat their creditors. It is said, for instance, that in counting months, they count "Mag", "Fag", "Shingha", "Falgun". I believe there is some substance in these complaints. Similarly, it is alleged that they discourage repayments and actually put off the acceptance of part payments tendered by their clients. The allegation is also made that when loan is advanced the onerous aspect of the terms is carefully concealed and sometimes verbal assurances are given to induce in the client a sense of security. Against some bankers there are complaints that they use tyrannical methods in effecting recoveries and that they do not always issue receipts for payments received by them. It is a common belief that accounts are not kept correctly and that they keep a double set of accounts. Complaints are not unusual when it is alleged that the documents prepared at the time of the advancing of loans are falsely prepared. Bogus and beamish transactions are also employed by these bankers. Accounts are not open

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to inspection and in most cases are made up only when repayments are being made.

(66) While much of the allegations are probably prompted by feelings of jealousy and resentment, there is no doubt that they do exist. The remedy would appear to be the passing of a comprehensive act on the lines of the English Money-lenders Act. (Please refer also to my reply to question 7, section 1.)

QUESTION 8.—(67) Kindly refer to the reply to the preceding question.

(68) The proposed legislation will undoubtedly induce protests, but the opposition will not be as strong as in the Punjab where communal feelings were invoked in support of the agitation. Whatever the banker might feel about the proposal he will not be able to convince others that his opposition is prompted by considerations that are not wholly selfish.

QUESTION 9.—(69) Accurate figure cannot be given, but a fair estimate of the profits from banking may be made by the fact that the bankers do not as a rule look with favour on any undertaking that does not yield a net profit of about 12 per cent.

QUESTION 10.—(70) The bankers cannot meet all demands, they naturally look to the security offered; but it may be assumed that if an agriculturist cannot find a creditor to advance him money, he must be absolutely down and out. The value of the security depends also on the amount of loan, but if the security be good, there is no individual demand from an agriculturist for a loan that is so large that indigenous bankers cannot supply it.

QUESTION 11.—(71) A bank that well serves as a banker's bank is required in the province, but I have no suggestions to make regarding the form that this bank should take.

QUESTION 12.—(72) I have no remarks.

### Part III.—Investment habit and attraction of capital.

QUESTION 1.—(73) Facilities for investment for the ordinary public are the co-operative banks, joint stock banks, the post office and the indigenous banks. Some savings of such persons are also invested in the shares of industrial concerns. There are almost no facilities in the rural areas and an extension of postal savings banks deposits to rural areas is much to be desired not only to encourage savings, but also to discourage the habit of hoarding either in coin or in silver or gold.

(74) The habit of investing in silver and gold is chiefly owing to absence of better facilities for investing the savings. Owing to its continuous over long periods it has acquired traditional and customary importance also which have been hardened into habits by the prevailing illiteracy of the masses. The provision of gilt edged investment for small amounts will tend to discourage these habits, but the progress must be slow. Another reason that encourages the investment in the purchase of silver and gold is the fact that not infrequently such investment can be made without attracting notice; a person in moderate circumstances does not like to advertise that he has a little wealth for fear of his creditors and for other reasons.

QUESTION 2.—(75) Postal cash certificates are popular, but they are not well known. Their appeal can be extended by advertisement and propaganda.

(76) The limit of Rs. 10,000 for individual investments need not be retained.

(77) The savings bank deposits could be made more popular if the depositors were allowed to issue cheques on the post office at the district headquarters.

QUESTION 3.—(78) The existing facilities are not well known, but even if they were the small agriculturist will not invest in Government securities with their fluctuating prices. The savings bank deposits and the postal cash certificates are more likely to be popular and should be brought to his notice.

The facilities afforded by the financial agencies are not generally known and probably lots of persons who might like to invest in securities do not know any financial agencies that could put their transactions through. The general interest taken in securities, both Government securities and other securities, is very slight mainly owing to the unenterprising ways of financial agencies who make no effort to reach the ordinary investor.

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QUESTION 4.—(79) The cheque habit is definitely discouraged by the failure of banks to deal with cheques presented to them in a businesslike manner. I have been told that not infrequently it takes more than an hour to cash a cheque. Again, some of the banks appear to fight shy of the business quarters of the town and have their offices miles away. The tendency to raise futile objection regarding cheques is perhaps justified, but is none the less irksome.

(80) The abolition of stamp duty on cheques has encouraged the use of cheques for smaller sums. These cheques find their way into the bank almost directly and the time and labour spent on them does not appear worthwhile. At least a nominal duty on the use of cheques is desirable otherwise the banks themselves might begin to charge for the convenience of issuing cheques.

QUESTION 5.—The opening of the branches of the Imperial Bank of India has tended to lower the rates of interest. The bank is, however, bound by rigid conditions and the extent of the business that it can attract is very limited. What is required is a modern bank with all its facilities and as it is unlikely that it would be practicable to entrust the entire Government money to such a bank it would appear necessary to constitute a separate bank for that purpose. Government should, however, vigorously encourage the establishment of a modern bank with branches in all district headquarters with such help as may appear called for. Failing this, the proposal to allow the issue of cheques on savings bank deposits should be given effect to.

## STATEMENT A.

Tahsil.	Amount of loan advanced under							
	Land Improvement Loans Act.	Agriculturists' Loans Act.	Land Improvement Loans Act.	Agriculturists' Loans Act.	Land Improvement Loans Act.	Agriculturists' Loans Act.	Land Improvement Loans Act.	Agriculturists' Loans Act.
	1926-27.		1927-28.		1928-29.		1929-30.	
1	2	3	4	5	6	7	8	9
	Rs.	Rs.	Rs.	Rs. a. p.	Rs.	Rs. a. p.	Rs.	Rs.
Yeotmal...	4,450	13,466	81,000	2,20,406 0 0	22,400	41,057 15 0	2,850	4,000
Wun ...	7,600	2,300	49,500	1,30,053 0 0	5,300	16,000 0 0	1,000	2,000
Darwha ...	3,800	8,399	40,800	1,10,446 0 0	12,700	18,225 0 0	2,100	3,000
Kelapur ...	5,250	8,550	26,950	65,500 0 0	4,000	12,000 0 0	2,150	2,500
asad ...	3,900	2,785	24,250	50,002 7 0	9,925	12,500 0 0	1,900	2,000
<b>Total ...</b>	<b>25,000</b>	<b>35,500</b>	<b>2,22,500</b>	<b>5,76,407 7 0</b>	<b>54,325</b>	<b>99,812 15 0</b>	<b>10,000</b>	<b>13,500</b>

## STATEMENT B.

Tahsil.	Number of persons to whom loans were advanced under							
	Land Improvement Loans Act.	Agriculturist Loans Act.	Land Improvement Loans Act.	Agriculturists' Loans Act.	Land Improvement Loans Act.	Agriculturists' Loans Act.	Land Improvement Loans Act.	Agriculturists' Loans Act.
	1926-27.		1927-28.		1928-29.		1929-30.	
1	2	3	4	5	6	7	8	9
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Botmal...	17	98	106	2,206	52	1,877	12	77
Vun ...	42	17	18	1,981	15	388	4	45
arwha ...	23	111	56	3,358	33	491	8	144
elapur ...	30	36	45	1,488	20	562	8	83
used ...	17	42	38	1,039	32	756	6	123
Total ...	129	304	261	10,072	152	3,874	38	472

## STATEMENT C.

Loans made by the Bank to—

Year.	Individuals.	Bank and Societies.			Total.
	Cash.	Cash.	Paper renewals	Bank adjustment.	
1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	Rs.
25-26	...	2,23,146	1,83,892	94,055	5,01,094
26-27	...	1,83,843	6,83,321	1,28,583	9,92,747
27-28	...	1,94,837	7,70,153	1,28,169	10,83,164
28-29	...	2,97,505	...	1,23,516	4,21,021

## STATEMENT D.

## Loans made by societies to individuals.

Year.	Cash.	Bank adjustment.	Total.	Number of persons to whom advanced.	For seed.	For purchase of plough cattle.	For repayment of old debts.	For miscellaneous purposes.
1	2	3	4	5	6	7	8	9
	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.
1925-26 ...	2,06,784	97,715	2,04,499	1,307	21,958	3,807	9,912	2,69,742
1926-27 ...	1,55,551	1,41,122	2,96,673	1,277	18,082	1,950	8,570	2,68,271
1927-28 ...	1,85,939	1,34,517	3,20,456	1,422	24,871	4,000	9,655	2,81,930
1928-29 ...	2,55,568	1,38,481	3,72,049	1,376	22,860	5,470	52,675	2,91,044
Total ...	7,81,842	5,11,835	12,93,677	...	87,751	15,227	79,712	11,10,987

## Oral Evidence.

*Amraoti, the 1st February 1930.*

*Chairman:* You have given three stages in reply to Part I of question 1. How long does your third stage take?—It may be sometimes more than two months.

Do you think that the landlords recover their rents before the crops are sold?—Probably recoveries are postponed until the crops are sold. I have explained in paragraph 4 the purposes for which people are pressed to raise money during this period, though it is possible that the actual payment is often not made until the crop is sold.

You would imply therefore that these people are compelled to sell their crops in undue haste?—The tenant has to sell his crop as quickly as he can and earlier than he otherwise would. As regards paragraph 5, where I have mentioned the *warkari* system, I would like to add that the term is also applied to payments which, instead of being made once a week, are made at longer intervals.

Could you tell us anything about the Dharwhar system?—It is the Basim system. I was given to understand that in this system anybody could give his cotton and get 75 per cent straight way. The purchaser takes away the cotton and disposes of it as he likes. I do not think it is fairly common, though a system corresponding to it is common, by which cotton is deposited, but the ownership and risk remain with the depositor.

This Dharwhar scheme would do away with the necessity of licensed warehouses?—In this case the inducement to the man is the interest which he gains. The system, to which I have referred, was brought to my notice actually from the Basim taluq and I was informed that it was in the way of an experiment and that the person concerned had made a good deal of money out of it.

As regards taccavi, you have given us a very interesting statement of the amount of taccavi advanced in your district in the last five years and the number of persons to whom it has been advanced. That shows that in 1926-27 only 129 persons in all received land improvement loans and only 304 received Agriculturists' Loans Act loans, and the total amount advanced was Rs. 25,000 land improvement loans and Rs. 35,000 agriculturists' loans. You have given figures

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for the other years as well. The point which you make is that you are of the opinion that it would be economically advantageous to the agriculturists if taccavi operations were extended on a very much larger scale?—The present system does not tackle the question of agricultural indebtedness at all.

What change in policy, if any, would you recommend?—At least in backward tracts, I would like to advance loans at a certain fixed scale almost as a matter of course without any inquiry. Provided the man is willing to mortgage his land I would give a certain multiple of land revenue as taccavi. I would not enquire too closely into the purposes for which the money is required.

What amount would you approximately fix?—About 20 times the land revenue would be the maximum. Each agriculturist should be entitled to take loans from the tahsil at any time. It is useless to make any distinction between land improvement loans and agricultural loans.

Supposing we advance 20 times the land revenue in, say, Yeotmal district, that would come to about Rs. 2 crores?—I believe it would come to at least Rs. 1 crore as the minimum.

Would you advance it throughout the whole district or only in the backward tracts?—Certainly in the backward tracts. There is not much likelihood of people taking advantage of this scheme in the more developed tracts. The total advances might come to about Rs. 1 crore.

How will Government raise this money?—Government should raise a loan for this purpose. They should not lose on this transaction and may charge a suitable rate of interest.

This is a very interesting proposition. Could you rather fortify your recommendations by giving us some reasons?—Yes. The agriculturists would, under this system, have their dealings with the Government who will have no underhand dealings and would not try to cheat them. The agriculturists would not be done down. There will be no malpractices. In recovering these advances, although instalments would be fixed to suit individual persons, the same strictness should be followed as in the recovery of land revenue. I do not anticipate that in the more advanced areas many agriculturists would come forward to take taccavi on these terms, but in backward tracts this would be a boon.

What is your view about the present taccavi distribution? We sometimes hear that the people are troubled and they waste a long time before they get the money and that they sometimes have to give commission?—I would not go so far as to say that the subordinates accept illegal consideration; I might say that the money is not distributed as well as it might be. It is the present system that is to blame. You cannot expect the Tahsildar to have time to make detailed enquiries to choose the proper persons to whom these advances should be made. I suggest that ordinarily there should be almost no enquiry at all; under my scheme, I would give it to any landholder who may want it. We know from the record of rights whether he owns any land. We would not enquire why he wants and what his financial position is. We will give him as a matter of right. The only matter that has to be satisfactorily established is that he is the owner of the land. I find that, in 1927-28, 100,072 persons got loans in my district. Five Tahsildars cannot enquire into the condition of all these persons.

Would you enforce the principle of joint security or not?—In my scheme, not.

Would you be in favour of the appointment of a special staff?—Yes, if the present system is to continue.

Would not a special staff be required for investigating the title of these men?—No. I will ask them to produce a copy of the record of rights.

If your scheme is brought into force, very few people will be willing to join the co-operative banks and take loans on joint responsibility?—My scheme will confer only a small benefit. My opinion is that my scheme will not interfere with the development of the co-operative credit movement. Twenty times the land revenue will not be sufficient; they will require more. An ordinary cultivator has about 10 acres on which the rent may be about Rs. 8 in Yeotmal district and the total amount he can borrow under my scheme will be only Rs. 160.

Can you give me your views as to why the rate of interest in Berar is higher than in Bombay or in the Central Provinces?—I cannot say about Bombay;

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but compared with Central Provinces, it is a bit higher for the simple reason that the credit of the agriculturist is better and his demand for money greater, but the supply is at present not sufficient to meet the demand fully.

If we throw more money into the rural areas, the rate of interest will go down. Is that your view?—The only way in which it might go down is when the indigenous bankers lower their interest.

Are you in favour of trying to abolish the indigenous banker?—No. We cannot do it. I have given a list of the functions which he discharges and no other agency can do these functions.

Are you in favour of trying to improve his methods and control him?—Yes.

In answer to question 5 you say: "The bank is, however, bound by rigid conditions and the extent of the business that it can attract is very limited. What is required is a modern bank with all its facilities and as it is unlikely that it would be practicable to entrust the entire Government money to such a bank it would appear necessary to constitute a separate bank for that purpose." Would you be in favour of amending the Co-operative Societies Act so as to enable Central Banks to take up this work?—No.

What is the reason?—General banking is a dangerous affair and I would not risk the success of the co-operative movement by entrusting this kind of work to it.

*Vice-Chairman:* In paragraph 7, you have mentioned the *khat* system under which the borrower pays a fixed instalment per month. What is the extent to which the system prevails?—I cannot say but it is fairly common.

You say advancing *taccavi* on a larger scale should be done without enquiring into the objects of the loan. Is it what you say?—Yes, practically so.

Do you not think that extravagant habits and the lack of sense of budget are apt to make a cultivator spend lavishly if he gets credit easily?—Yes.

If we give up this enquiry into the object, do you not think that it is a case of *taccavi* being taken on a lavish scale and spent on unproductive objects?—No such question arises as the *taccavi* will be limited to 20 times the land revenue.

Even then do you not think that a part of it will be spent on unproductive objects?—Probably, but a repayment will be compulsory.

Was there any acute crop failure during the five years in the Yeotmal district of which you give figures of *taccavi*?—There was in 1927-28.

Have you heard complaints of the *adatyas* and other middlemen in the markets appropriating a portion of the full price of the agriculturist's produce? Have you any idea of the extent to which they rob the cultivator of the full price?—I estimate anything between 10 to 20 per cent.

You say that an average *sowkar* does not desire to retain land. Is that based on your enquiries?—Yes.

You have said "I do not think the co-operative movement can fully meet the financial needs of the agriculturist in this district because in a large number of cases agriculturist wants credit that is far above his assets". Do you find this tendency to be very common?—Yes.

Would you agree that in any financial organization that we may set up for supply of better credit facilities we must seek to get this tendency in check?—Yes.

You have said in paragraph 45 that in institutions run by local men they need some hard-and-fast rule, etc. Do you think that any mismanagement and laxity that may be prevalent in our co-operative movement is due to this?—Yes.

Are not persons in authority always willing to go against the desires of their friends and relatives?—I will attribute to them that desire.

In paragraph 47 you suggest a sort of federation for Central Banks. What purpose do you want this federation to serve?—I want the federation for pooling their resources.

We have at present got a federation of Central Banks. Do you think it would do?—Yes, it might.

In paragraph 53, last sentence, you have said that "no joint stock or co-operative bank can hope to run as economically as an indigenous bank". Apart from a much larger use of *taccavi* if we decide to set up some organization in

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addition to the existing money-lenders for providing credit facilities, do you think that a co-ordinated organization of money-lenders would be cheap?—Even that would be expensive.

If we try to serve that purpose by licensing money-lenders, do you think we will secure as much fair dealing as will be available from the taccavi organization or a joint stock bank?—No. Not as much. Because in the taccavi scheme I suggest, the demand of the creditor would be regular and in the case of the licensed sowkara there is nothing to prevent a cultivator's demand being more than he really wants.

In paragraph 55 you have made a remark about advantage being taken of the cheaper credit given by the co-operative banks for enlarging the money-lending business. As an executive officer in the district have you heard of any prominent non-official workers associated with the co-operative movement utilizing their loans from co-operative societies for private money-lending on higher rates?—No definite cases have been brought to my notice, but I have heard many complaints.

In paragraph 61 you have made a very valuable suggestion. Do you mean that there is no competition between the money-lenders?—At present the competition is like that obtaining between a solicitor and a solicitor.

Would you be in favour of the Government running a large number of shops which would advance loans on practically anything except which is liable to rapid destruction at about 75 per cent of the value for a period of one year, and if the amount is not repaid within time the security should be sold, and if any profit is left, it should be returned to the debtor?—I do not think it would be desirable, because I think the same thing can be done more cheaply by encouraging indigenous bankers or the joint stock banks or Central Banks.

Have you formed any idea of the percentage of money-lenders given to underhand dealings?—Some are bad, some are worse and it is not possible to say how many of them are perfectly good.

You have said that the opening of the branches of the Imperial Bank of India has tended to lower the rate of interest. Is it what you have found in your enquiries in Yeotmal?—Yes.

*Rao Bahadur M. G. Deshpande:* You say in paragraph 59 that indigenous bankers accept deposits from customers and allow a very handsome rate of interest on what amounts to a savings banks deposit. May I know if these indigenous bankers at present get more deposits than Central Banks, because they give handsome rate of interest?—I am sure they get more deposits than the Central Banks.

In paragraph 62 you say that you cannot imagine what the result of lower interest will be on the agriculturists. Do you not think that they will waste?—When good security is limited you cannot get money in an unlimited form.

Do you think that accounts are not properly kept?—I say it is a common belief that the accounts are not kept properly.

Could you by any chance say anything about keeping of double account books?—The income-tax officers might be able to do so.

You have admitted that agriculturists in Berar get subsistence amount and pay higher rate of interest, because they have got the right to lease their land?—I say the rate of interest is higher, because they can do away with their land, also because I think the demand for loans is also more than in Central Provinces.

You say that taccavi should be advanced twenty times. May I know if the taccavi is a first charge or next to land revenue?—Arrear of taccavi is recovered as arrears of land revenue.

The position in Central Provinces is different. What would be the position there?—I cannot say as I have not given a thought to the position in Central Provinces.

May I know why the agriculturists prefer going to sowkara instead of going to societies?—Very much the same reason why people prefer going to private medical practitioners and not to charitable dispensaries.

*Seth Narsinghdas Daga:* While writing about that system you say the first instalment is taken away at the time of advancing money? Is the second instalment payable in the same year if instalments are to be paid regularly?—No. In the next year in advance.

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What are the other deductions that are made?—I cannot explain but I know there are certain deductions.

You say that an agriculturist cannot help going to a sowkar again and again. What is the reason?—Because of the facilities that he gets there.

You say that sowkars give handsome interest on deposits. You also say that an agriculturist does not pay in time. Do you not think that the supply being deficient the rate of interest is higher?—This is one of the reasons but is not the only reason.

If money-lenders are licensed and hence do not advance money do you think there will be any difficulty?—I do not think there will be any as somebody will advance.

Supposing the Government extended to sowkars the same facilities as exist for the recovery of land revenue, do you think that the sowkars will advance money at lower rate of interest?—I am not prepared to answer a hypothetical question like this.

Is there a scheme to give such facilities to the co-operative societies?—I do not understand what you mean by such facilities.

*Professor A. C. Sen Gupta:* I believe in licensing money-lenders the conditions will be such as will not inconvenience an honest money-lender?—Yes.

In that case do you think the honest money-lender will mind taking out a licence?—Everyone will mind, but everyone will take out a licence.

The rate of interest is higher, because there is monopoly. Do you mean that in any particular village there are not many money-lenders and therefore there is no competition or do you mean to say a man is unwilling to change his sowkar?—He is unwilling to change his sowkar and there is also no competition. What I want is competition between classes of money-lenders and not among money-lenders in the same class.

You suggest that there should be a nominal duty on cheques. Why so?—I think that in respect of a cheque for a very small sum the trouble given to the bank is disproportionate, I think that the banks might make it a rule they could charge for its services on urgent cheques drawn for small sums.

*Chairman:* In our enquiry when we asked the local money-lenders as to why mortgage debts carry a higher rate of interest than in Central Provinces they told us that the reason is the difficulty of realizing the debts as the creditor has invariably to go to the court; uncertainty of land price is another reason. Do you agree with this?—Yes, these are some of the reasons.

They also asked "When the co-operative societies charged 12 per cent upon joint responsibility why should they not charge more on individual responsibility"?—That is the same in Central Provinces as in Berar.

Do you think that difficulty in recovery is one of the causes of the high rate of interest?—It may be.

*Vice-Chairman:* In Berar any loan given is eventually recoverable, while in Central Provinces it is not so certain, because they can lay hold on the moveable property only. Is it not?—Yes.

*Chairman:* Thank you.



MR. B. H. JATKAR, B.A., LL.B., Pleader, President District Bank, Yeotmal.

Reply to the Questionnaire.

### Part I.

QUESTION 1.—The agriculturist obtains finance for (a) from (i) village sowkars like money-lenders, Rohillas, Marwaris, Komtis, etc., (ii) co-operative societies, (iii) bankers, and (iv) brokers and *dalals*; for (b) from (i) Government by way of taccavi loan under the Land Improvement Loans Act, (ii) co-operative societies, and (iii) bigger sowkars and bankers; for (c) from (i) Government to a small extent, (ii) co-operative societies, (iii) sowkars, and (iv) shop-keepers who provide necessaries for ceremonial purposes, etc.

(a) Loans for cultivation purposes are borrowed at *sawai* for a period of about 4 to 6 months and 2 per cent or 3 per cent after default.

(b) For capital and permanent improvements loans are borrowed on mortgages usually at 1 to 2 per cent.

(c) For other special needs, etc., loans are borrowed in the same manner as in (a).

(d) Government and co-operative societies charge fixed and lower rates. Mortgage-deeds are generally payable within 2 or 3 years or by instalments, ranging from 3 to 10 and security offered is generally that of land.

Co-operative banks take a considerable part in agricultural finance and have given some relief to the agriculturists who, in absence of their help, would have been ruined under the heavy debts of the usurious money-lenders. Government plays a small part in agricultural finance. During the five years 1922-23 to 1926-27, the Government has given on an average Rs. 40,000 per year in this district under Land Improvement Loans Act and the Agriculturists' Loans Act. The machinery is very slow and cumbrous and the deserving people do not always get help in times of necessity. The Imperial Bank of India and other joint stock banks do not take any part in agricultural finance. There are no indigenous banks in the district. The total amount of capital required for the various purposes stated above for my district is Rs. 1,25,00,000.

Grain advances are made on condition generally of *sawai*. Their extent cannot be given.

There is at present no system in banking and one bank or banker holds no sort of relation with another bank or banker. This gives facilities for rash borrowings. One man may be debtor to a number of creditors borrowing from each amount to the extent of his credit. Thus once his real situation is exposed many of the creditors have to repent for advancing loans to him on credit.

Licensed sowkars should be created and money-lending should be carried on by only the licensed money-lenders in the manner and on conditions so laid down by legislation.

The producer when he is in money difficulty agrees to any conditions imposed by his creditors and disposal of his crop through the creditor's medium is one of the ways in which the producer has to suffer a good deal in the price of his commodity. The agriculturist being ignorant and uncalculating he hardly ever feels this loss, but in reality the loss is very great. Not only this system deserves to be discouraged, but it deserves being prohibited by legislation.

At present there is no co-ordination among the above mentioned different agencies, but it is desirable and it can be brought about as suggested above by the system of licensed money-lending and by registration of bankers.

QUESTION 2.—(i) Cotton is sold through *adatyas* generally. A small quantity is, however, sold in villages without the direct intervention of a *dalal*. The proportion of cotton sold through *adatyas* to that sold privately is about 75:25 or 3:1.

(ii) Grain is sold generally in open markets or sometimes also through *adatyas*.

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These are possibilities of forming pools if efforts are made on co-operative lines, i.e., if co-operative sale societies in the real sense of the word are formed and the agriculturists pool their commodities and sell them only through their societies on wholesale basis.

There are at present very few facilities to the producer during the marketing of his agricultural produce. Such facilities are a necessity, because it is only if he gets such facilities that he can wait till he gets reasonable price for his goods. He must get some percentage of the estimated cost of his goods as advance before the goods are actually sold.

Remittance Transfer Receipts are available only to a small class of bankers such as co-operative banks.

Hundis are largely made use of by town people and merchants with established credit.

Cheques are freely used, but by educated people and city bankers.

There are, however, no special facilities offered for small remittances by or to the agriculturist. This difficulty has been causing him great inconvenience. Remittances from and to the members of primary co-operative societies at specially low rates of money order commission is the remedy and this concession will also bring a considerable income to the post office.

**QUESTION 3.**—In the Yeotmal district value of land does not generally depend on the different kinds of crops. It depends on the average Government assessment per acre. It is generally 100 to 150 times the land revenue.

Other factors that go to affect such value are (1) vicinity of the town and railway, (2) condition of land, (3) prevailing rates of cotton and (4) good season, etc.

In (a) Government auction for land revenue and in (b) sales in court decree the value fetched for land is generally low as the seller has no choice of selling the land away.

The value fetched in sales by private negotiations is full and proper, because the seller is free to guard his own interests and demand full price of land.

**QUESTION 4.**—In ryotwari holdings there is no legal impediment for mortgage of land. But in alienated villages like jagir and permanent tenancy in izara villages, land is not alienable. The number of such villages is small.

There is no provision in the province for long-term credit to the agriculturist. The question of establishing land mortgage banks is being considered by the Government and the report of the committee appointed by the Government to consider the question of establishment of such banks has recently been published.

Land mortgage banks should be established as widely as possible on the lines of the scheme suggested by the Land Mortgage Bank Committee.

Where such banks would not be established facilities should be given by the Central Provinces and Berar Provincial Co-operative Bank and the Government by providing long-term loans to the existing central banks.

(a) Mutations ought to be effected and certified at least once every quarter in order that the record should be up to date.

(b) As the land mortgage banks do not exist in this province, this question does not arise.

(c) The concessions and exemptions in respect of registration, inspection of records, exemption from stamps, etc., at present conferred upon the co-operative institutions are sufficient to safeguard their interests against defaulters, etc., and reduce the costs on good constituents.

The report of Land Mortgage Banks Committee deals with all these points in detail and their suggestions may be given effect to at once with the exceptions (1) that the rate of interest guaranteed should be 5 per cent instead of 6 per cent, so that the banks may be enabled to lend at lower rate of interest, (2) the Government should supply capital to such banks free of any interest or at a nominal rate.

**QUESTION 5.**—The total indebtedness for this district may approximately amount to Rs. 5 to 6 crores.

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Economic survey in some villages in different parts of the district has been undertaken by the co-operative institute and if the Government also supplements these efforts, such estimate with reasonable accuracy can be obtained.

Mortgage debt with land as security comes to Rs. 2 crores, Rs. 1 crore with house security and pledge of gold, etc.

This information can hardly be found out except in so far as the loans are taken from the Government under the Land Improvement Loans Act or Agriculturists' Loans Act and from the co-operative societies which look to the purposes of loans and their proper utilization. Private money-lenders never care to enquire into the purposes of loans provided their money is well secured.

As the Government taccavi loan and loans from co-operative banks contribute to a comparatively smaller extent to the general indebtedness of the agriculturist, it is obvious that the debt is principally due to indigenous bankers and professional money-lenders.

Many cases can be cited in which the debt is due to the compounding of interest, but an estimate of such indebtedness cannot be given.

Indebtedness of the agriculturists may also be attributed to (a) want of education, (b) want of estimation of income and expenditure, (c) agriculture is not carried on on business lines, (d) it does not pay its way without being supplemented by another profession and (e) want of proper facilities for easy and safe investment.

The method of calculation of interest is generally by compounding every year. The debt is recovered by (1) taking over land either on lease or by sale, (2) by voluntary repayments, (3) by sale of produce through the money-lender, if he is an adatsya, (4) through courts by foreclosures or sale in mortgage debts, and (5) by attachment and sale of moveable and immoveable property through courts.

Lands are passing to the creditors and farmers are being turned into tenants for period or at will. These results can be obtained even from the records of Government.

Naturally when the actual cultivator has only a temporary interest in the land he cultivates he does not take to permanent improvements in his land and is satisfied with what he can get out of it by the least labour.

**QUESTION 6.**—There are at present no subsidiary industries in this district allied to agriculture. Whenever they are undertaken they are only for meeting their household or agricultural wants.

They should be encouraged by forming non-credit societies on co-operative lines and should be financed by Central Banks. Facilities for dairy-farming and cattle-breeding should be given by Forest Department. Government should advance loans under the two Acts, viz., Agriculturists' Loans Act and Land Improvement Loans Act, for financing subsidiary industries and provision should be made by law for such advances.

**QUESTION 7.**—No sort of direct connection exists between the co-operative bank and the other banks except that the co-operative bank obtains loan from the local branch of the Imperial Bank of India against Government and other securities and gets facilities of remittances by cheque.

The only difficulty that is at present felt by the co-operative bank in the interest of the indebted agriculturists is the want of funds at its disposal for advancing long-term loans even to members of societies.

Exemptions from income-tax should be extended even to the income derived from interest on securities.

Co-operative movement has not succeeded in meeting the financial needs of the small traders and industrialists and even of the agriculturists. Only a very small number at present get advantage of the movement.

If properly extended, the movement would capably meet the needs of the agricultural as well as industrial class of the district.

Usurious Loans Act is very rarely used in the province. Some legislation is quite necessary to check frauds by money-lenders and this can be successfully done by introducing the system of licensed money-lenders and imposing certain conditions on them in respect of maintenance of accounts and supplying them to their constituents every year.

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Co-operative business on provincial scale is not desirable. Local units should be retained. In administration by local units the work is more efficiently done owing to the advantage of the knowledge of local conditions and the necessity of the agriculturist. For imparting education also local units are more useful than the provincial organization. Financing on provincial scale is also becoming unpopular in the Bombay Presidency and there is a tendency of forming Central Banks in areas at present served by the branches of the Provincial Bank of the presidency.

## Part II.

**QUESTION 1.**—There are no indigenous banks in this district. There are very few indigenous bankers, by which term I mean the persons belonging to the soil, who have saved money from efficient agriculture and have taken to money-lending on a large scale or who have taken to money-lending only. These persons have a real desire to help their fellow-agriculturist in times of necessity and expect a moderate rate of interest. Their dealings with their constituencies continued for generations and were very fair and honest and they had no eye on the land of the agriculturist. This class of indigenous banker is vanishing and their place is taken by outsiders like Marwaris, Bhatias, Katchis, Rohillas or Pathans, etc.

This second class of bankers which is now called indigenous can be divided into two—those who are dealing in urban areas and those who have entered into the mofussil and carry on their business in the rural areas.

Their functions are—

(1) To lend money to agriculturists, artisans like goldsmiths, blacksmiths, masons, potters, etc.

(2) They deal in cloth, kirana, grain and cotton seed. The urban bankers deal in cotton and cotton bales.

(3) The rural banker sometimes borrows money from the urban bankers at a low rate of interest.

(4) They lend money by pledging gold and silver ornaments and also for agricultural and household purposes on pronotes and bonds, etc.

(5) They take deposits from other persons and pay interest.

**QUESTION 2.**—The indigenous banker advances money mainly to the agriculturists for all purposes by taking pronotes, bonds or khatas for current need and on mortgage of land for permanent improvements. They advance money to petty traders on the security of their goods or of gold or silver ornaments. They do not assist in financing any industry as there is no industry as such in this district.

**QUESTION 3.**—No estimate can be formed of the amount of capital invested and the volume of business and their expenses. There are no indigenous banks. The facilities afforded by the Imperial Banks to the indigenous bankers as such are not adequate. They at present give hundis to their approved customer, on solvent security tenable for 3 months.

**QUESTION 5.**—Their method of granting loan varies in different places. They generally advance money by taking bonds, pronotes, which are payable at the next harvest. For bigger sums they take mortgages of land and houses which loans are payable in 2 or 3 years or in instalments. From those who are not agriculturists they take pledge of gold or silver.

There is no method of allowing cash credits. These depend on the honesty of the customer, his income and the value of his assets.

The indigenous bankers provide themselves from their own savings and deposits and sometimes borrow money from other bankers at low rates of interest.

They allow interest on deposits from 6 to 9 per cent per year which depends on the period of the deposits.

**QUESTION 6.**—The agricultural community has to pay *sawai* or 2 to 3 per cent on loans for current needs. For bigger sums on security of land they pay 1 to 2 per cent interest.

These high rates of interest can be brought down only by expansion of organizations like the co-operative credit societies and also by imposing restrictions of law on money-lenders and the rates of interest.

MR. B. H. JAEKAR.

The reduction of the rates of interest would confer great benefit to the agricultural community. The co-operative movement would increase their resources and improve their capacity to spend more on improvements and better implements.

**QUESTION 7.**—Frankly speaking there is a prejudice against the indigenous bankers, but the agriculturist in need has to run to him for want of another money-supplying agency. The bankers are protected in law as any other subject. They do not require any special facilities. They have always an upper hand in their dealings in the law courts as their constituents are illiterate and uneducated and hence commit themselves to writing about any terms and conditions which are prejudicial to their interests.

Their dealings with their clientele are not conducted on sound lines. They do not keep proper account books.

Repayments made are not credited and no receipts are passed. The debtor never knows what is due from him. The account books are not open for inspection by the customers. They generally charge compound interest even when there is no stipulation to that effect.

These defects can be remedied only by legislation. Either by licensing the money-lenders or by system of registered bankers with conditions that they must keep regular account books, such account books must be open for inspection by the debtors or by their duly constituted agents, that a copy of the account must be furnished to every debtor once every year, the rates of interest should be fixed by legislation.

**QUESTION 8.**—If the remedies suggested in the foregoing question are brought into force, this class of banker will be more serviceable to the district and this would also improve and consolidate the banking system in the district.

The attitude of the indigenous banking community would be against introduction of any measures for regulating their operations and for giving publicity to them. They are quite sure that their iniquities would be exposed. At present unscrupulous money-lenders find it easy to gull the ignorant and needy cultivator and extract from him exorbitant rates of interest.

**QUESTION 9.**—The money-lender generally gets 12 to 15 per cent net return on his capital. There is no loss through foreclosure as the value of property mortgaged is generally more than double the amount advanced.

The legal expenses, i.e., the court expenses are mostly allowed by courts. The principal item is loss through default, by which term I mean irrecoverable sums, which is not much.

**QUESTION 10.**—Generally speaking, the indigenous bankers do not find it difficult to raise money in order to meet all demands for loans and hardly any occasion comes when he has to refuse finance except in cases where he considers the security offered insufficient or inadequate. In times of scarcity they cannot have sufficient capital which is already locked up.

**QUESTION 12.**—There may be some money with the indigenous bankers which does not find employment throughout the whole year, but it is not large.

Owing to this cause money does not flow to the provincial centre, but to some extent this money is deposited with banks or bankers at some convenient central places in the district itself.

### Part III.

**QUESTION 1.**—There are branches of the Imperial Bank of India at all principal towns and cities of the province. Branches of other joint stock banks also are opened at Nagpur, Jabulpore and Amraoti. In each town there are big firms and indigenous bankers who deal in deposits and issue hundis, cheques, etc. Co-operative banks have been started and are being started at various centres. Village co-operative societies accept deposits at attractive rates and this is the only facility available at present to the village agriculturist to deposit his surplus funds when he has got them. But this is also very rarely availed of.

Government savings bank department is useful in more or less smaller towns where there are no banks, etc., and no other convenient place for safe deposit of small reserves.

MR. B. H. JAYKAR.

As regards means and institutions the towns have got sufficient means of investments as mentioned in the reply of the first question above. Co-operative primary societies are the only institutions that are at present available to the villages for investment of surplus, and there is now an increasing tendency among villagers to make use of societies as a means of investing surplus money.

The facilities available at present are very poor and they do not adequately meet the requirements of the public. Because there are persons who do not find convenient and safe investment for their overflowing surpluses which if properly invested would be usefully utilized in meeting the wants of the agricultural class and small trader.

By expansion of the co-operative movement and by spread of education among the villagers the facility offered by the co-operative societies in respect of deposits will be further extended to the village population.

Formation of co-operative thrift societies in villages would give another facility to the village people to save money and invest it with benefit. The experiment of home safes is also worth trying in this direction. Post office savings banks should be more freely opened in smaller villages. These offices should issue cash certificates of smaller denominations. The small trader, bigger merchant and other business men cannot afford to make an unproductive investment like that in gold. Agriculturists are, as a general rule, indebted and whatever money they get out of the produce of their harvest, they have to pay to their creditors. Only a few agriculturists who can save something in their business buy gold.

QUESTION 2.—Post office cash certificates are popular only with bigger merchants and local self-governing bodies. They are hardly ever purchased by the poorer classes.

To increase the popularity of these cash certificates they must be issued and advertised through the branch post office in villages all round, and cash certificates of the denominations from Re. 1 also may be issued so as to bring them in the reach of the poorer villagers. (Interest at 6 per cent compound should be given on post office cash certificates).

Postal savings bank does not afford any facility to the public as the interest is very low and there are difficulties in withdrawing, etc. Only higher officers of the Government and Government servants at places where there is no other place for investment of their small savings take resort to the postal savings bank. Savings Bank department should be opened in all branch post offices and the rate of interest should be increased. There is no competition between Government and other banking institutions on account of the attractive rates of post office cash certificates.

QUESTION 3.—The existing facilities for the purchase and sale of Government securities are not sufficient. They should be of smaller denominations and facilities should be afforded by Government for their purchase and sale through all post offices and sub-treasuries. Besides advertisements and spread of knowledge about this sort of investment among the village population, propaganda must be done on a very large scale.

The co-operative banks also may be authorised to do this business for the small agriculturists and small investors. Traders and merchants always invest all money that may come to them in their business. They would never keep it idle. Agriculturist in the first place can hardly afford to save any money. When they receive money by the sale of their produce they first pay up the dues of their creditors, and if there is any surplus they spend to a certain extent for their own household and family needs or even luxury to some extent. If still there is surplus—as occurs in very rare cases—they take to petty money-lending or purchase gold.

There is no tendency towards hoarding. Farmers lend to their fellow agriculturists to some extent and when they at all do so they charge *sawai*. If agriculturists have large surpluses in prosperous years, they generally purchase lands even at a high bid. If, however, they have not got funds enough to purchase land, they invest the surplus in purchase of gold.

People in general are very little prone to use cheques for money transactions. It is in vogue to a certain extent only where Imperial Bank or other banks exist. Abolition of stamp duty on cheques has only to a certain extent facilitated the use of cheques by the public.

MR. B. H. JATKAR.

Only literate classes and particularly merchant class use cheques. All co-operative banks should keep current accounts with a small interest and the people will take advantage of this account and naturally with facility the cheque habit will grow.

Vernacular script should be used on cheques so that even vernacular-knowing people may understand what the cheque indicates and thus his suspicious about the cheque system having disappeared may be induced to use them more than at present.

**QUESTION 5.**—Looking to the insignificant number of people taking advantage of the existing banks and to the fact that only a limited number of citizen keep deposits in banks shows clearly that the habit is of a very slow growth.

Want of education and a feeling of a sense of insecurity in investments are the causes of this.

Opening of the new branches of the Imperial Bank of India has resulted in giving greater facility to the public and particularly to the businessmen for transmission of money to and from various commercial centres and has also told upon the rates of commission on hundia, etc.

#### Oral Evidence.

*Amrsohi, 1st February 1930.*

**Vice-Chairman:** You suggest licensing of money-lenders. You know such a measure is likely to be opposed strongly by the general body of money-lenders. Do you still advise the Government to undertake a legislation?—Of course, because it will be useful.

You have said "remittances from and to the members of primary co-operative societies at specially low rates of money order commission is the remedy and this concession will also bring a considerable income to the post office". Do you think all societies can manage this business now?—Yes.

Are there many societies having literate members?—Most of them have.

About long-term loans I would say that although our deposits are limited to a number of years still in practice they are always renewed. We have, therefore, for all practical purposes long-term deposits at our disposal. Can we not give long-term loans on the strength of these deposits?—I do not think we can depend on them at a sure thing.

Can we not do it for say ten years?—We have done it.

While criticising the Land Mortgage Bank Committee Report you recommend the rate of 5 per cent instead of 6 per cent. Do you think it will be possible to attract sufficient capital at that rate?—I believe so.

Then why have you not reduced the rate of interest on your deposits—We have.

You have also suggested that Government should supply capital to such banks on nominal rate. Wherefrom should Government supply this capital?—From its own resources, say, famine relief fund.

Do I take it that you do not object to compound interest?—Yes.

Speaking of subsidiary industries the class which consumes the products of such industries is at present being supplied by certain class, for example we have got dairy farmers and cattle-breeders. If others take to these industries, do you not think that those engaged in the industry at present will be displaced and will have fresh problem of unemployment?—I do not think so.

You say that the co-operative movement has not yet been extended to small traders. Why have you not started societies of small artisans?—The whole energy is directed towards agricultural credit.

You are strongly in favour of co-operative finance being advanced through Central Banks. But do you not think that in place like Punjab the Provincial Bank could do better?—I do not think so. Without local workers Provincial Bank will do no good to places like Punjab.

You have said in Part II, question 1, that the older money-lenders had straight dealings with their constituents. This class is vanishing and their place is being taken by outsiders, etc. Are there not many Deshpandes and Deshmukhs who also carry on as sarkars?—Formerly there were.

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Have they also not appropriated part of the lands of the poorer classes?—Yes some of them have.

The fact that they have been displaced by these outsiders shows the lack of thrift of those people. Is it not?—Possibly so.

*Chairman:* Can you amplify your reply by explaining where these outsiders get their capital from?—They start with small shops, either *kirana* or cloth, and they make money rather extortionately and then begin money-lending.

*Vice-Chairman:* Is there any competition amongst these money-lenders? No. There are very few people in each village.

You say that the money-lender generally gets 12 to 15 per cent on his capital. What is that estimate based on?—It is based on certain calculations. I take it that a money-lender gets about 18 per cent interest and their expenditure does not go to more than 6 to 8 per cent. Therefore, I say they get about 12 per cent.

You have said "that the high rate of interest can be brought down only by expansion of organization like the co-operative credit societies and also by imposing restrictions of law on money-lenders and the rates of interest" and at another place you say in reply to No. 10, generally speaking, the indigenous bankers do not find it difficult to raise money, etc. Are these two views not inconsistent?—No. At present the indigenous bankers only have a supply of money and I want to raise that supply.

Do you mean there is a monopoly on the part of money-lenders and they have artificially kept up the rate of interest?—Yes.

Why do not the societies take deposit?—The societies in Yeotmal district do take deposits.

What is the total deposit?—It is about Rs. 1,67,000.

*Chairman:* Is it by members or by non-members?—About half by non-members.

I believe most of them are rural?—Half the people are from urban areas and the rest from rural.

Do you not think that the deposits made by the rural population are not encouraging?—We must expect slow progress.

*Vice-Chairman:* You have said that the opening of branches of the Imperial Bank has also told upon the rates of the commission of hundis. Is this based on your experience?—Yes.

*Chairman:* I believe you would admit that there are very great climatic variations in India and that the crop outturn varies much from year to year; and that in some years the crop outturn is very poor?—Yes.

Would you also agree that in the years when the crop outturn is very poor the agriculturists are maintained and largely kept alive by indigenous money-lenders?—Yes.

What will you estimate as the net average profit from agriculture having regard to the value of the land? Supposing the land to be worth Rs. 100 per acre what would you estimate the net profit?—It would be Rs. 6 to Rs. 8 per cent on the Capital value.

Can you then suggest what would be the maximum rate of interest upon which it would be profitable for an agriculturist to carry on his business? Your position is that the net profits from agriculture vary between 6 to 8 per cent. We might go further and say that unless an agriculturist borrows money below 6 to 8 per cent there is no hope of his making a profit from the loan. Is it not so?—Yes.

Would you go one step further and agree that a loan borrowed at 12 per cent cannot be profitable to an agriculturist under present conditions?—I do not think 12 per cent is too high. I agree that in this calculation he loses, but by advancing money we expect of him to improve his land and make more money.

Do you think he will ever succeed?—He will, if he tries to.

Do you think 12 per cent is a reasonable rate then?—Yes.

Are you aware that in the Basim taluq where there are no co-operative credit institutions the ordinary rate of interest charged by money-lenders is 12 per cent?—I am not aware.

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Would you be surprised to hear that agriculturists can borrow money there at 12 per cent?—I do not think that is the case in my district at least.

What do you think is the minimum rate of interest at which an agriculturist can borrow money nowadays?—He will not be able to borrow at less than 12 per cent. He will have to pay 15 to 18 per cent.

Are you sure of your figures?—Yes.

If we told you that in our enquiry we have found that the rate of interest is often 12 per cent would you be surprised?—Yes, I would be.

In one part of your reply you have estimated the total debts of your district to be Rs. 6 crores. Upon what is that estimate based?—I have based that estimate on three data. I have read the report of the Indian Central Cotton Committee. We have got figures of our banks and an enquiry has been made about three or four villages in our district by the institute.

As regards the figures that you have got with your bank what basis have you adopted for your calculations?—I have taken the figures of societies.

Are you of the opinion that the average number of a co-operative society is more heavily indebted than the ordinary agriculturist? Do you think he is more or less indebted?—He is ordinarily indebted.

If by the result of more elaborate enquiries it is found that the total indebtedness is less than Rs. 6 crores, would you agree that this would prove that the members of the co-operative societies are on the whole more heavily indebted than those persons who are not members?—If it is found after careful enquiry, I will have to.

But you are still of the opinion that 12 per cent is not a high rate to charge?—It is not high for short terms.

I think you stated in reply to the Vice-Chairman's question that you consider that the supply of capital should be increased. How do you propose to do that? Extension of the co-operative movement.

How would the extension supply money?—They would attract money deposits and take loans from the Provincial Banks. If more banks are established that would bring in more deposits.

I understand from your reply that you agree that the village sowkar has been financing the agriculturist and that before co-operative movement they were carrying on his burden single handed. Do you propose now that we should try to abolish the local sowkar?—How can we abolish him? It is not possible to do so.

But do you propose to restrict his activities by licensing him?—Yes.

Then do you think the co-operative movement will be able fully to cope with any situation which might arise?—I believe so. It is possible to have a branch of the society in every village.

In how many years do you expect this?—Say about 50 years.

In the meanwhile we are required to suggest some immediate remedies. Do you agree that there is a need for supplementing the supply of money by other means in the intervening period?—Yes.

Do you think it would be desirable if we try to restrict money-lenders by licensing, etc., to give them compensatory advantage by some extra facilities? No, I do not think so.

Assuming that they agree to keep accounts and to have them audited, do you think it would not be a good thing if we try to increase their own facilities for obtaining capital?—I would approve of that.

That is to say, if we can make it possible for them to get money from bigger banks, do you think it would be a good thing?—Yes.

Have you ever borrowed money from any money-lender?—No.

I think you are aware that if the provisions of the Usurious Loans Act are applied to suits it might give great relief in many cases?—But it cannot be made applicable to the majority of cases that come to the court, because no account books are kept by the money-lenders and even if they have kept them, they do not produce them. Then their habit is to renew the loan and show the debts as fresh loans.

Do the members of the Bar raise to a plead the application of the Act?—Yes, they do.

In your opinion it is necessary to require that all money-lenders should keep accounts and explain those accounts to their constituents?—Yes.

Are you aware that a large number of such persons such as old ladies, etc., support themselves by petty money-lending?—Yes.

They are not literate and there are other difficulties. What would you do about them?—They should be stopped so that they will deposit their money in the bank.

*Professor A. C. Sen Gupta:* You talk about the disposal of the cultivators' crops through the medium of creditors. Is it a very common thing?—It is not a common practice.

In any case is it compulsory?—When the creditors are the brokers, it is a condition.

I am bringing you to the rate of interest that the mortgage banks should charge and the rate of interest the Government should guarantee. You suggest 5 per cent for the mortgage bank, because you want that such banks should charge a low rate of interest. You say that even at 5 per cent you will get enough capital. But in considering post office cash certificates you suggest that the interest should be 6 per cent compound. Supposing the post office gives 6 per cent compound interest, would any one buy your debentures at 5 per cent?—I believe that these post office cash certificates are not very popular and that we can find sufficient money for investment in the mortgage banks.

You say that lands are passing to creditors. Can you give us an idea as to what proportion of land is passing to creditors in the last ten years.—At least 20 per cent of the agriculturists have lost their land to the money-lenders, not to the other cultivators. My estimate is only a guess.

You say that farmers sometimes lend to their fellow-agriculturists to some extent and when they at all do so they charge *sawai*. Do you think this is a very moderate rate?—They cannot be called bankers or money-lenders; they are very petty cultivators.

Have you got any cases where the real indigenous bankers as you take them charge a low rate of interest? Is there anybody now doing it?—There are few and charge less than 12 per cent. Only very few of these now remain. They are disappearing.

When you are talking of *sawai* the farmers charge, are you talking of *sai sawai* or seasonal *sawai*?—Seasonal *sawai*.

*Mr. P. D. Pundlik:* You say that the sowkars charge compound interest and you also admit that the co-operative banks charge compound interest. Then why should the sowkars be restricted from charging compound interest and not the co-operative banks?—The rate of interest charged by sowkars is very high; he also charges *sawai*.

*Professor A. C. Sen Gupta:* The co-operative banks lend on joint security, while the sowkars lend on indigenous security. Your security is greater than that of the sowkars. The sowkar would therefore be justified in charging a higher rate of interest. Is it not?—I cannot say.

*Vice-Chairman:* Until four or five years ago the enforcement of joint responsibility was insignificant. Was it not?—Yes.

*Chairman:* Would you also go one step further and agree that the mahajan and sowkar do not go to the civil courts and take legal proceedings until they are compelled to do so?—Yes.

*Mr. P. D. Pundlik:* You say that mutations ought to be effected and certified at least once every quarter in order that the record should be up to date. Are they not up to date now?—There is great delay even up to one or one and a half years. Every three months the record of rights must be complete. At present they are certified every six months and at times they are postponed for six months so that certifying is delayed abnormally. I want the period to be three months.

*MR. B. H. JATKAR.*

**Rao Bahadur K. V. Brahma, C.T.S.:** What is the rate at which the Yeotmal Central Bank advances to the societies?— $7\frac{1}{2}$  per cent.

At what rate do the societies advance to individual members?—The general rate is 11 per cent, and 12 per cent for defaulters.

Where does this difference go?—It goes to the funds of the society's reserve fund. These reserve funds are intended to be working capital. The rate of interest is lowered when the reserve fund scheme is made applicable to a society by one per cent.

Good members of societies can get loans from the societies at cheaper rates than from money-lenders?—By instalment system, the rate of interest is fixed at 9 per cent and there are instances where individuals get even at 9 per cent. Members of a co-operative society have not to pay 12 per cent as a rule.

**Chairman:** You had a life-time experience of this co-operative credit movement. Could you hazard a guess as to the percentage of members of the co-operative credit societies who have not been defaulters in the last five or six years?—I would put that at 50 per cent.

How do you explain the heavy arrears which have been outstanding in the past?—On account of the bad crops in the last three or four years. The percentage of overdue is not much now.

**Vice-Chairman:** The heavy arrears are partly accounted for by the concentration of large amounts with a few big borrowers. Is it not?—Yes.

Recoveries from the smaller debtors are better?—Yes.

**Chairman:** Could you tell us what percentage of the total of old debts are in the hands of these big borrowers?—Out of 13,000 members, 38 are big borrowers and they owe Rs. 2,00,000, in all.

**Rao Bahadur M. G. Deshpande:** You have said that co-operative banks take a considerable part in agricultural finance and have given some relief to the agriculturists who, in the absence of their help, would have been ruined under the heavy debts of the usurious money-lenders. May I know the total population of Yeotmal district?—Seven lakhs.

How many are members of societies?—13,000.

What is the fate of the remaining population?—They are at the mercy of the money-lenders.

Are they worse than society members?—I do not think I can compare them to society members. We have helped the members and saved them from the usurious money-lenders.

About the Land Improvement Loans Act, you say that the machinery is very slow and cumbrous and the deserving people do not always get help in times of necessity. What procedure do you recommend to rectify this state of affairs?—It is very difficult for me to suggest. If Government take the help of the Co-operative Department and the Central Bank, the condition will be improved.

Have you got the system of *amsai* on grain advances?—Yes. They charge *dhedi* also on grain advances.

Do you think that the producer cannot get good price for his products in Berar?—He has to sell it through his creditor.

Do you think that by employing *adatyas* the producer suffers?—The cotton producer loses on account of *amsai* which the *adatyas* charges; but not on account of the *dalal* system.

Are you getting money from your society members by money order?—No.

Supposing a concession is given, will you get money by money order?—Yes.

There are in Berar two classes of landlords, those with right of transfer in land and those without this right. Which of them are heavily indebted?—I cannot say.

Can you say that persons with transferrable right in land are heavily indebted in Berar?—Registered occupants are heavily indebted. Tenants do not get the necessary capital, because they have no transferable right in land.

For what length of time have you advanced long-term loans?—For seven to ten years.

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Do you give both loans to one member?—No. We are not giving long-term loans in the strict sense of the word.

Suppose this long-term business is taken by the Central Bank, do you think that your Central Bank will be in a position to manage at this stage, taking into consideration these outstandings?—I doubt. If no mortgage banks are forthcoming, the Central Bank should be asked to do this business.

You say that indebtedness may also be attributed to the fact that agriculture is not carried on business lines. What business line do you suggest?—It is not easy for me to tell.

*Rao Bahadur M. G. Deshpande:* You say that repayments made are not credited. Have you come across any such cases?—Many cases.

Have you advised any of your friends to take steps against such sowkars who have not credited the amount?—They cannot be detected. If strong evidence could not be produced, it will not be considered in court.

Do you know that the Provincial Bank gets deposit at 4½ per cent?—I know it.

How many societies have you got in your bank?—About 100.

How many societies are given the benefit of the reserve fund?—Ten only.

Do you think you are giving benefit to a large number?—We have begun it.

How much interest do the societies charge?—They charge 11 per cent for regular persons and 12 per cent for defaulters.

*Chairman:* When members pay all their debts to the society do they cease to be members or do they continue?—They continue.

Can you tell me what is the ultimate use of the reserve fund?—It will be taken up as working capital of the societies.

If the society wants Rs. 2,000 for financing its members and if they have got that amount in their reserve fund then the rate of interest would be necessarily low?—Yes.

Has any society reduced its rate of interest in this manner?—Yes.

Would you agree that society is a unit of co-operation, while the Central Bank is only a financing agency?—Yes.

We want to concentrate on the societies and it is the place where the work should be done?—Yes.

What function the Central Bank performs?—It acts as financing agency and does the spreading of education.

*Seth Narsingdas Daga:* Do the cultivators derive any profit from agriculture?—They do to the extent of 4 annas in a rupee.

Then how is it that they have to give up their lands to sowkars?—The rate of interest being higher the money cannot be repaid and the amount of interest goes on swelling and ultimately the land goes to the sowkar.

Do you think that the sowkar is willing to take the land of a cultivator in return of the loan advanced?—He might or he might not. But he cannot get anything except that.

You have suggested a legislation for controlling the money-lenders. What are the faults of the money-lenders?—They do not keep regular accounts; do not credit the amounts honestly, do not submit accounts to their constituents, etc. Every time a document is renewed they take it as cash advance.

Do you desire to control the rate of interest by licensing the money-lenders?—Yes.

If there is an abundance of capital, will not there be an automatic reduction in the rate of interest?—There will be.

Then what is the necessity of reducing the rate of interest by legislation?—The rate of interest could be reduced without legislation, if there is a good supply.

You complain of compound interest. Do you not agree that if the interest will be paid regularly then there will be no compound interest?—I agree.

Do you mean to say that sowkars do not advance money on less than 24 per cent interest in your district?—Yes.

What is the reason of borrowing money on 24 per cent when co-operative societies lend at 12 per cent?—Because the co-operative movement has not extended in such places.

How will the membership spread, if a person is not allowed to join the society?—There must be a society in each village and a man must be accepted by the society as their member.

Would you object if the local sowkars deposit their money with the society?—Not at all.

What rate of interest would you give?—We would pay them 7½ per cent. But I may state that there is no deposit from a money-lender in our bank.

Chairman: Thank you, Mr. Jatkar.

Mr. N. N. DESHPANDE, B.A. LL.B., Pleader, Wun,  
District, Yeotmal.

Reply to the Questionnaire.

QUESTION 1.—(a) The agriculturist obtains finance for expenses during cultivation either from Government in the form of taccavi loans or from local sowkars or professional money-lenders.

(b) For capital and for permanent improvements from sowkars or co-operative banks or Government.

(c) In case of failure of monsoons either from the Government or from local sowkars.

For purposes of land revenue and for ceremonial purposes from local sowkars or from professional money-lenders, especially from the local sowkars when the loans are petty.

*Rate of interest.*—The rate of interest varies from 12 per cent to 24 per cent per annum. In the case of short period, i.e., seasonal period the rate of interest is generally prohibitive.

*Nature of security.*—Sometimes the cultivator, if he is a person of status, executes only a pro-note; if otherwise he has to mortgage his property; but if he is such that his credit may be impeached at any time, he may be required to pawn his wife's ornaments to obtain the necessary amount.

The conditions may vary according to the nature of the case, i.e., they may be simple or rigid. Sometimes they are so rigid that the bargains may turn out to be unconscionable. The Government has taken a direct action to this extent that it has helped the agriculturists by giving taccavi loans. Indirectly it has helped a great deal by passing the act like the Co-operative Credit Societies Act, Usurious Loans Act, Imperial bank does not deal with the agriculturists as such and does not extend to them a helping hand.

There are no joint stock banks of the nature indicated in the questionnaire in my district or in the province.

Co-operative banks have played an important part in the history of agricultural finance; but for these societies the agricultural operations would have come to a standstill.

Professional money-lenders are a dangerous necessity and they have been of immense service to the agriculturist from time immemorial.

No; not even for a taluq. Sowing seeds such as wheat, juar and gram are advanced on *sawai* and sometimes on *didhi*. The extent of advances may roughly come to 5,000 khandis in my taluq.

The cultivator cannot afford to wait in view of the higher prices in distant future and as the demand from sowkars are pressing, he has to sell his produce to the money-lender who dictates his own price and then the poor cultivator has to submit to his terms even though they may be very hard.

In my taluq advances on the disposal of crops are not at all in vogue.

Yes, the Government should establish unions which can help the cultivator with loans at comparatively much lower rates of interest than what is generally charged by the local sowkars.

At present there is no co-operation between the Government and the several financial agencies such as professional money-lenders and sowkars. The Government is following the policy of isolation which is very detrimental to the financial prosperity of this province.

There is much scope, provided the Government is willing to join hands with the financial agencies existing in this country.

QUESTION 2.—The present method of marketing is in no way satisfactory. The poor cultivator is being exploited every day by the middleman and money-lenders; in the former case, because he being ignorant, he has to sell his produce through him. This naturally gives him an advantage and he thus pockets large profits in the form of commission. Much good is expected if co-operative organizations in production as well as in the sale of agricultural produce, are started. At present there are no credit facilities for the financing of product during marketing. In regard to credit facilities there is much difference between the internal and foreign trade. The internal trade is financed by means of currency

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cheques through the Imperial Bank where as foreign trade is generally financed by means of bills of exchange or reserve councils or sterling drafts. The usual forms of hundia that are current in my taluq are Darshani hundis. They are payable on call. It would be better if Negotiable Instruments Act is rendered into vernacular of the province. The hundia in my taluq are sometimes discounted in the local centre, i.e., the place itself. Railway receipts are very common as the instruments of the ownership of goods and they are always made use of in raising money during the process of marketing. No such good will result if licensed warehouses of the type existing in the United States of America, are established in India, and the Government should directly help the establishment of such warehouses as soon as possible.

**QUESTION 3.**—In my taluq the value of land per acre for cotton comes to about Rs. 500 in other cases it may vary from Rs. 50 to Rs. 100.

The conditions affecting the value are as follows:—

- (1) Nature of the soil.
- (2) The law of demand.
- (3) Nature of prices.
- (4) Conditions of the crops.

(a) Value of land in Government auction for non-payment of revenue is generally very low. It is because the Government is not so keen about the price it may fetch but about its land revenue. We very rarely meet with such cases. Value of land in the event of sale in the court decrees is not generally fair. It may happen that the land which comes into the possession of the court may have many encumbrances upon it, and the people will naturally hesitate to purchase such land. In the third case, i.e., in the case of purchase by private negotiations the land often fetches full price.

**QUESTION 4.**—No; unless it is subject to execution proceedings in which case the permission of the Government is necessary.

Yes; there is only one land mortgage bank, viz., Ideal democratic land mortgage bank. These banks raise money by means of subscriptions for share capital.

So far as the record of rights is concerned, the title-holder as well as the person in possession must be mentioned and not the mere title-holder.

(a) The working capital of the mortgage banks should be largely derived from fixed deposits and very small proportion from funds from central institutions or the debenture bonds.

Yes; the guarantee should be either for principal or for interest better if it is for both.

The Government should have lien over the property of the bank to secure itself against unnecessary loss.

No.

In the case of long-term deposits interest to the extent of 4 per cent should be paid, while in the case of funds from central institutions the interest should not be more than 6 per cent. In the case of debenture bonds the interest should be from 6 to 7½ per cent. This is the case where there is Government guarantee, but if otherwise, it should be more than 8 per cent.

**QUESTION 5.**—Yes; the estimate is necessary.

No.

The estimate may be obtained from the annual budget of the cultivator and on making proper inquiries in these conditions through patwaris and registrars.

**Causes of indebtedness.**—Professor Kale enumerates the following causes:—

- (1) The increase of population due to Pax Britannica.
- (2) New form of revenues, judicial and police administration and social and economic evolution disorganizing the old industrial and communal system.
- (3) The moral disorganization produced by new laws affecting property and debt not adapted to the conditions of the people rendering the pressure in the subsistence more severe.
- (4) The rigidity of the land revenue collection and facility with which lands could be mortgaged to sowkars.

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(5) The growing dependence of the people on agriculture as the sole means of subsistence.

(6) The expansion of the soil and the inability of the ryots to improve it.

(7) Periodical droughts and famines.

(8) Ignorance, conservatism and thriftless habits.

(9) Material and moral depression of the people.

The methods of calculating the rate of interest are *katmiti* and *sawai*.

Yes; every day we find the cultivator going into insolvency and into tenants for periods or tenants at will through the process of enforcement of old debt. If this process goes on there is no incentive to the cultivator to produce more in an efficient and better manner.

QUESTION 6.—In my taluq there are no subsidiary industries supplemental to the agriculture mentioned in sub-section (6) of question 1. There are only eight ginning factories and four press factories.

All these industries mentioned in sub-section (6) of question 1 are likely to thrive well if the method of co-operation is followed.

The Government should establish agricultural unions which can sell the produce in advantageous markets and thus bring good returns by driving out the middle men.

Yes; the Government should start industries such as hand-loom industry, poultry, dairy-farming which will enable the cultivator to supplement his income and raise the standard of living.

These require credit facilities and such facilities can be had through the establishment of credit unions.

The Government should also support these industries by starting industrial banks, giving long-term loans and what industries exist today are in an infant stage and therefore they require adequate support by means of import duties or by bounties. Beside these the Government should try to lower down freight charges.

QUESTION 7.—The relation between the co-operative bank and the Imperial Bank is generally of a debtor and the creditor, i.e., the co-operative banks take loans from Imperial Banks.

So far as indigenous banks are concerned, they bear no relationship with the co-operative bank.

In the matter of finance in the case of co-operative credit societies in regard to short-term loans the difficulties are overwhelming.

In the first place the capital itself is limited and cannot be availed of by many and the condition of early payment is also injurious to the interest of the clientele. Even as regards long-term capital the difficulties are equally numerous.

The rate of interest is much lower; consequently there is no inducement to the people to deposit large amounts and that too for long-term.

If genuine co-operative credit societies are exempted from income-tax there is much possibility of their improving financial condition and thus helping the agriculturist a great deal. Co-operative movement does not in any way help small traders and industrialists in my taluq. It has helped the agriculturist to a very little extent. The movement is capable of meeting financial needs of these classes, provided the Government gives them ample credit facilities.

In my taluq Usurious Loans Act is not at all availed of. The Government should advise the civil courts to make greater use of the above Act as soon as possible.

Yes; the co-operative lending and borrowing should be done on provincial scale instead of local units.

## Part II.—Indigenous Banking.

QUESTION 1.—Indigenous banks and bankers generally lend to agriculturists. Apart from Imperial Banks and exchange banks all other banks confine their business to lending only.

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As for Imperial Bank of India and exchange banks, they finance internal as well as external trade in addition to their business of lending.

QUESTIONS 2 AND 3.—Indigenous banks and specially co-operative banks neither finance trade nor industry. As regards Imperial Bank of India and exchange banks, it may be said that they finance trade, but not industries.

There exists no organisation as such of the indigenous banking system in my taluq.

QUESTION 4.—Already answered.

QUESTION 5.—Indigenous banks and bankers provide themselves with funds by taking loans. The rate of interest if the deposits are for long-term is generally 4 per cent per annum.

In case of short-term deposits the rate of interest is higher, i.e., 6 per cent.

QUESTION 6.—Already answered.

QUESTION 7.—There is no prejudice in my taluq against indigenous bankers. These bankers are not sufficiently protected in law though they have a right to start execution proceedings, but these execution proceedings are beset with many impediments which should be removed as early as possible. It is therefore very essential for the Government to extend further facilities to these bankers by means of giving them additional right of private sale in the default of non-payment by the debtor.

QUESTION 8.—The general system of accounts may be roughly stated as follows:—

There are two heads, viz., credit and debit sides and there are as many *khats* as the person may desire to have such as *dharma-deya*, etc.

These accounts are open to inspection and verification by customers at any time.

These bankers are likely to be hostile towards the introduction of any measures for regulating their operations.

QUESTION 9.—The net return may come to about one per cent on their capital.

QUESTION 10.—These banks and bankers are not able to meet all demands for accommodation either on account of the unacceptable nature of the security or insufficiency of the working capital.

QUESTION 11.—Indigenous banking system can be linked with the central money market by means of legislation only. It is more welcome if joint stock or a local bank with local directorate is established in each district with which the indigenous banking may be connected. Such banks would inspire the confidence of the indigenous bankers by means of security and by the employment of experienced men and also by distributing and publishing report of their annual incomes and outgoings.

### Part III.

QUESTION 1.—The banking resources in my province are as mentioned below:—

(1) Imperial Bank of India;

(2) Central co-operative credit societies.

(3) Shroffs, Murwaris and other private bankers and professional money-lenders.

No; the figures for the amount of additional capital are not available at present.

At present institutions for encouraging savings and investment habit are very few in number. Those that are existent are mentioned below: Postal savings banks, Imperial Banks and co-operative credit societies and banks. The influence of these societies has been generally very wholesome.

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It has encouraged thrift on the part of the cultivator. Again as the criterion for admission to a society is a man's character it has influenced each other's conduct and advance each other's interest in ways previously undreamt of in this country.

No; in India it is said that people actually consume gold in the form of ornaments and hoardings. Their love of gold is proverbial.

QUESTION 2.—Yes; postal cash certificates are popular in my taluq. They will be more popular provided they are cashed more easily. The present rate of interest of cash certificates is very low and consequently there is no greater inducement to the public to invest their money in cash certificates. Generally middle and English-knowing men and especially Government servants resort to these savings banks. At present there is a competition between the Government and banking institutions in regard to deposits by their attractive rates on postal cash certificates.

QUESTION 3.—Nowadays there is very little tendency on the part of the agriculturists towards saving money after realization of their crops.

The farmers do lend to their fellow-agriculturists and for very short period. Generally, they invest their surplus money, in a prosperous year, in the purchase of land.

QUESTION 4.—Day by day the tendency on the part of the people to use cheques is becoming more marked. The abolition of stamp duty on cheques has facilitated the growth of the cheques. Generally, educated people resort to these cheques. These cheques should be in vernacular as far as possible, so that they may be availed of by those who are not familiar with the foreign tongue.

#### Oral Evidence.

*Amruoti, the 31st January 1930.*

Chairman: You are a pleader by profession, is it not?—Yes.

Have you any land?—Yes. My father owns land.

How much land does your father own?—He owns about 4,000 acres.

It has been suggested in certain quarters that our first aim should be to endeavour to link up the agriculturist with the big banks, so that there should be a free flow from the centre through the arteries to the extremities and it has been suggested that no scheme can be of any good unless there is a free flow of money from the Central Bank and the money market down to the agriculturist. Do you agree?—Yes.

Are you in favour of some attempt being made to finance people of good credit whether they be indigenous bankers or good landlords at a low rate of interest to enable them to make advances in the locality to smaller men?—Yes, I agree.

There would be certain conditions. One condition would be that he should not charge more than a certain maximum rate of interest. He would have to keep accounts which would be audited and thirdly he would not be allowed to do gambling or any other business. Would your father be willing to agree to such conditions?—Yes.

You said you have some scheme. What is it?—I should like to have the paper currency transferred to India and some amount given from the paper currency reserve to the Central Banks so that they should be able to advance that money as early as possible.

Do you know much about hundis?—Yes. The only type obtaining in my taluq is payable on demand. There are no 61 days' hundis.

Does your father get any profit from agriculture, or does he lose?—He gets profit.

You say the ordinary value of land in your district is Rs. 500. What do you consider the ordinary return on capital should be?—It will be about 4 per cent.

Then why does not your father deposit his money with the Central Bank rather than purchase land which only yields 4 per cent?—I think this is safer.

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You suggest that Government should establish agricultural unions, etc. Should I take it that you desire that everything should be done under State control?—I am not in favour of that. By State I mean the community.

You say that the net return of the indigenous bankers may come to about one per cent on their capital? Is it for one month or per annum?—It is one per cent per month.

You say that the indigenous banking system can be linked up with the central money market by means of legislation only. "It is more welcome if joint stock bank or a local bank with local directorate is established in each district with which the indigenous banking may be connected." I would like to suggest to you that there already exists the Central Bank in every district, and the question arises as to whether it would not be better to extend the activities of the Central Bank, to allow it to continue to finance the local societies and also to do banking in addition or would you prefer to start a new bank?—I would agree to the extension of the activities of the present banks. They should restrict themselves to money lending, but should not discount bills of exchange, etc.

Have you considered anywhere the question of the formation of a land mortgage bank?—I am in favour of such banks. It is the big cultivators that will profit by the system.

Would you prefer one bank for the whole of the province with branches or separate banks in each district? It has been suggested that this Provincial Bank might perhaps work through the local Central Banks for purposes of making advances?—I would not like to see separate banks in each district.

*Vice-Chairman:* Did you study economics at the college?—Yes, I was an Honours student.

How long are you practising as a pleader?—Since last October.

Has your family got a money-lending shop?—No.

Is there a cotton market at Wun?—Yes.

Have you any experience of its working?—I have not got personal knowledge. As my father is the soul of the trade, I can assure you that I know much of its activities.

You say that the middlemen pocket large profits in the form of commission. Suppose the price of two cart-loads of cotton today at Wun market should be Rs. 100; how much does the cultivator actually get?—The loss is generally 20 per cent.

Say today at the Wun market the declared rate is Rs. 90. I say that that rate cannot be very far from the real rate?—Certainly not. There will be a difference of five or six rupees.

How do you say that he loses Rs. 20?—He loses in two ways. The *dial* pockets his commission which is a small amount. Again comes another man, namely, the person who buys who asks it for a low price.

You have said that at present there is no co-operation between the Government and the several financial agencies. The Government is following the policy of isolation which is very detrimental. Do you mean that the Government should compel all the money-lenders to take money from the Government?—Government should help them just as they have helped the agriculturists in Bombay by the Usurious Loans Act. They should take it upon themselves to help the agriculturists by taccavi, etc.

You know that the number of regularly organized joint stock banks in our province is practically nil. You have mentioned the Ideal Democratic National Bank of Nagpur. Have you heard that there are many people against this bank?—Yes. I have heard. If good men come forth, those complaints might subside.

Do you think that the absence of a sufficient number of such people shows that we are still lacking the capacity for organizing this sort of business?—People have got ingrained capacity. Facilities are not coming forth. In the first place I should like to say that the capital itself is shy.

In order to get a better supply of credit, should we start such banks or should we utilize the experience and knowledge of the indigenous sowkars?—I would like to have banks established. The knowledge of sowkars is faulty.

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You say that these bankers are not sufficiently protected in law. What do you mean?—When the execution proceedings are started they sometimes take two years to realize the whole amount.

You have said that the present rate of interest on cash certificates is very low and consequently there is no greater inducement for the public to invest their money in them. Again you have said that at present there is competition between the Government and banking institutions in regard to the deposits by their attractive rates on their cash certificates. Is it true?—The latter is true.

What is your age?—I put it to you that your memorandum is much based on hearsay and lacks the advantage of personal experience?—My age is 24. My statement is based upon my study of economics and not on personal experience.

*Professor A. C. Sen Gupta:* You say that every day the cultivator is going into insolvency and into tenants for period or tenants-at-will through the process of enforcement of old debt. Can you give us an idea of what proportion of cultivators have become tenants during the last 10 or 12 years? Have you any statistics?—I have no statistics.

In Part II, you say that indigenous banks and specially co-operative banks neither finance trade nor industry. Do you mean foreign trade or internal trade?—Internal trade.

What is the hurdle for?—When I say indigenous banks do not finance, I refer to my own taluq.

You say that the net return that the indigenous bankers get is 12 per cent per annum. Is it based on any examination of accounts?—It is based on my enquiry about accounts of big money-lenders.

*Seth Narsingdas Daga:* Does the cultivator sell his produce to the money-lenders as you say? If he thinks that the rates offered are too low, is he bound to sell it to him?—No. He only sells to money-lender if he offers as good a price as anybody else.

Again you say that the present method of marketing is in no way satisfactory. The poor cultivator is being exploited every day by the middle man and money-lender in the former case he being ignorant he has to sell his produce through him. This naturally gives him an advantage and thus pockets large profits in the form of commission. What has the money-lender to do at the time of selling?—The money-lender does not permit the cultivator to sell his products unless his dues are paid. He has a lien over the produce. The money-lender sometimes puts impediments in the way of the cultivator.

Will you kindly explain how it is possible that on short-term deposits they get more interest than on long-term loans?—Yes in seasonal periods they give short-term loans. I would like to add "seasonal" between "short-term" and "deposits".

How is it that the condition of early payment is also injurious to the cultivator?—There is no question of interest here so much as the rigidity of enforcing the debt itself.

You have said that farmers do give to their fellow agriculturists loans for short periods. What interest do they charge?—I have no information.

*Rao Bahadur M. G. Deshpande:* Can you say why people hesitate to take taccavi?—So far as my personal knowledge goes, I can say that sometimes they find it difficult to pay off that amount. They are willing to take taccavi from Government; but afterwards they find that they are not in a position to pay. It is unpopular on account of the rigidity of the time for repayment.

## MR. D. K. KANE, Ijardar, Yeotmal.

Reply to the Questionnaire.

## Part I.

QUESTION 1.—In the Yeotmal district the agriculturist obtains finance mostly from the indigenous bankers and professional money-lenders for all the different purposes mentioned in (a), (b) and (c). He also takes loan from merchants and dealers in the form of seeds and other necessary articles at certain times. It is only very recently that the co-operative societies are advancing some money to the cultivators, but such societies are very few in our district. The agriculturists also obtain finance from taccavi from money-lenders in towns and from usurious money-lenders like Rohilas, etc.

The rate of interest is varied and ranges from 9 per cent to 75 per cent. The co-operative societies or the indigenous bankers or certain money-lenders in towns advance money on moderate interest if they take sufficient security in the form of mortgages. If the money is advanced on credit, the rate of interest is higher. On the other hand, some merchants and dealers or professional money-lenders look more to the immediate prospects of realizing their money in their advance is for two or three months' period. These merchants and money-lenders look more to the immediate prospects of realizing their money in their own way and demand the high rate of interest, if they see the agriculturist in great need of money. I know of instances where the same agriculturist has borrowed money at 12 per cent, at 24 per cent or at 48 per cent from different sets of money-lenders for his seeds at different times in the same season.

The indigenous banker or certain class of money-lenders in towns always took into consideration the area of the land owned by the borrower and he, at times, demanded mortgages of the same. The rate of interest for a loan on the security of gold is lower than that on the money borrowed on the security of land.

The major portion of the total advances or loans given to the agriculturists comes from the indigenous bankers, money-lenders from town and from merchants and dealers. There are no joint stock banks and the total advances made by Government and by the Co-operative banks are small as compared to the total amount required by the agriculturists.

The estimate of the total amount of loan required for various purposes is as follows:—

- For expenses during cultivation Rs. 85 lakhs.
- For capital and permanent improvements Rs. 60 lakhs.
- For special needs like ceremonial purposes Rs. 50 lakhs.

The system of grain advances has now nearly stopped. When grain is advanced as loan it is on amsai of the grain.

QUESTION 2.—The present system of marketing is to bring the crops like cotton, corn and groundnut, etc., to the markets and to sell them through the adatya or brokers.

The agriculturist appreciates the idea of pooling crops for sale. There is a great scope for the co-operative effort in the marketing of the produce, specially of cotton and corn, if co-operative sale societies are formed at different centres and are worked on sound lines.

The credit facility required for such societies will depend on the business done by them. To put the scheme in practice some arrangement for advancing money to agriculturists against the cotton or corn deposited or stored by them is necessary. The Co-operative Central Banks or other banks should be ready to give this credit facility against the agricultural produce stored in certain proportion, as there will be very little risk in this transaction.

I think a credit up to Rs. 20,000 is necessary for making a good beginning for financing of products during marketing. There are no facilities at present existing as there are in fact no such co-operative sale societies working. The Darwah Adat Society which is started since two years has not yet been able to secure any such facility for financing products during marketing in the season. I think the Co-operative Adat Society at Akola has secured such credit from the Akola Central Bank.

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The banks, the local bankers and merchants advance money to the cotton purchasers in the season. The hundis and cheques on banks are used for internal remittance.

**QUESTION 3.**—The value of the land in the Yeotmal district depends on the quality of the soil and the vicinity to the towns. The quality of the soil is generally determined by the rate of assessment per acre. The main crops are cotton and juar, and while settling the value, it is not materially taken into account as to what different crops it produces. The value ranges from Rs. 25 to Rs. 200 per acre according to the quality. If there is the facility of irrigation by well, the price offered for such small areas is very high; it is at times Rs. 500 per acre in such cases.

In the case of certain fields which are near the villages and there is the facility of these being naturally manured the price offered is Rs. 400 to Rs. 500 per acre. But this again is only for small plots of this nature.

(a) There are in fact no auction sales for non-payment of land revenue.

(b) The value of the land in the event of sale by court decrees is not the full value in many cases. It is sold at lower price than what it ought to fetch.

(c) By private negotiations the full value is got. The value by private negotiations is as stated above in the first part of the reply.

**QUESTION 4.**—There is ryotwari system and there is no legal impediment to mortgage the land. There are no land mortgage banks in the Yeotmal district. There is a great necessity of establishing land mortgage banks, especially in the Yeotmal district. A large portion of land in this district has come under cultivation recently during these 50 or 60 years, and there are many big landholders and agriculturists who, though they hold or cultivate large portions of land, are heavily indebted. If cheap and easy capital is provided to such landholders or agriculturists, it is possible to save their estates from going in the hands of capitalists. I agree with the general suggestions of the recent committee appointed to report on the question of land mortgage banks in Berar. But I think

- (a) the proposed rate of interest should not be more than  $7\frac{1}{2}$  per cent per annum,
- (b) the instalments should extend to a period of even 30 years where necessary,
- (c) the maximum of the amount so advanced should be kept at Rs. 30,000, and
- (d) such banks should be established in each taluq of the district.

The establishment of the land mortgage banks, it seems will take a long time. I am of opinion that the Central Banks should be allowed to take up the work of advancing large amounts of loan for payment of old debts or for improvements after taking sufficient security of land for the amount advanced and they should be allowed to give instalments and to settle the lower rate of interest, as the capital becomes available to them. These co-operative banks should divide their business in two sections, one or small loans for current agricultural expenditure and for land improvements, etc., and the other section for large loans for payment of old debts for carrying expensive agricultural improvements, etc. In the first section the loans should be always on personal securities and on co-operative responsibility in the other section it should be always on sound mortgages of land with instalments and with lower rate of interest if the instalments are paid regularly. The details may be settled by each bank according to the circumstances.

This arrangement, I think, will meet, though in a small measure, the immediate demand for long-term loans of bigger amounts, and should be at once taken up as preliminary to the land mortgage banks.

**QUESTION 5.**—In order to devise measures for the increase of credit facilities to agricultural classes it might be necessary to reach an accurate estimate of the present indebtedness of these classes. But I think the first important thing is that some standard minimum value of the land in proportion to the land revenue of that land should be fixed by Government. This value may be revised every 12 years and the credit of the agriculturists who own land should be declared to be at least half of this minimum value. This declaration of credit of a landholder will be of practical use to him when some provision is made for giving effect to it either by the Government or by the Central Banks or other banks.

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Unless a regular economic survey to find out the total amount of present indebtedness of the agriculturists is undertaken, it is impossible to ascertain it. In the Yeotmal district the total indebtedness might be more than two crores of rupees at least.

There are 350 izara villages in the district and these izardars are substantial landholders and cultivators. From the knowledge of this class I am of opinion that the total indebtedness of these villages might be about 45 lakhs of rupees. The agriculturists in other villages in the district I think might be indebted to the extent of four times this amount. According to the census of 1921 the ordinary cultivators are 222,891. I think Rs. 100 per head might approximately be the correct estimate of the present indebtedness of this class. I have thus ventured to make this estimate of the total indebtedness in the Yeotmal district—

(a) The amount of debt with land as security might be about 40 per cent of the total. In the district of Yeotmal there is no concealed debt as the reason for making that sort of transaction is not in existence. The remaining debt is incurred against all the assets and on general security.

The debt is largely due to the indigenous bankers and professional money-lenders and to the money-lenders in the town. The amount advanced by Government is small. The amount advanced by co-operative societies is gradually increasing.

The system of accounting at the end of the year and taking compound interest by adding the unpaid interest to the capital is largely responsible for the increase of the amount of debt.

The main cause of indebtedness of the agriculturist is that in this profession (1) The net profits of agriculture are small and are not regular. (2) The outturn of crop is in a particular season of two or three months in the year and the collection of the total amount of gross income by the agriculturist is also one of the reasons of his going into debts. This circumstance causes self-deception in the case of the agriculturist. There are generally no regular accounts, there are no budgets of the income and expenditure. (3) The third reason for his indebtedness is that the old class of indigenous banker has either disappeared, because this class has also taken up the profession of cotton merchant and of agricultural cultivation and the money-lending is not now restricted to any particular class, but nowadays every one who spares some amount carries on the money-lending business. Thus the sources of borrowing by the agriculturists have increased.

The landed property is gradually passing into the hands of capitalists who in their turn lease the land for cultivation on rent. The cultivators who are not the owners of their land are naturally unwilling to make permanent improvements in the land and this reduces the income from such land.

**QUESTION 6.**—In certain cases the agriculturist carries on a subsidiary industry of dairy-farming and cattle-breeding. There are no other industries worth mentioning.

If small industries are established in the villages, it will give some occupation to farmers during the seasons when they cannot make full use of their time on their farm and they will be able to supplement their income by that way. Such industries are garden-produce, cotton-ginning, hand-spinning and weaving. They will be able to take advantage of these industries only if they are in their village itself.

## Part II—Indigenous Banking.

**QUESTION 1.**—The indigenous banks and bankers, finance agriculture trade and industry take deposits and write hundis. They sell and purchase gold. They are since few years carrying on the cotton business and other trades and have also taken up cultivation. A banker or money-lender is also in many cases a big landholder. Thus the indigenous bankers and banks have not remained purely banking concerns as of old, nor is money-lending confined to such banks or bankers. Professional money-lenders and well-to-do persons in different professions who may be called amateur money-lenders carry on the business of money-lending in substantial amount, the trader gives debts to the agriculturists in the form of articles.

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QUESTION 2.—Nearly  $\frac{1}{4}$ th of the total cash business in the district is carried on by these indigenous banks and bankers and professional and amateur money-lenders who give debts to agriculturists in the form of cotton seed and articles for their consumption and use.

QUESTION 3.—The indigenous banker carries on his own business. There are no sharers generally and the capital he uses is either his own or that borrowed from other bankers at a very low rate of interest. They give *hundis* and take deposits. There is no large staff for keeping accounts or for realizing the debts.

QUESTION 5.—The indigenous banker allows cash credit of an amount which is generally half the total assets of his client. He is willing to advance money at lower rate of interest if gold ornaments are deposited as security. He advances money on moderate interest for business or trade, but is not willing to advance money at low rate to an agriculturist even on security of his land. This is due mainly to the uncertainty of the profits from agriculture. There is no standard price of the land. If a minimum standard price of the land is settled and credit facilities for that minimum at least are created, it will improve the credit of the agriculturists in the market.

QUESTION 6.—The rate of interest which an indigenous banker takes is from 9 per cent to 24 per cent per annum. The professional money-lenders and other merchants charge higher interest; they advance money on *sawai* also.

If the co-operative organizations and banks are established in several localities which advance money on lower rate of interest after taking sufficient security from the agriculturists in the form of gold or land, the rate of interest will be reduced.

The rate of interest can be brought down by the following ways:—

- (1) Establishment of co-operative societies and co-operative banks in several places which should advance money on low interest to the agriculturist.
- (2) The business of lending money on interest should be controlled by licensing the bankers and money-lenders and requiring them to keep the accounts of their transactions on the account books *kird* and *khataoni* supplied by Government and making these available for inspection by the borrower and by the officer authorized to do the work.
- (3) Inducing deposits in the banks by removing the restrictions, if any, and by making them free of income-tax in the case of certain banks.
- (4) Fixing the minimum standard price of the land in proportion to the land revenue and increasing the facilities for getting the credit on the security of this land.
- (5) By linking the licensed indigenous banker or professional money-lender to the other established banks by giving them the facility of getting capital on lower rate of interest against the mortgages of the land taken by them in certain proportion.
- (6) By making proper use of the Usurious Loans Act. If sufficient capital at a reasonable rate is made available to the agriculturists, it will be very beneficial to the agricultural community and would encourage them to make more improvements and to carry on their profession on improved lines with better and new implements. It will also raise their standard of living.

QUESTION 7.—There is no prejudice against indigenous bankers in my locality, but there is some ill feeling against the usurious money-lenders like the *Rohillas*. These bankers are sufficiently protected. If a facility for getting capital at low interest on the deposit of sound mortgages of land taken by these bankers from their clients is created for the indigenous bankers, they will get more capital for their dealings. It will then naturally reduce the rate of interest.

The dealings of the indigenous bankers with their clients are on sound lines so far as the bankers themselves are concerned. They are very cautious when they advance money. Some of the money-lenders do not keep regular accounts of all their dealings. It is necessary in the interest of the borrowers that regular accounts in the form of *kird* and *khataoni* of all the dealings of the bankers, large or small, should be maintained on regular account books. A provision that all the bankers and money-lenders should keep their accounts of money-lending on books which are numbered and certified by Government in the form of *kirds* and *khataonis* should be made and enforced.

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**QUESTION 8.**—The indigenous bankers generally keep *krids* and *khataonis*. These accounts are not open to inspection or verification by customers; but the borrower is given the details of his account if he asks for it at the time of repayment or at the time of renewal of the old debts.

The ordinary money-lenders who are nowadays far more than the indigenous bankers do not keep regular accounts of all their dealings in the form of *krid* or *khataoni*; they at times keep the *khata* of each borrower.

It is advisable that all the money-lenders, whether big or small, should be made to keep their accounts of all their dealings as money-lenders on the certified books as suggested in my reply above to questions 6 and 7. These accounts should be open for inspection and verification at times by the officers entrusted with this work or by the borrower.

The class of money-lenders generally would not like this proposal, but it is advisable in the interest of the borrowing agriculturist.

**QUESTION 10.**—The indigenous bankers are not able to meet all the demands for money for their customers on account of insufficient working capital. The agriculturist then has to borrow from the other money-lender or from the usurious money-lenders in villages and towns. I know of instances where the same agriculturist had to borrow money from different money-lenders at different rates ranging from 9 per cent to 30 per cent per annum in the same year.

If a facility of getting capital at certain interest against sound mortgages taken by them from their clients is created he will get sufficient capital and it will have a good effect both as regards interest on the capital or the supply of capital to the agriculturist.

**QUESTION 11.**—The linking of the indigenous banker with the central money market or with the provincial capitals would be achieved only by making capital available to them at lower rate of interest against the mortgage-deed taken by them from their clients. To achieve this the co-operative and other banks should be authorized to make such advances to the indigenous bankers and money-lenders.

This facility to the indigenous bankers will inspire confidence in them about such banks and these banks will thus indirectly have the full benefit of their local knowledge and experience.

**QUESTION 12.**—The capital in the hands of the indigenous bankers is fully employed.

My view is that any body can now with safety take up to this money-lending business and get interest on his capital which is more than the interest he gets by depositing his amount in the banks. I am in favour of putting restrictions on such amateur money-lending or on the usurious money-lending. Such restrictions will either induce the flow of capital as deposits in the banks or will be engaged in the industries or otherwise employed. This will be beneficial to the district.

### Part III—Investment habit and attraction of capital.

**QUESTION 1.**—At present the facilities for investment of the savings are the co-operative societies, co-operative banks, the Imperial Bank and the postal deposits.

The Government servants and the educated class take full advantage of these facilities. Where there are co-operative societies the agriculturists are beginning to use them to deposit their savings, but their number is very small at present. The establishment of co-operative societies and banks encourages savings and investment habit. It will take some time before this habit is created among the agriculturists. At present their only method of saving is by purchase of gold or silver for ornaments.

**QUESTION 2.**—In reply to question 12 (indigenous banking), I had suggested that restrictions should be put on money-lending in such a way that only indigenous or professional money-lenders would stick to this business. If this is done, the capital in the hands of amateur money-lenders or of the usurious money-lenders would naturally be attracted by the banks in the form of deposits.

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QUESTION 3.—The agriculturists when they get money in their hands by sale of their produce first buy good and necessary clothes, etc., for themselves, buy some bullocks and make provision for the marriage of their sons and daughters.

They generally reserve with themselves some amount for the Government dues. After these needs are met they go to the sowkar for repaying his debts with interest. If there is some substantial amount left with them, they will buy a field in the vicinity.

The habit of hoarding money has become a thing of the past. An agriculturist continues, however, his habit of purchasing gold and silver which is an important item of expenditure in the marriages.

In the Yeotmal district there is a class of izardars who are the agriculturists themselves and cultivate large plots of land. This class has of necessity to advance loan to the fellow-cultivators and to the tenants. Several big landholders also, who have to lease out their land for cultivation to the tenant, advance loan to their cultivators for the agricultural expenses. This loan is generally at the rate of *sawai* for the year.

If there is any surplus money in prosperous years, left after paying off the old debts, it is spent in building houses and kothas and granaries and in purchase of land in some cases.

#### Oral Evidence.

*Amraoti, the 31st January 1930.*

*Chairman:* You have alluded to the great variations in the rate of interest and you have stated that the same agriculturist has borrowed money at 12 per cent, at 24 per cent and at 48 per cent from different sets of money-lenders for his needs at different times in the same season. Are those cases frequent?—I cannot say whether they are very frequent. I have found out instances.

What will be the reason for his failure to obtain all the money from one sowkar? Is it because the sowkars do not trust him?—The sowkar does not like to give a large amount to one man. He prefers to give small sums to various persons.

Why should it be necessary that one man should charge 48 per cent and another 12 per cent? Is that owing to the time of the year?—It depends on the sort of money-lender making the advance. Some people always do lend at higher interest. At present those people are able to lend money at these high rates. If the supply of money was increased, we could provide more money and these high rates would disappear.

It has been suggested that we should try to arrange a scheme whereby persons of good status and good repute, both shroffs and agriculturists, should be given some kind of credit with the banks whereas they might obtain advances for short periods, say, for one year or nine months at a low rate of interest for the purposes of advancing money to other people in their vicinity. Would you be prepared yourself to take this up?—As a matter of fact I am not a money-lender. I would be prepared to take some money to advance to the agriculturists on such terms as would cause no loss. This should be done by societies rather than by individuals.

What is your opinion as regards the ordinary agriculturist debtor? Do you think that there is a large risk in lending money to the agriculturist? Could you find people to whom you would entrust the money?—Generally agriculturists are trustworthy.

Supposing we gave you money at 4 per cent and you lend it out at 8 per cent, you think you would get your money back?—Of course. I must choose the proper man and must limit my business to good persons.

You added that you thought the best solution was the extension of the co-operative movement. I think we all agree that the principles of co-operation are very good; but do you think that in the immediate future it will be possible to extend co-operative societies throughout the whole of Berar. How many years would you require to extend this movement to every village in Berar?—We can do it in 20 years.

To come down to hard facts, the needs at present are urgent, and if we are to allow the cultivation to wait for 20 years, many may lose their land.

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We are trying to find some immediate solution?—Some may lose their land; but the others will come in their place. I do not anticipate the total extinction of the village money-lender. We want to reduce the rate of interest. We must make use of every method we can.

If, in addition we are able to get money as I am suggesting to you now, would you agree?—Yes. I agree that every possible method should be taken for reducing the rate of interest and we need not confine our activities only to the co-operative credit movement.

You have said later on that everyone who has some amount to spare carries on a money-lending business nowadays and later on you have said that under present conditions a man can make more money by money-lending than by depositing money in a bank. What is the remedy?—This money-lending should be licensed.

Do you think that licencing would not be a hardship to the small persons? I understand that there is a large number of small people who support themselves by taking gold and silver ornaments on pawn and make a little money in that way?—They have to keep their accounts and there can be no hardship.

What about the illiterate person?—If he is to lend the money, he must keep accounts in writing. Every money-lender should be licensed. I would not charge any fees for the licence. Government would have the right to cancel the licence in case of any malpractices.

*Professor A. C. Sen Gupta:* You are growing *veerum* cotton?—Yes, on 28 acres on soil with a land revenue of 8 annas per acre.

What was the outturn in 28 acres?—It was about 12 khandis.

If you grow *roseum* cotton, what will be the outturn?—It will be one khandi more. The difference in prices is Rs. 20 per khandi.

Can you give us an idea of the cost of growing *veerum* cotton?—We have to pay a little more price for the seed. The difference will be about Rs. 10 per khandi. Otherwise there is absolutely no difference.

What is your idea of the valuation of the cotton. Does it always rise or usually rise as the season goes on?

There is no particular system. My experience is that in the beginning it is a little bit high, then it goes down and again it rises up to September. There is no rule. The difference between the highest and lowest prices is not likely to be more than Rs. 25 per khandi, from Rs. 100 to Rs. 75 from the beginning of the season. In May and June the price will be about Rs. 100.

*Vice-Chairman:* What are your estimates of the total loan requirements based on?—It is a rough estimate I have given for my district.

In your *adat* shop do you pool the cotton from the various sellers and you also grade them? As a result you are getting the advantage of a higher wholesale price?—Yes.

The smaller cultivators are getting the advantage. You know that this is the distinctive feature of the Government co-operative *adat* shops?—Yes. It has been so last year.

*Chairman:* What price will the cultivators get for cotton this year with falling prices?—We do not advise the cultivator to deposit his cotton. If he says that he is not going to sell at the current rate, we give him facilities for pooling. We do not take the risk of advising him not to sell his cotton. If he wants to wait, advise him to gin and to bale it. If he says that he wants to sell his cotton at once, we sell it. The grading is done within half an hour, after settling the rate with the buyers and we sell it at retail rates. It is only when the cotton is deposited that we sell it at a wholesale rate.

If you hold up cotton against higher prices, what shall you do if prices fall?—We cannot help it. We have to wait till prices go up. There is no likelihood of loss.

Would it be practicable to keep the cotton in the rains?—Yes, we have done so.

*Vice Chairman:* You have said while discussing the Land Mortgage Banks Committee's report that the interest should not be more than seven per cent per annum. You know that in the report the details have been set forth. If

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we give at 7½ per cent, we will have nothing left for debenture holders. Do you think that 9 per cent is the minimum?—The objects for which such banks are started will not be achieved. We can get capital at less than 6 per cent. We can guarantee less interest to debenture-holders.

Even now we can start long-term business. Our deposits, though for short-terms, are renewed. How is it that co-operative workers have not so far tried to give long-term loans?—Yeotmal Bank is rather willing to give loans on long-term. The law and other things come in their way.

You have said that the State should occasionally fix the credit limits of cultivators according to a certain standard value of the land. Do you not think that it is rather impracticable?—No.

Do you think that the cultivators would at all welcome this sort of interference on the part of Government in trying to size up the value of their assets like this?—I do not think.

On page 241 you have said something which is not very clear to me. You say: "The main causes of indebtedness of the agriculturist is that in this profession (1) the net profits of agriculture are small and are not regular. (2) the outturn of crop is in a particular season of two or three months in the year and the collection of the total amount of gross income by the agriculturist also one of the reasons of his going into debts"?—He does not prepare his budget and estimate. It is not possible for him to do so. He has no particular plan of spending the amount.

May I know if at present the indigenous bankers at all borrow their capital from other bankers?—No. They do not.

Do you want to encourage that?—Yes.

The restrictions on the depositor about the amounts of deposits should be removed in all the banks and these deposits should be made free of income-tax in the case of certain banks.

It has been often said that the present high rate of interest is not the result so much of the lack of capital as of the inherent desire of the money-lenders to make high profit?—No; that is not the case.

In your reply to question 6 you have suggested an exemption from income-tax. What banks would you exempt from income-tax?—Land mortgage banks or co-operative banks.

You have said that money-lenders should be allowed to draw advances against mortgage-deeds of immoveable property in their favour. Who will certify?—I mean that if a man takes a bond from a third person, the man possessing the bond should be able to get an advance if the bond has been countersigned by a big bank.

As regards advancing of money by the Provincial Bank to the societies, do you think that the co-operative movement will spread more quickly if we advance money through the Provincial Bank and not through the Central Bank?—There will be no use.

*Rao Bahadur K. V. Brahma, C.I.E.*: In reply to question 6 you have suggested means for bringing down the rate of interest. You there suggest fixing the minimum standard price of land in proportion to land revenue. May I know what would you fix as the standard price for your district?—I would fix it 60 times.

Do you think that should be a fair minimum value?—Yes.

At present there are no impediments on transfer of land. Would you like any impediments being placed?—No.

Would you like any measure like Prevention of Land Alienation Act?—No.

Is it within your knowledge that such a measure is projected by a member of Council?—I am not aware; but it will not be in the interests of the agriculturists.

Would you like licensing of money-lenders to be made penal?—My idea is that if it comes to a quarrel, the court should not entertain a suit unless the loan is backed by a licence.

In sub-paragraph 6 of the same question you have made a reference to the Usurious Loans Act. May I know if you have given any thought to the provisions of this Act?—No. I have not done so.

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If I tell you that the Act requires the parties to plead a particular loan as usurious if two parties fail to plead like that, do you think the court can do anything?—I do not know.

But do you think that when suits are filed in court, the courts should examine the transactions with reference to the Act?—Yes.

May I know if you are in favour of the Law of Dam dupat?—Yes.  
I believe then that you do not want it to be repealed?—It should not be repealed.

*Rao Bahadur M. G. Deshpande:* Are you a cultivator?—Yes.

How much land do you cultivate yourself?—I cultivate about 500 acres

How much land do you own?—1,500 acres.

Do you lease it out?—Yes.

Can you give me your lease money per acre?

It varies from Rs. 10 to Rs. 30 per acre.

May I know what do you get per acre from the land you yourself cultivate?—I get about Rs. 10 per acre if I do not deduct charges on *kothas*, *bullocks*, etc. and also interest. If I deduct all these charges it may come to Rs. 2 per acre.

Do you think it is a good profit?—No.

May I know why should you take the trouble of cultivating your land when you get only 2 per cent, while you get Rs. 10 to Rs. 30 if you lease your land?—I advise my friends nowadays not to purchase land, but deposit the money.

Do you think if licensing is introduced, cultivators will get money readily?—Some may stop advancing but I do think that the cultivator will get money.

You say that the Registrar has objected to long-term loans being advanced. May I know why?—Because we get deposits only for ten years and hence we should not advance money for 20 or 30 years.

Have you got any deposits for seven years?—We have got deposits for ten years also.

You say the cultivator goes to different *sawkars*. What is the reason?—Because one man does not advance him large amounts he goes to many *sawkars*.

In paragraph 7 you say that the compound interest is one of the reasons of indebtedness. Do you attribute to *sawkars* only or to others also?—I attribute it to co-operative societies also.

Why did you not remedy this defect in your bank then?—I am sorry that I have not yet done it.

You have also made a reference to the landed property going into the hands of capitalists. What remedy do you suggest to avoid this?—The lands will remain with agriculturists if sufficient money is advanced to them.

Have you been able to reduce the rate of interest of your bank?—Yes. I have brought it to 12½ annas for persons making regular payments.

*Seth Narsinghdas Dage:* Who advances money to your tenants?—Co-operative bank pays them.

You say that net profit per acre is Rs. 10 and they pay you that amount per acre. Wherefrom do they pay the interest and also earn a living?—That is why I say they go without food. They practically starve.

Does it not come to this that they labour for you?—Yes.

If licensing of money-lenders is brought into force, these people may not lend their money. Wherefrom will the agriculturist get an advance?—These money-lenders will deposit their money in the bank and the agriculturist will get his advance from the banks.

Supposing they do not deposit their money and purchase Port Trust Bonds and some such other things, then how will you arrange?—When such circumstances arise, we will find out some remedy.

MR. D. K. KANE.

May I know if a money-lender advances more money on land security or gold security?—On gold security.

Does it not mean that he advances money on land with reluctance and does not want it?—Yes.

*Mr. P. D. Pundlik:* In reply to the question of Seth Narsinghdas you said that the agriculturist somehow or other maintains himself. Can you not say that the agriculturists who would have worked at others' places on some remuneration instead of doing agriculture would have earned more? How does the agriculturist maintain himself on a profit of Rs. 10 per acre?—I have put Rs. 200 for the engagement of servants. The tenant who takes land from you is a labourer himself. The lease money is excluding that amount.

*Vice-Chairman:* About the middlemen intercepting a certain percentage of the price of cotton. You know such complaints. Supposing a man brings five khandis today, the price he should get is Rs. 500. How much do you think he loses?—He does not lose much; he loses about one rupee per khandi.

*Chairmen:* Have you any views of the stamp fees on Bills of Exchange?—I have no interest in this.

**RAO SAHIB MADHAORAO DEORAO DESHMUKH, Land-holder  
and Honorary Magistrate, Yeotmal (Berar).**

**Part I.**

**Reply to the Questionnaire.**

**QUESTION 1.**—The question of agricultural finance is closely dependant upon the pitiable condition of the rural population and the risk attendant upon the financing of an occupation which is admittedly in a distressed condition owing to a multiplicity of causes. The ordinary agriculturist, may he be a proprietor or a tenant, has to take resort to the village money-lender who is at times also the biggest land-holder of the village. It is estimated that nearly 85 per cent of the cultivators are in need of credit at the beginning of the rainy season and most of these rely upon the sowkar or the wealthy landholder for furnishing them the working capital required for the agricultural operations.

The form of advances is mostly in cash, only the cotton seed being taken in kind. At times the plough-cattle are purchased on credit, the stipulation being that the price would be paid after the harvest with interest. But even this system is dying out and cash is advanced for the purchase of cattle in the open market. There is scarcely any other item that finds place in the hackneyed process of cultivation. Credit purchases of chemical manures, agricultural machinery of the modern type and material for farm buildings are conspicuous by their absence.

Fixed capital and permanent improvements are only few and far between. An overwhelming majority of the cultivators being petty landholders and that too impoverished, any idea about effecting permanent improvements is beyond their reach. The only improvement that may be styled as capital improvement is bringing fresh land or fallow under cultivation, levelling the field or sinking a well. The last one is undertaken only by the wealthier classes, while the first two are thought of only if there are successful harvests for a number of years continuously. There is comparatively little borrowing under the heading 1 (b).

Borrowing in case of failure of monsoons and for payment of land revenue is resorted to in years of famine and except when suspension or remission of land revenue is granted by Government the country sowkar is the only fountain of credit to the needy cultivators.

It is by now patent that the spread of the co-operative movement has had one salutarious effect and that is the general lowering of the rates of interest on advances for agricultural pursuits. Though the proverbial sawai is still common, the rate of interest on loans against the security of land under cultivation is often 18 per cent and 12 per cent per annum. But even now, whereas the co-operative society advances loans at about 12 per cent with or without real estate security, there are many mortgages with interest at 24 per cent. This was borne out by a first-hand investigation made by a friend of the writer from the records in a Registration office in Berar.

At present the Imperial Bank of India is conspicuous for its lack of touch with the agricultural finance. Under its charter the Imperial Bank of India is prohibited from advancing loans on the security of land. Consequently the vast amount of resources at the command of the Imperial Bank are denied to the premier industry of the country. Unlike the Federal Reserve Banks of U. S. A., the Imperial Bank of India does not rediscount agricultural paper maturing after less than six months. In a similar way the joint stock banks also keep themselves aloof from agricultural credit, especially during the production stage.

However, as it is, there are a number of people who are taking up money-lending as their profession. In the absence of the growth of modern banking either on the joint stock basis or on co-operative there is a phenomenal number of village money-lenders whose business varies from a few hundreds of rupees to an annual outturn of lakhs of rupees. This unbridled growth of the number of village money-lenders leads to reckless borrowings on the part of the cultivator who borrows moderate amount from a number of people avoiding, of course, occasions to mortgage his estate at more than one place.

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It has been the experience of the workers in the co-operative movement that they can seldom get an exact idea of the liabilities and the names of creditors of an agriculturist.

**QUESTION 2.**—The regulation of the cotton-markets in the country has greatly improved the facilities for the marketing of the produce of the agriculturist. Many agriculturists take their produce to the cotton markets and sell it there. Still it is estimated that nearly one-third of the produce is sold in the villages themselves. Owing to the lack of adequate transport facilities in the heart of the country many an agriculturist finds it difficult and troublesome to carry the produce to the markets. In some places in the Yeotmal district the cultivator takes his cotton to a market situated at a distance of about 40 miles, the road being unmetalled all through.

The formation of pools to help the cultivator to fetch a higher price for his produce is a very desirable development. At present there are five co-operative associations in Berar which deal as adatyas in cotton markets. These have proved to be of great benefit to the cultivators. So far they have attracted very little custom, but they have already made a good beginning and with a more judicious management they are bound to prove of immense help to the producer.

The marketing of agricultural produce is mainly done by professional business men. Once the harvest is reaped the agriculturists sell their produce as readily as they can. Only the more favourably placed agriculturists or the shrewd type of these withhold their produce in the hope of getting a better price. It is very doubtful if time alone ensures a better price, particularly in respect of a crop like cotton. Being a commercial crop, the price of cotton is determined by world conditions and the changes in its prices are only secular.

The marketing of cotton, therefore, does not come within the activities of an individual cultivator. It is, rightly speaking, a function of an intermediary who alone is willing and able to undertake a close study of and to a small extent the speculation attendant upon the business.

There is, however, great scope for co-operative sale organizations. When one considers the measure of success attained by bodies like the Canadian Wheat Producers, controlling over 67 per cent of the Canadian export surplus, or the Australian Producers, Wholesale Co-operative Federation or its conferees in New Zealand and South Africa, the activities in India pale into insignificance.

With the growth of co-operative selling organizations or for the use of the wealthier classes who wish to defer the sale of their produce in the hope of securing a higher price or for ginning and baling the establishment of licensed warehouses will do a great service in securing credit. The banking habit will certainly be fostered by the introduction of such facilities.

**QUESTION 4.**—The problem of long-term credit remains yet to be tackled properly at least so far as this province is concerned. It was considered by a committee appointed by the Registrar, Co-operative Societies, a few months back.

Any attempt at evolving a system of land mortgage loans for long-term credit must be based on a sound basis so as to ensure permanency of the measure. In this connection the Government might well consider the suggestion of sending out deserving scholars to U. S. A. to study at first hand the Federal farm loan system which plays these days such an important part in the credit structure in that commodity.

No scheme of long-term credit will be adequate unless it is designed to afford loans for a period between twenty and thirty years. It is well known that even the existing district banks advance loans which are not liquidated for seven years.

Land mortgage banks if they are to command powerful resources at hand must be started with sufficient capital of their own. Any banking institution relying mainly on deposits and debenture stock cannot be expected to hold its own unless it has got a sufficient amount of subscribed capital. In this connection it is interesting to note that there are statutory restrictions in U. S. A. on the minimum capital requirements for ordinary commercial banks. If that standard is applied, it is doubtful whether taluq banks, as suggested by the Registrar's Committee referred to above will secure a sufficient amount of owned capital unless during the initial stages Government provides capital which would subsequently retire as private subscriptions come forth. Even in the U. S. A. the Government had in the beginning to provide as much as 96 per cent of the minimum capital for land mortgage banks. What is therefore suggested is one

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powerful land mortgage bank for Berar with branches in different centres at least to start with. It will not only ensure adequate funds, but will enable it to have a sufficient volume of business with proportionately smaller cost of management. If subsequently the turnover and demand so necessitate, district banks may be started with provisions to approach the Central Bank for negotiation or rediscout of bills.

**QUESTION 5.**—Estimates about rural indebtedness which is a crushing burden to the agriculturist in particular will only be reliable if they are based on certain definite facts which must be sufficiently representative. Wild generalizations and guessing lead at times to erroneous conclusions. Conscientious attempts at extensive or intensive economic survey have been very few and whenever they have been made in a right spirit remedial measures have been taken. The healthy tone of the co-operative movement in the Punjab and the welfare works recently started in the Maland tract have followed in the wake of extensive or intensive economic survey carried on there. In our province the matter has been taken up very recently when a survey was made in one village in the Amrpati district. But such attempts must be futile if they are sporadic and isolated.

It will not be wrong if one apprehends that sweeping generalizations will be made from the result of enquiry in a solitary village. Such an apprehension is particularly justified in view of the ludicrous method adopted by the Berar Land Mortgage Committee in framing an estimate of the rural indebtedness in Berar. The Committee quietly applied the standard for Punjab arrived at by Mr. Darling. Mr. Darling's enquiry referred to the year 1918-19 and even the most illiterate peasant knows that conditions have changed since the beginning of this decade when there was a sudden fall in the prices of cotton.

Estimates of indebtedness, therefore, must be based on actual facts which again must be typical. In this connection it is interesting to recall the recommendations of the Vishweshwaraya Committee which recommendations were turned down by the Government on the plea of crippled finances. This view was endorsed by the Royal Commission on Agriculture. The Vishweshwaraya Committee arrayed the system of maintaining statistics in other countries and suggested a machinery, which would have also brought out the real situation regarding indebtedness in the course of their enquiries.

**QUESTION 7.**—Every student of banking knows that the indigenous bankers of Madras and Burma have organized their business on systematic lines. We are told that they accept deposits and transact regular banking business and that there is great co-ordination between the wealthier firms and those of a more modest type and that if and when need arises the former come to the rescue of the latter to tide over periods of distress. There is no reason why such an organized system should not obtain in our province. Of course, even here the more responsible type of country banker does afford credit on reasonable terms. But in most of the cases dire necessity determines the high terms dictated by the money-lender who is shrewd enough to see his opportunity in the necessitousness of the borrowers. It is this factor of stark necessity which has to be eliminated out of the bargain. This can be achieved by harnessing the aggrandisement of the cowtars by means of regularizing the sources and price of credit. Licensing of money-lenders should be tried for this and it should be made incumbent upon the money-lenders to publish their annual accounts duly audited. If this is effected the institutions of shroffs and money-lenders will form the banks of the countryside and once they have gained the confidence of the public they will tap fresh avenues of idle funds and it will not be too much to expect that they will bring into active circulation the hoarded wealth of the countryside.

History traces the origin of modern banks to the goldsmiths of England who were akin to our shroffs and it will be just in the fitness of things if they are brought in a line with the modern commercial banks.

#### Oral Evidence.

Amrpati, the 1st January 1939.

**Chairman:** You are a big landlord. Are you an izardar?—I am an izardar and jagirdar also. Our family holds 300,000 acres in all. The area under home-farm is 3,000 or 4,000 acres. I personally am in charge of 400 to 500 acres of home-farm. I do no money-lending. But I sometimes make small seasonal advances to my tenants to help them during the year with their agricultural operations.

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What is the reason for the increasing indebtedness?—Wages have gone up. Cultivators do not work as hard as before. In the best quality land one khandi per acre is not an excessive estimate of the outturn of cotton in a good year. If the monsoon is not very favourable, one ought to expect at least half a khandi of cotton in ordinary good land. In the inferior land one ought to get one-third khandi. I think that for one acre the average outturn of all kinds, good and bad, should be not less than eight or ten maunds. Our local khandi is of 28 maunds, each maund being of 14 seers. This is the standard khandi of 392 seers. I have been a Director of the co-operative bank; but I have not taken any loan.

*Professor A. C. Sen Gupta:* You say that the form of advance is mostly in cash, only the cotton seed being taken in kind. How is it taken?—The cotton seed is borrowed; but the debt is accounted in the form of money and is repaid in money.

You say that it is by now patent that the spread of the movement has one effect, that is, the general lowering of interest for advances for agricultural purposes. Has the rate of interest become lower?—In the places where the interest has been previously very high and where co-operative societies have been opened, the interest has been reduced. In other places it is high. In the village of Wadgaon, there was previously only one sowkar. With the opening of a society, the people take advances from the society. The sowkars also have now lowered their rate of interest.

*Vice-Chairman:* You have said that it is very doubtful that if cotton is warehoused it will get a good price?—Yes. I gin my cotton if the price is not good and wait till prices go up. In Yeotmal there is a custom whereby we can take our cotton and hand it over to the ginning factory and are at liberty to accept the current prices on any day after this which we may choose for payment.

Have you read the report of the Land Mortgage Bank Committee?—I do not know the details, but I know their recommendations in general.

*To the Chairman:* The cost of cultivating 25 acres of cotton would be between Rs. 300 and Rs. 400, and the expenses of purchasing one pair of bullocks will average about Rs. 35 per year. For 25 acres of juar cultivation, the cost would be Rs. 150 to Rs. 200. I cultivate between 400 and 500 acres and my total expenses of cultivation vary between Rs. 3,000 and Rs. 4,000. There is very little fallow land. I sow cotton, and equal quantity of juar, with a very little wheat, tur and gram.

*Rao Bahadur K. V. Brahma, C.I.E.:* Is it customary to draw advances of money from the gin-owner on the cotton stocked with him by the merchant?—The merchants make over all the cotton to the gin-owner and assuming that the cotton is worth ten thousand rupees take an advance of seven to eight thousand rupees; while the final price is fixed later on.

*Rao Bahadur K. V. Brahma, C.I.E.:* Is it customary to draw advances of gives you a yield of one khandi per acre?—About 80 or 100 acres.

Do you admit that the practice of taking one maund of cotton for one maund of seed given for sowing was in vogue in old days, but is practically non-existent today?—Yes.

Do you admit that if the cotton is sold in villages, the agriculturist does not get good rate and correct weight for his goods?—Yes.

Can you tell me what is the difference between the working of the five co-operative shops opened in your district and ordinary adats?—The only difference is that the co-operative *dalals* have more influence and they can secure Rs. 2 or Rs. 3 more than other *dalals*. But it will require propaganda to make progress.

*Seth Narsinghdas Daga:* While answering the question of Rao Bahadur Deshpande you said that an agriculturist does not get the correct weight, because they use an ordinary balance. Do you know they use an ordinary balance in Amraoti and that there is no weighing platform?—I do not know anything about Amraoti.

You said that some time before the rate of interest was 8 annas to 12 annas I ask you if a man with good security can get loan now at this rate or not?—Yes; a man with a good security can get. For instance, if I want loan at this rate I will get it?—May I know if it is your opinion that the money-lenders go out of their way if they charge more rate of interest if they find that there is deficiency of money in the market?—Yes.

RAO SARIH M. D. DESHMUKH.

**MR. WAMAN BALWANT KHANZODE, Landholder,  
Yeotmal (Berar).**

**Reply to the Questionnaire.**

1. Owing to the fact that the agriculturist class is losing its credit in business circles, the old practice of obtaining loans by merely affixing an anna stamp to the entry in the money-lender's books has stopped. Not only this but it is not possible now to get loans on an ordinary bond or even a simple mortgage. The worst and rather inhuman condition sanctioned by law is that of foreclosure and unless he agrees to this condition of foreclosure it is impossible for an agriculturist to obtain any loans.

The rates of interest range between Re. 1 to Rs. 3. Loans taken in the rainy season being repayable by the harvest time with *sawai* (i.e., 25 per cent) and the rate of interest works out to be Rs. 4 to Rs. 5 per cent per mensem. Ordinarily, the rate of interest charged is Rs. 2 per cent per mensem and the penal rate is Rs. 3. Besides, there are other conditions attached to the advance of loans, viz. :—

- (1) All payments to be appropriated towards interest first.
- (2) The produce from the land will not be sold without the consent of the creditor.
- (3) The produce from the land will be kept in the custody of the creditor.
- (4) If the loan is repayable by instalments, interest at the penal rate would be charged on the defaulted instalment. In case of one or two defaults the whole amount with interest would be exigible at once.
- (5) If no payment is made on the stipulated date the amount would be repaid with interest calculated at the penal rate from the date of the bond.
- (6) If there is no repayment of the loan the mortgaged property (if it is land) will be sold. (This condition is almost obsolete now.)
- (7) In case of non-payment of loan mortgage would be foreclosed. (This condition obtains now universally.)
- (8) If it is found that the mortgaged property is already encumbered, the mortgagor would be criminally liable.
- (9) Very short-term of repayment stipulated with a view to make redemption impossible.

An estimate of capital is required for (a) expenses of cultivation, (b) for permanent improvements and (c) for special needs, e.g., failure of crops, land revenue and ceremonial purposes, etc., but the chief question is how much debts the cultivators have on their land by way of simple mortgage or foreclosure. And this important question has been passed over.

But unless the cultivator is free from his debts any amount of help rendered for the above purposes will be of no practical value. The amount required to relieve the agriculturists in this province of their indebtedness is approximately Rs. 60 crores and this should be considered first.

**QUESTION 2.**—It is very necessary to have warehouses for the produce in order to restrict the export of the principal crops of the province. The export of such crops as urad, mung, etc., to foreign countries along with cotton, wheat, and tilli is disastrous. Corn produced in villages must remain in the parganas (sub-division of a tahsil) if not in the villages themselves, or at least in the taluq or the district.

**QUESTION 3 (a) and (b).**—The value of land in Government auction for non-payment of revenue and that by private sale is likely to be the same. The difference arises on account of the quality of soil. The best black cotton soil land will fetch from Rs. 300 to Rs. 400 per acre; and this should give an idea of the value of inferior quality of land.

The fluctuation in the price of land occurs according to yield of crops in the year; it rises if the crops are full (16 annas) and falls if they are low. The rate of cotton also has its influence on the price of land; for the year when cotton was sold at Rs. 300 per khandi, the price of land was between Rs. 500 to Rs. 700. Of course, this was the rate of the best kharif land.

**MR. W. B. KHANZODE.**

(a) Lands sold in court sales do not fetch fair price for the following reasons:—

- (1) The auction taking place in the place where the court is situated instead of in the villages in which the fields are situated,
- (2) Even if the auction takes place in the village itself substantial persons do not come forward to bid.
- (3) The bidders are ignorant of encumbrances on the land.

QUESTION 4.—This is rather a queer question. It is well known that thousands of acres of land have changed their owners by the process of foreclosure and very many lands are overburdened with mortgage today. There is no legal impedient in this respect, on the contrary the law provides the way for such transactions which is undesirable.

(b) The object of the Banking Enquiry Committee appears to be the establishment of land mortgage or agricultural banks on the lines of the present mortgage system which has been instrumental in ruining the entire agriculturist community. The liberty to mortgage itself requires to be entirely abolished. The Committee on the contrary appears to emphasize the need of such a system which is rather surprising. If these banks are going to be financed by Government, what is the necessity for Government to talk of mortgage, etc.? The all-powerful Government need not fear if the money advanced by them is not protected by a mortgage and it is lowering the prestige of Government to demand a security. The word "mortgage" deserves to be driven out of the Marathi language. There is no mortgage for the taccavi loans advanced by Government. Any Government dues are paid as soon as the agriculturist sells his first cotton cart to the exclusion of all other creditors. So it is altogether unnecessary for the Government to ask for a mortgage for the money they may advance for any purposes. Whatever money is advanced will be proportionate to the value of land and unless Government money is paid off the land will not be mortgaged to others, in fact the process of mortgage will be suspended till the Government loan is redeemed. It is therefore not at all necessary for Government to arrange for any mortgage for their loans. There are several other remedies available to them for the recovery of their loans. It is a question if legislation as in Punjab is necessary.

There is no mention in this question that the Government will pay off the present liabilities of the agriculturist. But while thinking of this question it strikes any one that it is necessary first to redeem the debts of agriculturists incurred on mortgage. The following things suggest themselves:—

(1) While making account of mortgage debts of the agriculturists interest should be calculated at 8 annas per cent per mensem.

(2) It should be seen if the whole amount for which a bond is executed is paid by the creditor at the time of execution of the document for sometimes it happens the consideration of the loan is paid after a year from the date of such a bond, while interest is charged from the date of the bond.

(3) With all this if there is doubling of the amount it should be calculated on the original amount of loan. Rs. 300 should not be regarded as double of the original Rs. 100. The doubling calculated on paper for failure of repayment within time is not real.

In addition to the above if the amount due has reached the *Dam Dupat* limit, it should be seen that the creditor does not get more than double of his real cash advance—Rs. 100 principal should not be allowed to grow to Rs. 300 by any process. At all times the creditor should get only the double of the cash advance. Adding interest to principal and thereby capitalizing interest is not the real rule of *Dam Dupat*.

(4) If after such calculation it is found that the cultivator has to pay Rs. 1,000, arrangement should be made for the payment thereof in 40 years by instalment of Rs. 25 per year.

(5) Rate of interest for defaults should be 4 annas per cent per mensem.

(6) There should be arrangements for taccavi advances for purchase of seeds, weeding operations, etc.

(7) If there is any legal impediment to bring about the above reforms, a new law for the purpose should be made.

MR. W. B. KHANZODE

**QUESTION 5.**—I have personally investigated into the matter. The condition of Poha village in Murtizapur taluq of Akola district in this respect is as described below:—

There are 300 survey numbers in this village. Out of these, 100 numbers have already been foreclosed. Proceedings for final decrees are pending in case of 50 numbers, while suits are pending against 50. Fourteen numbers are advertised for court sales. The remaining 20—25 numbers, though in the possession of the tenants, are mortgaged for a total amount of Rs. 1,50,000 or Rs. 2,00,000. Even if these lands are sold outright the sale-proceeds could not be enough to meet the encumbrance thereon. Not only this, but if within 4 or 5 years the loans are not paid off the land will pass into the hands of the creditors and the entire agriculturist class will be reduced to the state of coolies. Such is the state of this village.

There is at present an enquiry going on through the Revenue Inspectors in Berar to arrive at an estimate of the total indebtedness in these parts. Besides, the information in the Registration office is also accurate.

Debts are borrowed for all purposes mentioned in the question. It is usual to say that debts are incurred for cultivation purposes when it is not really so. Even when debts are incurred for cultivation nearly 1/4th of it is utilized in cultivation. Debts are incurred for marriages and other ceremonials and latterly for the purpose of purchasing motor cars.

In Berar these debts are generally obtained from outsiders who have settled there as professional money-lenders. Cultivators who obtain loans from co-operative societies are few.

The chief causes of the indebtedness is the ignorance of the people. To educate youths up to the 4th standard and then to leave them also has its poisonous effect on the mind. Incomplete education like a dose of liquor swells the head of a man and make him fool. The habit of fashionable dresses, false notions of position, the habit of seeing dramas and cinema, taking tea and biscuits at the hotels, smoking cigarettes and cigars out of all proportions are the vices of city life where the boys are kept for their education. The habits are cultivated when boys have not to earn, but later on they lead them into debts. Such an insufficiently educated boy is useless for his profession of his forefathers. He is not only unfit to hold the plough himself, but cannot even supervise the work of the labourers employed in the cultivation. This is equally applicable in the case of boys belonging to other professions. They have become altogether indifferent about their profession. The father cultivates the land while the son sells the cotton produced thereby and enjoys life by purchasing fancy goods, etc., out of the sale-proceeds. It is the father who is supposed to look after the household affairs. The patels and Deshmukhs and well-to-do cultivators having thus spent their money in enjoyment need a motor car of their own. But for want of cash they mortgage their lands for the satisfaction of their desires and ultimately land is lost in the mortgage. Owing to the adoption of costly living and the facilities of obtaining debts on mortgage agriculturists have sunk themselves in debts. It is not possible now to stop the tide of education nor these new ways of leading a costly life and it is also difficult to resist the temptation to purchase new articles of luxury. These men can raise money by mortgage of their lands and unless this liberty to mortgage is taken away this extravagance would not stop. The father wisely saves his land from debts while the son loses it by mortgage. And many a father is now compelled to go to law courts to get rid of the mortgages executed by their sons. There may be other causes leading to indebtedness, but the law of foreclosure is chiefly responsible for it.

The method of money-lending may be described as follows:—

Principal is Rs. 100, 25 per cent or *sesai* is charged as interest. This sum is repayable within four months. Failure to pay on due dates entails Rs. 2 per cent per mensem rate of interest. In this way a bond is written for Rs. 250, i.e., the double of Rs. 125. Repayments are not encouraged. When by this process of doubling the amount reaches the figure of Rs. 500, and when by means of a mortgage bond the sum comes up to Rs. 1,000 there is a civil suit for the recovery of the principal and interest thereon.

In Central Provinces there is system of occupancy tenants, etc. In Berar owing to the system of *khalsa* rich tenants like Patels, Pandes, Deshmukhs and

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Deahpandes have lost their landed property in foreclosure and are now reduced to the state of mere labourers and some of them are actually begging; and this is due to the facility of the mortgage.

QUESTION 6.—To find out if cultivators have time to do other occupations they have to be divided into 3 classes, viz., (1) the rich cultivator, (2) the ordinary cultivator and (3) the labourer. The rich cultivator only looks to the supervision of the work in his fields and does no other work of physical exertion. The ordinary cultivator after returning from the field requires rest for two or three hours. Then by 4 or 5 o'clock in the evening he is engaged in looking after the fodder, etc., of the bullocks and the preparation of ropes, etc., required for cultivation. If there are any cattle, he spends the rest of the evening in looking after their comforts. The third class of cultivator, i.e., the labourer or a season-servant is busy throughout the day as his master is very particular in exacting work from him. In fact the men engaged in cultivation have very little time to do any other work beyond their cultivation. Some overwise people are making a fetish of this spare time which has really no meaning whatsoever.

Mr. Khaparde's paper "The Udaya" has in its issue, dated the 22nd October 1929, under the caption "Bolshevism in Berar" ridiculed the idea of utilizing the so-called spare time in hand-spinning. In fact, the little spare time a few persons may have out of the large number of cultivators cannot be regarded as spare time at all. Last week the "Maharashtra" (of Nagpur) has written an article on this Banking Enquiry Committee. In this article the writer has stated that persons who have really any spare time are the school-leaving children who spend their time in doing nothing, but gambling, etc., and the persons who meddle in litigations.

The old women in the middle classes of cultivators have some spare time. Similarly, the young women among the labourer class have some spare time in summer. The women of the middle classes have work on hand at all times. There is some spare time between the period of collecting juar stems from fields and the period of sowing. But it is question to what use this leisure can be put. Some of them spin and hand-spinning is the only subsidiary industry that strikes every one these days and when one talks of introducing this the wise philosophers are not pleased. When some people advocate the revival of the old system of hand-spinning and thereby turning the machinery out of the country, these wise philosophers get frightened and ask "do you want to take the world a thousand years back"? But when things go bad it is not unwise to get back a little.

This is practical strategy in business. Even if it were not possible to stop machinery, it is desirable to introduce hand-spinning in the villages. We cannot write much on the subject in this reply, but have just made a passing reference to it as the question is there. This subject has been well thrashed out in the papers. Mr. Dole, Pleader of Amraoti, has written nice article in the *Udaya* on this subject which will satisfy the reader of the necessity of the revival of the hand-spinning industry. In short, if the desire to supply any subsidiary industry to the cultivators be genuine, the hand-ginning must be revived. They will automatically stop the working of the ginning and pressing factories and give an impetus to other industries such as weaving of *khadis*, etc.

There are ample facilities for obtaining loans already in existence. Any body can obtain loan from any body else on pledging of his moveable property such as ornaments of gold, silver, diamonds, pearls, etc., as well as immoveable properties like fields, gardens, houses and ijara villages. But in reality none of these facilities is worth the name, and there is a cry for the withdrawal of the facility of mortgage itself.

QUESTION 7.—Experience of co-operative societies is bitter and the people regard this movement as nothing better than pure money-lending concern run by some persons collectively. And this is true. A co-operative movement presupposes the benefit of one and all, but when instead of benefit it gives a bad return it can no more be called a co-operative movement. An institution which aims at co-operation among its members should not result in loss to any of its members. Such institutions should not be allowed to be the blood-suckers like ordinary money-lenders. But when one finds it is working on these very lines one is ashamed to call it a co-operative concern. Such institutions are started

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by some self-seekers. Welfare of the poor is altogether absent in their programme. Real co-operation lies in the inculcation of a spirit of national and social brotherhood and the actual practical working thereof on mutual sympathy and unity. But in the present-day struggle for existence it is a problem as how to make the inculcation of this spirit possible. In these days owing to the separatist tendency of the people in all respects the rise of a real spirit of co-operation and unity has become well-nigh impossible. It is true that the economic condition of the people needs improvement, but in these days of democracy such an improvement cannot be brought about by individual efforts. The object of the co-operative movement should be to utilize money lying idle with rich people by advancing it to the poor and needy at low interest. The aim of this movement should be unlike the ordinary money-lending concerns—foster the spirits of self-reliance and strict discipline, so that in course of time there should be no need for people to borrow and also to meet the current needs of the people. Co-operation is needed for avoiding the economic exploitation of the rich. Real co-operation is that there is a tendency to help each other in times of need in a spirit of sacrifice and selflessness. But in the absence of any such high ideal before them, the co-operative societies are not able to meet the economic needs of the agriculturists. They are also like the professional money-lenders reducing the cultivators to a state of beggary by selling their lands in mortgage. The movement that cannot save the ancestral property of the agriculturist is not movement at all. This movement also requires the aid of the undesirable system of mortgage which deserve to be abolished altogether.

In order to stop the system of granting loans on mortgage which is spreading all round nowadays it has become necessary to make a special law for Berar for prohibiting it for the following purposes:—

- (1) Abolition of the right to mortgage land.
- (2) There should be no foreclosure of the land in mortgage whether ancestral or self-acquired for payment of debts nor should it be sold. Similarly, there should be no sale of land for the payment of land revenue, taccavi, payment of dues of the co-operative society or any other Government dues.
- (3) The dues of Government or money-lenders should be recoverable out of the sale-proceeds of the produce of land rateably and by instalments.
- (4) Peasant proprietors must be compelled to cultivate their own lands so that the system of letting out lands would come to an end.
- (5) During the past 60 years the agriculturists' land has gone out of their possession or had to be made over to the money-lenders under conditions of foreclosure. This period should be regarded as sufficient to pay off the debts on the land and the agriculturists should get the right to re-claim their land.
- (6) Such tenants as happen to possess a debt of Rs. 1,000 at present should be given the facility of paying it off in 40 annual instalments of Rs. 25 each.
- (7) All the existing rates of interest should be cancelled and all accounts balanced by charging interest at 8 annas per cent per mensem from the date of the bond. There should be no interest more than 8 annas per cent per mensem allowed hereafter.
- (8) The means to secure loan in mortgage and in order to stop this system of mortgage the law relating to it should be cancelled.

The Government should make legislation on the lines indicated above. The Government is taking adequate precaution to prevent the spread of Bolshevik principles in this country; but every one knows now what those principles are and one cannot be too sure that they will not flourish here. If Government want to save Berar from Bolshevism, they must introduce some such measures like the Deccan Agriculturists' Relief Act in order to recover the vast amount of land devoured by the money-lenders from other provinces. The Udays also has made suggestions on these lines. I have, however, gone a step further than that paper in telling in plain terms what it has done in an ambiguous manner.

The remedy for the relief of the agriculturist lies in the cancellations of the law of mortgage and the release of their lands that have been in the possession of the money-lenders for less than 60 years.

QUESTION 4.—The co-operative credit societies that have come into existence advance loans on mortgage. If they can be classed in this category, they may be called credit banks. These societies charge a high rate of interest. They can neither give long-term loans nor have they got the means to free

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agriculturists from their old debts. Besides, their manner of recovering the debts is more autocratic than that of the professional money-lenders. For the sale of one man they are prepared to sacrifice ten others. Such is their reputation. Form the manner of the enquiry of the Banking Committee it is evident that the Government want to establish such banks only. It does not seem to be so keen to relieve the agriculturist of his indebtedness. The name of the Committee should have been "company for relieving the agricultural indebtedness" instead of "Banking Enquiry Committee". The chief question is how to lift the agriculturists out of their neck deep indebtedness and it should have been written in the questionnaire in bold type. Instead of doing so this important question has been entirely eschewed from the questionnaire. This creates the doubt as to whether it is the intention of the Government to open mortgage shops in order to catch such tenants whose lands may be yet free into their clutches and give their lands to its own people. If the Government's real object in opening new banks on these lines is to relieve the agriculturist of his debts, they must first pay off all their debts and to recover the money thus advanced by long terms. The American Government had to adopt a similar course once. Sir James Meaton, who was once a Governor in this country, is reported to have said that the lands of the agriculturists in India can be easily procured by the foreclosure system prevailing there, and that being the case the English companies should open their business centres in India and thus freely acquire lands. If the proposed banks have this for their objective, then one fears that they may be a sure means to expedite the ruin of the agriculturist instead of affording any relief to him.

When the report of the Land Committee appointed by the Liberal Government in England was out, it was found that the conditions with regard to agriculture and the agriculturists had undergone a change for the worse during the past fifty years. In order to remedy the condition Mr. Lloyd George, the Prime Minister, took out the lands from the possession of the landlords and gave them to the labourers on the fields along with money from the banks for the improvement thereof. It is necessary to adopt similar measure in Berar for the relief of the agriculturist. Of course, the necessary restriction precedent to such concessions must be there.

#### Oral Evidence.

*Amraoti, the 1st February 1930.*

*Professor A. C. Sen Gupta:* Do you agree that when the price of the crops rises the area under cultivation of that crop increase?—Yes.

If you restrict export of agricultural products, its price must fall?—Yes, it will fall.

Do you think much of urad and mung is exported from this country?—Urad and mung are exported to the Punjab. They should not be even exported to other provinces of India.

If you check the export from the province, the price must go down and these crops will not be produced to the same extent. Do you know these enrich the soil?—No. Even if you restrict, the area under those crops would not go down.

You suggest if a man owes Rs. 1,000 he should pay in 40 annual instalments of Rs. 25. Do you mean to say that the creditor should be deprived of the interest for 40 years?—I advocate that no interest should be taken for old debts. They should be paid in 40 yearly instalments of Rs. 25 in the case of a loan of Rs. 1,000.

Do you think conditions of Paha village in Murtizapur taluq represent conditions in Berar generally?—Such conditions exist in about 95 per cent of the Berar villages.

Are you against education of the children of agriculturists?—No. They should not only be educated up to the 4th standard, but should be given higher education as well.

Are you against the cultivators having the right to transfer or lease out their land?—Yes. Cultivators should not have the right even of subletting their lands.

If a family has more land than it can cultivate, what do you propose they should do with the remaining area?—One family of five members can cultivate 25 acres of land. If a family has more than 25 acres of land, Government should take away the surplus area and give it to others.

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*Answering the Vice-Chairman, witness said:* All sowkars in Berar insist on mortgages known as *lahangan*, conditional sale. They refuse to advance money on any other kind of mortgage all over Berar. The *katmiti* system is not practised by the sowkars.

If the right to mortgage land is taken away, how will the cultivators raise money?—In jagir or izara villages where the right of transfer does not exist, indebtedness is less. In such villages money is advanced only on personal security. The rate of interest in such villages is the same in villages with transferrable rights.

Have you made personal enquiries into this?—Yes.

The instalments should be his net income. If the net income is higher, why cannot loans be repaid in instalments of less than 40?—On account of bad harvest, the net income of people is very low and therefore a long period for clearing off old debts is necessary.

Do not the educated young men also earn money as clerks, petition-writers, etc.?—Very few of them earn. Most remain idle. I have no money-lending or cultivation; but my son is Sub-Inspector; another son is a motor driver and the third is doing nothing. My sons are able to earn as a result of education. My third son also was in the Forest Department, but resigned on account of variance. I know that co-operative societies are not charitable institutions. I know that these societies derive their capital from shares and deposits and that Central Banks have to pay interest on the deposits.

Do you say that the co-operative banks should remit the loans if they are not repaid by members?—No.

*Vice-Chairman:* May I know why do you think that the co-operative societies are as oppressive as money-lenders?—I say the co-operative societies are as oppressive as money-lenders because they charge compound interest, while the sowkars charge only simple interest from the date of the loan to the date of the suit.

Do they not persuade the debtor to execute a new document very often wherein they charge compound interest?—The money-lenders do get new promissory notes executed for the total amounts of principal and compound interest before they file a suit.

Do you admit that you feel difficulty in paying the instalments of the debt borrowed from the co-operative societies on account of bad years?—Yes.

Do you think that before these bad years, the co-operative movement was more useful and was appreciated?—Yes.

What is the reason for the present condition of the co-operative movement?—The causes of the present condition of the co-operative movement are bad economic conditions and immediate issue of awards. I have even heard that awards are issued only a few months after the loans are advanced.

Are you a member of any co-operative society?—No.

Are you associated with the Central Bank?—No.

Are you indebted, and if so, to what extent?—I am indebted to the extent of Rs. 500 to Rs. 1,000 on personal credit.

Can you suggest anything for the improvement of co-operative movement?—My suggestion for improving the co-operative movement is that the rate of interest should be reduced and something must be done to clear off the old debts of the members.

What do you mean by saying that there is selfishness among the leaders of the co-operative movement?—What I mean is that the leaders of the movement are more anxious to secure more dividend on their shares.

Do you think that the movement will be of use if the leaders work properly?—Yes.

Is it a fact that the money-lenders have an aversion towards the land and as far as possible want their cash back?—No.

*Chairman:* Do you agree that cultivation nowadays is not profitable?—Yes.

Will you then tell me why the money-lenders are desirous of getting land when cultivation is not profitable?—It is beneficial to lease it.

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Can you explain to me why it is that the owner of the land, if he cultivates it, gets no profit from it, but if another person takes the land on lease and cultivates it he gets profit?—The lease-holder does not gain by cultivating the land. The owner alone is in profit.

If a lease-holder does not profit by the lease, why does he waste his money by taking the land on lease?—Because he thinks that he will get a good crop and he will profit, but generally he is disappointed.

How much land do you own?—I do not own any land.

What do you do for your livelihood then?—I was a Revenue Inspector. I was dismissed in the old days of 1908 on account of Swadeshi movement. I was then working as a representative of the tenants on the occasion of the passing of the Izara Act. My son is now a Sub-Inspector of Police. I may state that I had received an invitation to go to Delhi to wait upon His Excellency the Viceroy.

*Vice-Chairman:* Do you want the Government to use force in taking away the land from the landlords as suggested by Mr. Lloyd George?—I only want that the right to lease the land should be done away with.

Are you prepared to invest Government with power to achieve this end?—Yes.

What is your reason for saying that co-operative societies are equally rigorous in matter of recovering the loan as the sowkars?—I say so, because the co-operative societies also attach and auction the land just as the sowkars do.

Do you think that the societies should take a charitable attitude towards the debtors?—Though I admit that the co-operative societies are not charitable houses, I think they ought to give convenient instalments to their borrowers.

Are you aware that debtors of the societies commit defaults even after proper fixing of *kists*?—Yes.

Do you think that the old debts ought to be repudiated by legislation?—No.

*Rao Bahadur M. G. Deshpande:* You object to a mortgage of land. Will you state your reasons?—The debtor is put to loss. I am agreeable to the land being sold for the recovery of loan, but I oppose other kind of conditional mortgages such as foreclosure.

Suppose Government advanced money to a cultivator and the debtor then executed a deed of gift in respect of his property in favour of somebody, do you think Government could recover the money?—I think so.

Is it your impression that any debt is a first charge on the property of the borrower?—Yes, that is my impression.

You advocate that if a man cannot cultivate the land, instead of he being allowed to lease it, it must revert to Government and should be given to some one who will till it. Will you say what should be done by people who cannot till the land, such as widows, etc.?—If such a law is enacted, some relatives of such a widow will come forward and cultivate the land.

You state that the sowkars charge simple interest when they file a civil suit for the recovery of debt? Do you admit that they take bonds for excess amount plus compound interest, etc., from such debtors before they go to the court?—Yes.

You say that if a particular kind of crop does not give fair price, the cultivators do not sow that crop. If so, why do the cultivators grow cotton even though the price is going down?—They will now begin to grow another crop.

You say that about Rs. 60 crores will be required to free the cultivators of Berar from their debts. How do you estimate this?—In an address presented to the Hon'ble Mr. R. M. Deshmukh by Morsi and Chandur taluqs the figure for these two districts was estimated at seven to eight crores of rupees. I have taken my figures on the basis of those figures.

What do you mean when you say taccavi should be advanced? Do they not advance taccavi now?—I have recommended that advances should be given for certain purposes. What I mean by advancing taccavi is that if the money advanced is not sufficient, then further amount should be advanced in the form of taccavi.

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*Sgt. Narsingdas Baga:* You say that cultivators are required to pay more interest and that cultivators do not get any profit from their cultivation, etc., in your written statement. You are not a cultivator. So have you said all this from hearsay?—I know it from my personal knowledge as a Revenue Inspector and from the condition of the cultivators.

Do you think the sowkars force the cultivators to borrow?—No.

Do you agree that if the amount of interest is paid regularly, compound interest will not be charged?—Yes.

You say that before filing a suit, the sowkars persuade the debtor to execute a new document. What is the reason?—I do not know.

You say you are indebted to the extent of Rs. 1,500. Will you please let me know the rate of interest?—Rs. 1-8-0 is the rate of interest.

Do you think that you could have got a loan on lesser interest had you good security?—It is likely.

You stated that co-operative societies also act like sowkars in the matter of the recovery of debt. If so, why do you blame a sowkar?—Because sowkars deprive the cultivator of his land.

Do you object to an ordinary mortgage or a foreclosure (*lahan gahan*)?—I object to an ordinary mortgage also.

You state in your written statement that generally there is no difference in the price received by private sale and the price received in auction for failure to pay land revenue. Do you think this is so?—No. There is difference in price.

You state that the Deccan Agriculturists' Act should be applied to Berar. Do you know that this Act has not been successful in the Bombay Presidency? If so, do you still advocate that the Act should be applied in our province?—I suggest that the Act should be applied after amending the injurious portion of it.

*Chairman:* Thank you very much.

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**Reply to the Questionnaire.**

**QUESTION 1.—(i)** So far as Akola district is concerned, the agriculturist in the village obtains finance from his village sowkar who is usually a professional money-lender. At times he also borrows from a non-professional creditor whose affluent circumstances enable him to earn profits by money-lending. But such a dealing is to a very limited extent. The agriculturist, as when driven to approach his village sowkar, hardly minds on what terms and conditions the latter lends nor does he care what deductions the sowkar makes from the actual cash promised to be advanced. This is because the pressure of the money demand is urgent and the agriculturist hardly commands credit elsewhere. The village sowkar knowing this needy and helpless situation of the agriculturist borrower is generally tempted to charge interest at a rate ranging between 18 per cent and 24 per cent per annum even when a good landed security is offered, further stipulating for a penal rate on default of an instalment. The period for repayment of the whole principal is, generally speaking, fixed for three years or less according to the size of the loan advanced. If it is substantially large, i.e., for more than a thousand rupees, it is three years. If it is less, the period is usually one year or two. The value of the landed property offered as a security for repayment is appraised cautiously, the loan advanced being never more than 50 per cent of such cautiously determined valuation. Further the sowkar usually makes a deduction ranging usually between 5 and 10 per cent and in hard cases at 20 per cent from the cash loan promised to be advanced. In the case of small loans the time stipulated for repayment is usually the next harvest season (hangam time), i.e., Marghashirsha and Magh months, corresponding to December and February. The customary Marathi dates are: Marghashirsha Shuda Panchami or Nagdivali and Magh Sudha Panchami. In villages bonds are got executed some times for sums 25 per cent in excess of the principal cash amount promised to be advanced and interest is stipulated to run on the promised cash amount from the date of the execution of the bond. In the majority of cases, however, interest is made to run from the date for repayment as stated in the bond.

The agriculturist begins to feel the need for money about the end of April and before the middle of June for preparing his land for cultivation.

(a) The agriculturist goes to his sowkar to borrow for cultivation expenses, mostly in May and June, agreeing to repay in six or seven months. If he goes in for seed in June he gets it on the stipulation that he returns the quantity borrowed by paying half as much more. This is what is called the didhi system. There is no guarantee given, however, as regards the purity or good variety of the seed so advanced, because his stock from which the sowkar lends the seed is not stored out in a mixed collection of seeds received from different sources, stored at a common place.

(b) As regards capital, the agriculturists borrow at exorbitant rates of interest, viz., between 18 and 24 per cent per annum. Hence it is difficult for him to repay interest even.

For permanent improvements, he either obtains help from his sowkar direct or from Government by applying for loans under the Taccavi and Land Improvements Acts.

As these Government loans are usually granted after a careful local inquiry by revenue officers and are accompanied by restrictions, the village sowkar is found to be a convenient and favourable resort by the village agriculturist in attaining this purpose, although the rate of interest charged by the sowkar is more than treble or fourfold of the rate charged by the Government.

(c) To provide against failure of monsoons the village agriculturist hardly thinks of going to the Government for financial help, or to the village sowkar. As a matter of fact till the famine actually takes place he expects and is with pious hopes that the rains will fall and that he will get crops. Even at the present day, he is not accustomed to exercise prudence or forethought to lay by and make some provision against crop failure. It is only after a complete crop

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failure sets in that he aimlessly sets about seeking for pecuniary help and as he happens to be one among many similarly circumstanced fellow-agriculturists and others in the district, he is forced to borrow at exorbitant rates of interest cash loans or grain in kind. The village sowkar as far as his limited means can afford it, tries to supply the needs, but when and if he cannot do so, the needy agriculturist has to go to a big money-lender or banker in a town, whose terms are not less oppressive.

It rarely happens that an agriculturist is driven to borrow from his village sowkar for the payment of land revenue demand, because when the crop is normal, the date for payment of land revenue coincides with the actual harvesting time, so that he has means available to pay the land revenue without difficulty from the sale-proceeds of the field produce and the value usually fetched by the field produce being more than the land revenue demand there is hardly any occasion in normal times to have recourse to a sowkar merely for the payment of land revenue. When the crop condition is abnormal, i.e., when there is excessive rain or complete cessation of rain or when there is some other local calamity, the Government itself makes the land revenue payment easier by suspensions and remissions ordered according to the actual state of things.

For ceremonial purposes, in the majority of cases, the agriculturist is forced to go to a sowkar first because he has so far never lived a life of economy and prudence. He has acquired no habit of saving. Secondly, he does not know how to make a forecast of his income and expenditure, and thirdly, he is not accustomed to make any provision for unforeseen contingencies such as marriages and social ceremonials. The expenditure on his own marriage, or on the marriage of his children, forms in many cases the main cause of his heavy indebtedness. In the celebration of marriages, excessive if not actually lavish expenditure is incurred on grounds of sentiment or family custom.

In this district, the common rate of interest on loan advances runs from 12, 15, 16 to 24 per cent per annum. The usual periods for which loans are taken and within which they are stipulated to be repaid range between 2 and 5 years. The security offered for loans usually consists of cultivable lands and valuable residential houses. Standing crops are rarely hypothecated, because of the difficulties attending the prompt enforcement of contractual stipulations by legal remedies. There are cases in which village agriculturists have been in the habit of borrowing from money-lenders who charge interest at 24 per cent per annum and more and require the repayment of loans by weekly or monthly instalments. The time fixed for repayment in such cases being ordinarily short is unsuited to the paying capacity of the borrower who can repay only according to his means. The borrower is in such cases inevitably placed at a great disadvantage and stands the risk of losing terribly under this usurious system. It is only those needy borrowers, who cannot think for themselves and determine how far such a system of borrowing would ruin them that take advantage of this usurious mode of banking.

Some agriculturists who cannot sufficiently preserve their own stock of grain from the produce of their fields to meet their annual needs or maintenance, are required to borrow grain agreeing to return it at what is called "dadhi" at harvest time.

The Government help in agricultural finance assumes the forms of loans made under the Land Improvement Loans Act and the Agriculturists' Loans Act. Besides the positive and direct money help under these two Acts the Government at times remits and suspends its revenue demands, whenever deemed necessary and proper.

Government provided funds in 1921 to meet the demands of co-operative organisation on one occasion to enable the co-operative banks to tide over a financial crisis.

The Imperial Bank of India has so far taken no direct part in providing funds to agriculturists although its financial operations indirectly benefit the agriculturists.

There is no joint stock bank in this district which lends money to agriculturists.

There is one co-operative central bank in this district which is financing the rural co-operative societies and thus serving the needs of agriculturists who happen to be members of such societies.

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There are indigenous bankers or firms who carry on money-lending in villages and among their customers village agriculturists find a prominent place. These bankers are professional merchants as well as traders. As a matter of course their business relations compel them to undertake money-lending and they naturally possess a large clientele among the village agriculturists. Most of them carry on the profession of commission agency. With a view to secure this business and develop it they lend to village agriculturists binding the latter to bring their field produce to the market to be sold through their agency.

While charging their usual commission for selling the field produce at the rate usually not exceeding Re. 1 per cent of the sale price of the produce sold through their agency they recover interest at rates ranging between 12 and 18 per cent per annum for the cash accounts previously advanced.

There are district and taluq agricultural associations formed during the last ten years which deal with the agriculturists who are their members and supply the latter with seeds and agricultural implements at convenient rates and on concessional terms of repayments. So far only one European company, called the Fordson Automobile Company, has recently attempted to open its shop at Akola to sell iron plough tractors and other implements along with motor cars on a hire and sale system, i.e., on a system of repayments by monthly instalments.

With a view to give an approximately fair estimate of the total amount of capital required for cultivation expenses for capital and permanent improvements and other special needs, as far as the Akola district is concerned, the process of calculation as suggested to arrive at it may be described as under:—

The total population of the Akola district, according to the last census in 1921, is 798,544 or 8 lakhs of souls. This population is distributed over 1,751 villages large or small in the district. The total occupied area of cultivated land is 22,16,769 acres assessed at Rs. 30,24,387. The average occupied and cultivated area per soul comes to nearly 3 acres. The land revenue incidence per acre in the district is on an average 1.3 rupees. The best soil pays Rs. 2-8-0 and more per acre. Thus the average quality of soil in the district is light to moderate. The cultivation expenses, therefore, are comparatively higher than for best soil and the outturn is proportionately lower. The cost of cultivation of the three acres of such soil on an average comes to Rs. 75 and the gross income from these three acres is estimated at Rs. 120, leaving only a margin of Rs. 45 per soul which goes to cover his maintenance expenses. The experience gained of a village life as contrasted with that of a town life shows that in a village the average annual expenditure on account of bare maintenance comes to Rs. 120 per soul whereas in a town it is Rs. 180 per soul exclusive of the cost of the various requirements of comfort. The bare maintenance expenses at the rate of Rs. 120 exceed the income from the occupied area per soul by Rs. 75. In other words for bare maintenance each man or woman has to find out extra Rs. 75 either by borrowing or by doing personal labour and earning wages to that extent. In the majority of cases, a villager does personal labour of one kind or another for half a year and the cost of this labour is included in the cost of cultivation per acre the amount he is obliged actually to borrow for the remaining six months comes to Rs. 37½ or roughly Rs. 40 per soul. In other words to meet the annual maintenance charges of the total population of the district at the rate of Rs. 40 per soul, the total capital needed for the whole district would in round figures be Rs. 3,20,000 or 3½ crores of rupees.

Further to cover the actual cultivation charges at the rate of Rs. 25 per acre the total amount required comes to Rs. 5,54,19,225 or 5½ crores of rupees, old men of agricultural experience assume that in a cycle of 10 years the agricultural forecast may be safely stated to be as under:—

- Two years of good crops.
- Two years of moderate crops.
- Three years of bad crops.
- Two years of indifferent crops.

• A good crop is equal to 16 annas in a rupee. A moderate crop is 8 annas in a rupee. A bad crop is total failure equal to zero in value and an indifferent crop is 4 annas or less in a rupee. Thus the average yield of ten years is taken to be between 7 and 8 annas in a rupee. Viewed in this light the average yield per acre comes to Rs. 18, while the cultivation cost stands at Rs. 25. In other words for cultivation purposes alone a villager is annually borrowing at rate of Rs. 7

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per acre of cultivation. The total area under cultivation in this district is 2,216,769 acres. The annual debt contracted at the rate of Rs. 7 per acre amounts to Rs. 1,65,17,383 or in round figures to one crore and a half. This means that agricultural industry alone is responsible for about 4½ crores of annual debts. It must not be forgotten that in years of bad crops, i.e., when there is no crop the whole expenditure on cultivation is met by borrowing and the debt so borrowed with its accumulated interest becomes an irreducible load so much so that the cultivator is always kept in debts on account of land cultivation. At this rate the debt borrowed to meet annual expenses of cultivation and the deficit in maintenance come to 8½ crores of rupees. For two years of bad crop this would be 17½ crores. Add to this the special expenditure on account of customary ceremonials and marriages at the rate of 200 rupees per family of five, which comes to about Rs. 3,00,00,000, (three crores) in ten years. The calculation as made above points out that twelve crores of rupees are spent on purposes other than litigation and purchase of landed estate, and land improvement. It may, therefore, be safely said that the figures of fifteen crores represent the total indebtedness of the whole district of Akola.

It is not possible to frame an estimate of the extent of grain advances made in this district without first making a detailed local inquiry from village to village. Grain advances are made on "Didhi" system, i.e., by charging half as much more for 6 or 9 months.

From the description of the system of village finance so far stated, it is clear that the village sowkar is the only source from which capital flows to finance village agriculture. Co-operative organizations are not moving with any rapid pace to benefit the vast agricultural population. There being thus no organized effort, Government or non-official, to supply cheap credit to the village agriculturist, the financial help such as is available to a village agriculturist works oppressively so much so that it is resorted to, the agriculturist hardly gets out of his indebtedness. The most important point to be achieved is to supply cheap capital to the village agriculturist with a view that taking into account seasons good and bad, in the cultivation of his lands, he must be able to maintain himself and carry on his agricultural industry, for one decade at least, from the income of his land. This defect can be hoped to be cured by pushing on the spread of co-operative organizations at all costs and making Government money easily and cheaply accessible to them under reasonable guarantees.

Whenever village sowkars or commission agents advance loans conditioned to be repaid in kind by the delivery of crops, the borrowing agriculturist loses in the price of his produce because by the shrewd merchant and sowkar he is already committed to offer his field produce to him at a stated lower rate. It may be painfully remarked here that so far the people do not see any effort put forth to co-ordinate credit agencies including Government ones and there is undoubtedly much scope for improvement in this essential direction.

QUESTION 2.—In this district a sufficient number of markets for selling the principal crops, viz., cotton and juar, has not yet been established. Since the last 40 years, nearly, grain and cotton market laws have been introduced in Berar and well organized markets, working under these laws and rules framed under them have been started only at principal trading centres such as Akola, Akot, Balapur, Basim and Karanja. But if such markets are multiplied and brought nearer home to the village agriculturist he is bound to be profited considerably. As it happens now, an agriculturist harvests his cotton and jawar crop, stores it in his house or in rooms rented on hire, carries it to a marketing centre where competing traders are ready to purchase it at openly declared rates. At these centres there is a large body of commission agents who offer their services to the village agriculturist to sell his produce after correct weightment and settlement of proper price. They are called *adatyas* and they employ brokers to secure custom. Ordinarily, the broker as well as the commission agent is a useful intermediary for the sale of produce from the point of view of the village agriculturist. But unfortunately the case is otherwise. The so-called commission agent also plies his own trade in the purchase and sale of cotton and being interested to make profits by carrying on such sales and purchase on large scale, he is not in a position to watch and promote the interests of his principal customer, viz., the agriculturist. To minimise or even to remove this evil it is seriously contemplated to amend the rules of the cotton market, prohibiting an *adatya* or commission agent from making a private purchase of the commodity which is brought to him for sale as a

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commission agent, but human ingenuity can always find means to encounter difficulties thrown in the way and to set over restrictions. These commission agents are mostly merchants, carrying on a variety of trades, under different names. They carry on agency business in one name and make purchases in another name. Sometimes the assumed names are fictitious. In practice the law made to protect the agriculturist from the evil practices of the commission agents is evaded with impunity and the ignorant agriculturist is left to suffer consequence. The more closely one looks into the trade conditions at the mofussil centres of trade, the greater is the conviction carried to one's mind that unless and until a well organized and regulated scheme of co-operative selling is devised and brought into practice on a large scale by preparing the ground for the starting of such a scheme by an extensive and well sustained propaganda in its favour, there is little hope to eradicate this permanent evil and to save the agriculturist from the loss he sustains in the price of his agricultural produce.

The co-operative central banks have recently started the work of selling cotton as well as other field produce of the co-operative members of this new adventure—these new attempts to start co-operative selling agencies having a hard and long fight to put up against the opposition of a well established body of merchants, professing to ply their trade as commission agents. Their vested interests naturally lead them to counteract the spread of co-operative sales by offering all sorts of inducements and lucre to temporarily seduce the ignorant and illiterate agriculturists from taking advantage of co-operative selling agencies. But the co-operative central banks have it appears been making a determined effort to hold fast to their ideal and to see that these co-operative sales ultimately succeed to outbid this veteran class of merchants and commission agents. In the progress of time, as the co-operative movement develops and gains sufficient strength to include under its operations a substantial proportion of the class of agriculturists in this district it is possible nay—well nigh hopeful to formulate and put into practice a scheme for pooling together and selling on co-operative lines, the entire field produce in a manner advantageous to the producer. But as is stated in answer to question No. 1 under heading No. 1 it will take several decades before the co-operative organization develops and multiply on a sufficiently large scale, and undertake this kind of business. It is next to impossible to induce merchants to combine and make a co-operative effort to bring into being a well organized and regulated system of co-operative sales of field produce. The mercantile community is naturally and pre-eminently devoted to its self-gains and its outlook of its obligations to society in general and to the class of ignorant and needy agriculturists who produce by life long personal toil the wealth of the soil is extremely narrow if not expressly antagonistic to the growth of any co-operative organization at their voluntary initiative. As the matter stands at present, and for a long time to come, this community intuitively dreads the growth and influence of co-operative organizations which it regards as a death blow to its long heritage for free exploitation of the village agricultural industry. In other words, the communities following the mercantile trade or money-lending business are not and will not, for a long time to come, be in a mood to think of working on co-operative lines. They will have to be forced to feel the pinch of the advancing times and the progress of co-operative institutions and this is possible only by disregarding their present obstinate opposition, howsoever great and ill advised it may be, by steadfastly persisting in developing co-operative organizations in all the varied departments of human activity. The existing facilities which the old and long established merchant or trader serving as a commission agent offers to the village agriculturist, are as under:—

(a) Before binding down an agriculturist to the stipulation that he must bring all his field produce for sale to the agent the latter lends money to the agriculturist just sufficient to induce him to agree to the stipulation either permanently or to a definite period.

(b) As soon as the agriculturist brings his field produce to the agent the latter does all those different services to the former which are necessary to make his sojourn during the time required for completion of the sale bargain easy and comfortable. He provides a convenient open place for keeping his unloaded carts and pairs of bullocks for the fodder and cotton seed, and for his temporary lodging and boarding. These services are remunerated and they are valued much by the agriculturists who are in many cases complete strangers to the marketing centres.

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(c) He accommodates the agriculturist bringing his cart-loads to his agency for sale with funds to purchase necessary sundry articles of domestic use and purpose such as clothing, oil, cotton and seed, tobacco, etc. It is the usual practice of the agriculturists when they bring their cart-loads to a marketing centre to make a few petty purchases according to their needs and pleasure which the agent cleverly anticipates and meets promptly and to their satisfaction.

(d) The price of the field produce sold through the agency is either realized, or it is advanced by the agent at the close of the day to the agriculturist after deducting therefrom the expenses connected with the agent's services and the value of the articles supplied as above.

(e) Amply satisfied with this prompt payment of price and enjoyment of facilities the agriculturist gets pleased with the agent who becomes assured in his position to appropriate as much out of the price collected or advanced as he wants, towards his previous advances to the agriculturists. The agriculturist is pleased as he places full confidence in the agent's *bona fides* and straightness of dealing. In the majority of cases, however, he is quite innocent of the prevailing market rates or of the short weightings made by weighmen or of the under valuation effected in the bargain by the agent for reasons suppressed from him.

This system prevails all over the district. The co-operative effect started at Akola since last five or six years has not as yet progressed as well as it was expected to do, but the experience so far gained proves that a co-operative organization for selling agricultural produce is in every way beneficial to the agriculturist. The Akola Central Bank started a co-operative adat shop at Akola and in the beginning lent free of cost the services of its experienced manager for two or three years. As things settled down and took a shape, an adequately paid servant is engaged to manage the concern. In course of time this adat shop is expected to get a sound footing. It is bound to achieve the main object with which it is started. The cardinal principle underlying the working of this adat shop is that out of the income of commission the working expenses are to be defrayed and after payment of a fixed minimum dividend and carrying to reserve the prescribed percentage of profits, the residue is to go back into the pockets of the agriculturists using the services of the shop and paying the commission.

So far as Akola district is concerned, in offering these facilities time has not yet arrived for making any special difference between any internal trade and foreign trade. It may be mentioned however that some big landholders are tempted to emulate the cotton traders who indulge in speculation and to try to take benefit of the fluctuations in cotton prices. In rare cases, they may make a fortune but on the whole they suffer, being novices and amateur traders.

Trade in cotton has attracted the attention of many merchants, traders and big agriculturists with the consequence that heavy losses have ensued ruining many of them and particularly big landholders. These traders are not generally speaking engaged in any foreign trade but they usually enter into contracts for the sale of their cotton with merchants plying this trade in Bombay and their activities mostly and with realizing the profits or paying the losses from or to the Bombay merchants or traders with whom or through whom their contractual relations are formed. In carrying on such a trade the agriculturist usually employs the services of the merchants or agents trading at the marketing centre near his farm and as the experience shows in respect of such transactions, the agriculturist is completely at the mercy of the merchant or agent, he so employs.

The Imperial Bank of India which has got a branch at Akola in this district, takes no direct part in financing in the process of marketing. It has got a number of recognized firms of merchants who are known in the local commercial circles as shroffs or sowkars to whom it offers credit for cash loans up to limits varying with their respective worth, of which it is the sole judge and within the cash credit limits as assigned to the shroffs, the bank accommodates them with cash advances repayable within stated periods. Within these cash credit limits, these shroffs draw on the bank by presenting negotiable instruments or bills of exchange usually known as hundis which are of two kinds payable at sight or payable after a given period, 30, 60 or 90 days. The shroffs

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who obtain such cash credit limits with the bank skilfully manipulate the use of this credit on an extended scale and it is unnecessary to go into these details. When these shroffs are so accommodated by the bank the purchaser of agricultural produce at a marketing centre, is supplied necessary cash by the shroffs who get money from the bank on the strength of their credit. In the cotton season itself, cotton transactions taking place every day require a large cash balance amounting to not less than three or four lakhs of rupees on an average. These shroffs manage to supply the entire cash by making use of their cash credit with the bank. In this indirect way, it may be said that the Imperial Bank money is made available for the purchase of agricultural produce.

There are no joint stock banks in the district as stated above while replying to question No. 1 under head No. I.

The co-operative bank, viz., the Akola Central Bank, plays no part in financing in the process of marketing.

Merchants who fall within the description of commission agents are the only persons who play important part in financing in the process of marketing.

In the case of public banks, the system of negotiating cheques and the Government concession to use remittance transfer receipts for encashment at Government treasuries afford great facilities for internal remittance. But no private individual has got these facilities in this district. The usual popular method of moving cash from one place to another is by negotiating hundis. The use of a hundi is found to be cheap and safe, more advantageous and convenient than the postal money orders system and the use made of hundis is so large that some merchants restrict their activities only to deal in hundis because the hundi dealing in the long run yields, if carefully conducted, more than 9 per cent and the turnover being rapid the business yields large profits.

The main defect in the system of indigenous banking as described above is that the heavy interest charged and the middleman's profits fall ultimately on the producer as well as consumer.

Hundis as stated above, are greatly in use in the internal trade of the district.

It is certainly desirable that an extensive use of negotiable bills should be encouraged and the reduction of Government duty on those bills will certainly tend to serve this purpose. The hundis current in this district are of two kinds. The darshani hundi is payable on its presentation and the mudati hundi is payable at maturity. The darshani hundi does not carry with it as many advantages as the mudati hundi does, and the use made of the mudati hundi is considerably large, as by their means the credit facilities are made available from time to time and according to needs. A darshani hundi is usually presented for encashment within less than three days and the Hundavan or the discount charged is usually reckoned as interest for the use of money for so many days. This discount is very small. If the money market is tight, hundis are available at premium. The samples of both the kinds of current hundis are attached hereto in Marathi with their English translation. They are appendices "B" and "C".

So far as this district is concerned, the facilities afforded by the negotiable instruments have been utilized to an appreciable extent and no pressing amendment of any of the provisions of the Negotiable Instruments Act, seems to be in sight, except that cheques may be allowed to be written out in vernaculars. The hundis issued by the sowkars in this district being invariably drawn on the merchants in Bombay are discounted in Bombay no matter how many hands they may pass in the course of their negotiation, the last holder thereof getting money at sight in Bombay from the drawee. These hundis may be held by middlemen merchants or commission agents, but they have to get them discounted in Bombay at the drawee's shop.

In the markets of this district no instrument relating to the ownerships of goods and produce is employed by agriculturists for raising money during the process of marketing. But cotton traders or dealers, whether agriculturists or otherwise, while sending bales of cotton to Bombay for trade purposes usually make use of the railway receipts evidencing the despatch of a definite quantity of goods as documents of title on the strength of which they take advances from the Bombay merchants who agree in their turn to finance them. The

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security of railway receipts is very freely used for marketing the goods or produce in Bombay. The Bombay merchants can by pledging these railway receipts with the bankers in Bombay obtain advances against them.

It may be safely stated that in the use of these instruments of ownership, viz., the railway receipts as securities for advances, both the parties to the contract are always alert and watch the movement of the goods relating thereto very carefully. Although frauds are sometimes detected in this branch of business, taking the course and volume of business done, there is hardly any substantial room for holding that any difficulties which cannot be mended, minimised or removed by the parties themselves exist in the use of these railway receipts. No suggestions therefore in the way of removal of defects appear necessary to be expressed at least so far as this district is concerned. This district is not further so far developed from a commercial and trading point of view, as to feel immediately necessity of calling into existence licensed warehouses, anywhere in the district. Possibly at big provincial centres of trade like Bombay, Calcutta, Karachi, Madras, Cawnpore and elsewhere the necessity for licensed warehouses might be felt by the traders and bankers of those places.

The only need for Government help, so far as this district is concerned, lies in respect of providing a better system of marketing. To attain this end conveniently situated central places have to be selected which can attract the produce of land in sufficient quantities to induce substantial traders to come there for trade purposes. At these places markets should be established. By attracting good and substantial traders to a market a keen competition is put up and the price of the produce is kept up. Such markets should be regulated by the Grain and Cotton Market Law and the rules made thereunder. This procedure will bring nearer to the agriculturist's home a body of good purchasers who will offer prices according to the prevailing market conditions and will save the producer from the overreaching tactics of the merchants and traders posing as agent who are themselves purchasers placed in more advantageous position than the producer. In other words, many more centres of well-regulated markets are required to be early opened in this district and they will confer a lasting benefit on the producer.

QUESTION 1.—(3) In the district of Akola, in the northern and central portion of it, cotton and juar are extensively grown, more prominence being given to cotton. In the southern part, wheat is sown to some extent along with cotton and juar. The value of land ultimately depends on the value of its annual yield. In the rates of competition for sowing and value, cotton takes precedence over what and it fetches a higher value than juar measure for measure. The yield of wheat is comparatively smaller than that of either cotton or juar, but its price is higher than that of juar. On account of this peculiar difference in the quantity of yield, the cotton crop stands at the top of all seeds grown in the district and therefore the value of land differs according to the value of its cotton yield. In the co-operative working, the Akola Central Bank is guiding its financial policy by assessing the normal price or value of good cotton land at Rs. 200 per acre. This value goes down up to Rs. 50 per acre according to the degree of poverty of the soil either natural or brought about by neglect. In the case of land for juar crop, the value taken is Rs. 150 per acre and goes likewise lower to Rs. 50 per acre.

In the case of wheat land, the price is taken at Rs. 200 per acre, diminishing likewise up to Rs. 50 according to soil conditions. During the boom of cotton prices the land value increased abnormally high going to even Rs. 400 per acre. But that state of things disappeared shortly after the termination of the Great War. The preceding four years' successive crop failures have appreciably lowered the land value in this district. Still, even in this state of things, the best land fetches not less than Rs. 150 per acre. At least none is willing to part with it at a lower rate.

The factors affecting the value of land are—

- (a) Its general fertility or sterility.
- (b) Its vicinity to a town or to a market centre, to a road communication or to a railway station.
- (c) Its position relatively to a commercial town or a big village.
- (d) An akhar field which is in close proximity to the village site being resorted to for purposes of nature by the village residents receives manure nutrition and is therefore more productive. It commands much value. The value

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diminishes according as the soil is neglected by weeds being allowed to grow or by neglecting to manure it in time and by not ploughing it up at regular intervals. In the case of these different kinds of lands, the land fetches ordinarily a low price when it is sold at a Government auction for non-payment of revenue, because usually land is allowed to be sold for non-payment of land revenue only when it is so bad that the cultivator does not hope to recover from it the cost of cultivation and revenue demand or when the title to the land is involved in such a great doubt that there is no one desirous of purchasing such dubious title. At a court sale, the land does not fetch a fair value, because there are interests at work to bring down the land to a lower value, there is no real incentive left to make adequate attempts to advertise the sale to persons who are really anxious to purchase the land. It may be that the bidders attending court sales are more or less put up by interested parties, and the figure of the final bid is not a fair index of the real value of the land put up to auction. It may be further borne in mind that at court sales the lands put up for sales are encumbered with mortgage debts and hence they fetch a low price. In private negotiations each party is free to offer his terms to the other who is free to accept or refuse the same. In private sales both parties enter into the contract voluntarily, openly and freely and the governing factor in the transaction is the need of the purchaser or seller. These private transactions are generally entered accurately in the Registration offices and they can be ascertained for the purpose of determining land valuation. The prices entered therein are fairly correct, unless the transactions are effected by creditor-purchasers in satisfaction of the debts due to them by the debtor-vendors. Sales effected to defeat rights of pre-emption are also for an exaggerated consideration.

**QUESTION 1.**—(4) Not only in the Akola district, but in the whole of Berar there is no legal impediment to the mortgage of lands and agricultural holding except in the case of service grants which are inalienable by the holder and jagir lands which are alienable only for and during the lifetime of the holder. Persons holding land in alienated villages, that is, jagir villages, before the grant of the jagir, have the same rights to hold and enjoy their ancient lands, as occupants in unalienated villages, subject to the payment of land revenue. In this district the land tenure being ryotwari no restrictions attach to the rights of ownership with respect to land and agricultural holdings.

So far no land mortgage bank has yet been established in this district or in Central Provinces and Berar.

The Akola Central Bank, Limited, registered in 1909 under the Co-operative Credit Societies Act of 1904 has so far dealt in long-term loans only to co-operative societies, but it is not a land mortgage bank in the strict sense of the terms. Its object is to finance rural and other co-operative societies registered under Co-operative Societies Act, 1912. All the societies affiliated to it consist of agriculturists, with the exception of a Weavers' Society at Basim and a Cartmen's Society at Akola. The Akola Central Bank has so far observed no distinction between long-term and short-term loans and has locked up much of its capital in long-term loans, although its financial resources consist mainly of short-term deposits. The Central Bank, however, is conscious of this situation and is, therefore, handling its resources carefully.

In 1927 the Co-operative Department, Central Provinces, appointed a committee of eight members, including the Registrar and two co-opted members, to enquire into the economic conditions of Berar and to suggest a feasible scheme for starting land mortgage banks. In 1929, the committee submitted its report and in conformity with the recommendations in that report Morni and Mehkar taluqa were suggested as suitable areas wherein to start land mortgage banks. But none has been so far started and therefore no experience is gained of their working.

The capital of the Akola Central Bank is raised as under:—

(a) Subscription of share capital each of Rs. 25 and of shares of Rs. 10 and Rs. 5 to be subscribed by the societies and borrowing members thereof respectively.

- (b) Deposits of three kinds—  
 (i) Fixed deposits.  
 (ii) Savings bank deposits.  
 (iii) Current account deposits.

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(c) By loans from the Imperial Bank of India and the Provincial Co-operative Bank, Limited, Nagpur.

(d) It also consists of funded profits carved out annually from the actual profits after deducting therefrom the prescribed Reserve Fund contribution and the amount of the dividend declared.

Deposits repayable in a year are covered by the purchase of Government paper of the value of 33 per cent of the amount of such deposits.

Deposits in the Savings Bank account are covered similarly by Government paper of the value of 50 per cent of the total Savings Bank dealings and current dealings are covered similarly by Government paper of the value of cent per cent of the amount employed.

It is suggested that Land Mortgage Banks may be established to relieve the Akola Central Bank of the obligation to provide long-term loans to societies.

(a) To enhance the legal accuracy and value of the Record of Rights registers an important suggestion presents itself and it is to the effect that the inquiries for the verification and investigation of legal title should be transferred to the judicial officers of the district.

(b) In so far as no mortgage bank is working in the district, it is not possible to anticipate its difficulties in working and no suggestion is therefore ventured for the simplification of the process of foreclosure and sale.

(c) It is desirable to remit costs in connection with the legal processes to be issued for the enforcement of awards or liquidators' orders.

(d) One prominent Director of the Akola Central Bank suggests the following proposal for consideration:—

The Muhammadan Law of inheritance is so complicated and the restrictions attaching to the powers of disposal over property assigned to a Hindu widow or to a manager of Joint Hindu family are so peculiarly difficult of comprehension that the work of investigating title to the property in their possession or under their control becomes extremely exacting. None but experienced lawyers can tackle the legal obscurities relating to their disposal and wherever there is no lawyer member on the committee of a Central Bank to devote his time and energy to this difficult work, the transactions of land mortgages are bound to cause endless trouble and uncertainty to the Central Bank. It seems, therefore, desirable that the Central Provinces Legislative Council may be invited to introduce some special effective amendment in the Co-operative Societies Act itself on this subject.

The working capital of the Mortgage Banks should be derived largely from—

- (a) Long-term deposits for not less than 10 years.
- (b) Debenture bonds.

The debenture bonds should carry Government guarantee for payment of interest up to a fixed limit. To secure Government against possible loss, a Government nominee should be appointed a representative on the executive body of the bank with power to vote. The debentures issued by the land mortgage banks should be included in the list of trustee securities, such deposits should be attracted as are co-terminous with the duration of the debentures, secondly no deposits should be accepted for less than 10 years.

Debenture bonds should be redeemable after the expiry of not less than 15 years' time from the date of their issue. For the deposits, the rate of interest payable should not be lower than the rate payable on the Government paper then in use, and in no case should it exceed more than one per centum over and above the highest rate of interest on Government securities.

Debenture bonds should carry interest not more than half a per centum over and above the highest rate of interest on Government securities at the time the debentures are issued.

The rate of interest in lending money so borrowed should not exceed more than two per cent over and above the rate at which it is borrowed. In other words, the working expenses of the bank should always be within this margin of two per cent.

QUESTION 1.—(5) In this district only one instance can be quoted of a private individual who attempted to make an economic survey of a village by actual spot inquiry, which took him several months. His inquiry related to a village called Kanheri, six miles away to the south of Akola.

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**QUESTION 1.—(6)** A whole-time Government officer like the Director of Industries, with adequate funds kept at his disposal, may be entrusted with the work of encouraging subsidiary industries to supplement village agricultural income.

The following subsidiary industries are capable of being encouraged side by side with agriculture during spare hours:—

- (1) Hand-spinning.
- (2) Weaving by handlooms.
- (3) Rope-making.
- (4) Carpet-manufacturing.
- (5) Smithy.
- (6) Carpentry.
- (7) Pottery.
- (8) Dairy.
- (9) Extraction of oil from oil seeds.
- (10) Poultry.
- (11) Basket-making.
- (12) Sowing.
- (13) Toys and sundry petty handicrafts.

**QUESTION 1.—(7)** In the Akola district the Imperial Bank of India has given a cash credit limit up to two lakhs of rupees against the security of Government paper of that value to the Akola Central Bank, Limited.

A short-term loan is understood as a loan repayable at the next harvest. Co-operative societies have not so far found it difficult to secure such short-term deposits or loans. The difficulty really relates to securing long-term loans. But it will disappear with the establishment of successful land mortgage banks. Any estimate framed to state the amount of capital required for financing the co-operative movement in this district, is bound to be for from being absolutely correct and exact. The local inquiries made by the directors of this bank personally with rural society members, lead them to place the extent of total agricultural indebtedness in this district at Rs. 15,00,00,000 (fifteen crores of rupees.)

There is no competition between the Akola Central Bank, Limited, and any joint stock bank over and above the concessions already granted to co-operative societies and members of co-operative societies as well should be exempted from income-tax as well as super-tax, so far as their income from co-operative institutions is concerned. So also debentures issued by co-operative organizations should be included in the list of trustee securities and be made income-tax free. So far the co-operative movement in this district has not touched even a fringe of bare needs of the agriculturists in the district and financial-traders and industrialists have not so far embraced the faith of co-operation. In course of time as the co-operative movement develops and strengthens its resources it will establish its benevolent character to all classes and it will be then for these traders and industrialists to adopt the principles and working of co-operation in developing their business. The Land Improvement Loans Act is not availed of to considerable extent in this district, 8 lakhs of rupees being the total outstanding last year. Loans under the Agriculturists' Loans Act aggregated to Rs. 21,34,293 last year. Financial help under these two Acts can be advantageously made through the co-operative organizations which should not more than one per cent margin of interest to cover working expenses. Neither the English Money-lenders Act, nor the proposed Money-lenders Bills for the Punjab finds favour with any public worker in this district. The idea to allow co-operative lending and borrowing to be done on a provincial scale does not sound well because local knowledge and local supervision and local initiative which are the key notes to a successful business will be wanting there. When financial operations are allowed to be done on a provincial scale by an institution working far away from the seats of society members the business will be exposed to serious risks. Hence Central Banks alone should be the lending agencies.

### I.—Indigenous Banking.

**QUESTION 2.—(1)** The indigenous banker or sowkar lends money to agriculturists as well as to others, sells foodstuffs, cloth articles of domestic use and constituting the accessories of life, deals in purchasing cotton, grain and other field products, to be distributed among local consumers or to be exported

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outside by way of trade, advances money to agriculturists to help them in growing crops, when harvested in satisfaction of the advances with interest at pre-settled rates. In short, an indigenous banker attends to a variety of dealings so far as his limited capital permit him to do.

QUESTION 2.—(2) In villages far away from towns where co-operative societies are not organized the indigenous banker or sowkar usually finances agricultural within the limits of his capital or credit. He can hardly afford to help trade, commerce and industries to any appreciable extent. In towns or market place merchants carry on money-lending business along with some trade.

QUESTION 2.—(3) The indigenous banker in raising capital receives deposits and invests them in his trade and money-lending business. He supplements the deposits by his own capital, which may consist of his previous accumulations either his own or inherited and of income arising from his own land. History of the growth of the indigenous banker shows that he eventually turns the agriculturist, borrowing from him out of his lands, and he himself becomes the owner, in a short period. The system of money-lending at a high rate of interest, its compounding at short intervals and the "Delhi" system of grain advances all tend to impoverish the agriculturist who cannot repay the full amount of loan with accumulated interest from the produce of his lands. The agriculturist himself has no scientific training in land cultivation and he does not save the cost of labour by utilizing improved implements. He has not yet learnt the value of his own time or that of his labours. He cannot form a correct forecast of the capital expenditure required for his cultivation, nor can he estimate his income with any amount of accuracy. Taking advantage of this helplessness and ignorance of the borrower, the indigenous banker has an open road to make money according to his sweet will and dexterity at the cost of the borrower and that too in a very short time. There is no independent audit applied to his money dealings and hence what is therefore, wanted is a system of banking by which both the lender and borrower can deal with each other on an equal footing.

QUESTION 2.—(3) The information available on points (a), (b), (c), (d) and (e) does not warrant passing any hazard observations. The Imperial Bank of India does not afford direct financial help to the indigenous banker in a village.

QUESTION 2.—(4) Answer is furnished to this question in answering question No. 2 under head No. 1.

QUESTION 2.—(5) and (6) The indigenous banker does not usually allow cash credit to his customers. There is no recognized custom amongst indigenous bankers that their advances should be returned in commodities and not in cash. In the case of merchants, who serve as commission agents, it is customary for them to insist that the debtor must effect sales of their field produce through their agency. The indigenous bankers provide themselves with funds by means of deposit and loans. The rate of interest they pay on deposits varies from 3 to 6 per cent in normal times and between 6 to 9 per cent when the money market is tight. There is no hopeful prospect of bettering the condition of agriculturists by means of legislation. The only hope for the salvation of the agriculturists lies in the steady and all-round advances of co-operative organization all over the land preceded by an extensive and incessant propaganda work for the education of the masses in the benefits of thrift and self-help. Mere reduction in the rates of interest will give them cheap capital whereby they will increase their wants and debts. Without being trained in the art of thrift and self-help all the laborious efforts made to improve their lot will be thrown to the wind.

QUESTION 2.—(7) There is a prejudice lurking in the mind of the agriculturists against the indigenous banker, because he sees actually they taking advantage of his helplessness the banker compels him to accept his exacting terms. It may be said without fear of contradiction that money-lenders have almost in all cases turned out the agriculturists from their lands ancestral and self-acquired and they have themselves become big landholders farming out these appropriated lands again to the impoverished borrowers at prohibitive rents. The indigenous bankers are hereditarily trained in the management of their money-lending concerns to be able to meet the tricks played by their borrowers and no special legislative measures seem to be needed to protect them. No fresh facility requires to be extended to them.

RAO BAHADUR K. G. DAMLE.

The general experience is that up to now in the case of indigenous banker a fair dealing forms an honourable exception to the rule of unfair practice which has raised a general prejudice against their class.

The remedy lies in replacing gradually the indigenous banker by well organized co-operative institutions in each village or a group of villages.

QUESTION 2.—(8) As the indigenous banker is the most easily accessible financier in a village to the agriculturist in a place far away from towns, where better organized financing facilities exist. It is idle to expect that he can be ousted from his position of domination to save the borrowing agriculturist from his unscrupulous practices of money-lending. It is tempting to recommend that no money-lending business should be allowed to be done except under licence renewable every year with the precedent condition that the money-lending business is liable to be minutely inspected, verified and audited by Government agency, that proper and accurate accounts in prescribed forms should be maintained in account books to be supplied by Government and that no accounts written up or entered in books other than those supplied by Government should be admissible in proof of the money-lending business and that the borrowers should be supplied free of cost with copies of their individual transactions as entered in these books, failure to keep such books being penalized. But it is apprehended that taking advantage of the extreme paucity of existing bankers to help so many village agriculturists, these indigenous bankers will be very unwilling to submit to restrictions which the licence system as proposed would impose on them and during the time a strenuous effort is put forth to force them to submit to the system of a licence, it is conceivable that village agriculturists will be left without financing facilities and possibly agriculture may suffer. But that will be only a temporary evil and ultimately things will settle down and adjust themselves and the indigenous banker will become reconciled to the new situation forced on him as he cannot indefinitely lock up his money idly in his safe nor can he venture to risk it by lending it to fellow money-lenders to traders or merchants who are not expected to offer a better and higher security and who might in all probability invest his money loan in insecure adventures. In short it is not intended to drive out the indigenous banker from the village, but by placing necessary and equitable restraints on the course of his money-lending his financial help is by all means to be made as much serviceable as possible to the village community.

The indigenous banker would like to have individual freedom to invest his capital in ways which promise to bring in rapid and high profits, irrespective of the rates of interest allowed to be charged. Self interest being the sole guide in the course of his dealings, he is not likely to be amenable to co-operative working. Borrowers have at least one common object to join a co-operative society, because each of them wants cheap financial aid without being exposed to the usual practices of fraud and deception. Thus it is idle to suggest any feasible indigenous banking system unless and until his personal outlook of his economic relation to his village or town is broadened and brought in line with the co-operative ideas of working and the paramount needs of national service. No special facilities to the indigenous banker can be suggested unless and until they form themselves into co-operative banking associations.

Up to now the money-lenders keep their accounts in the usual Mahajani system. They open a cash book called "Kird" wherein balances are struck either daily or weekly or fortnightly or monthly, according to the size and nature of their business. This cash book contains all varieties of dealings, cash as well as others, and for the facility of their classification and easy reference a ledger book called "Khatsvani" is maintained and is written leisurely.

Some merchants as well as bankers who have got extensive business keep what is called "Nakal Book", in which dealings other than those of cash are entered. In no case are the accounts open to inspection or verification by customers except when both parties stand on an equal footing in status.

The indigenous banking community will naturally dislike all measures intended to regulate their operations or to give them publicity.

QUESTION 2.—(9) The usual experience all the indigenous bankers so far consulted is almost unanimous that the net return to them on their capital in the shape of interest does not exceed 9 per cent on the whole and very probably it ranges between 6 to 9 per cent.

RAO BAHADUR K. G. DAMEL.



QUESTION 2.—(10) The indigenous bankers are not able to meet all the demands for monetary accommodations, because they have not got the necessary working capital at their command.

QUESTION 2.—(11) The only way which seems to be feasible is to link up the indigenous bankers with the actual money market represented by the leading capitalists and to form them into well regulated amalgamated concerns for money-lending. When the present custom is removed from him, the indigenous banker will naturally set about to find an opening for investment of his surplus money as deposits or in securities with these amalgamated banking concerns. The suggestion to establish a branch of a joint stock bank or of a district co-operative bank with local directorates in each district and to connect such branches with the indigenous bankers in the district on suitable terms duly enforceable under the law will be certainly welcome.

To inspire confidence in the indigenous bankers and to utilize their local knowledge and experience, they should be made members of the directorates of the above mentioned banks with a voice limited to the extent of their pecuniary interest. When they are made director of a central joint stock bank or reserve bank or a district co-operative bank, there is no fear of competition between the two. So far as the information available shows, there is no idle money in the hands of indigenous bankers for an appreciable length of time.

QUESTION 2.—(12) It is not thinkable under the existing conditions of indigenous banking that any large amount of money should flow from the indigenous bankers to the provincial capital for long or short periods. Under the present conditions of money-lending on the part of the indigenous bankers, there is no need to find out a more remunerative employment for their money for the benefit or in the interest of the district.

### *III.—Investment habit and attraction of capital.*

QUESTION 3.—(1) The existing banking resources in the Central Provinces and Berar are—

- (a) The Imperial Bank of India with its branches at different commercial and trading centres,
- (b) Joint stock banks,
- (c) Co-operative provincial banks,
- (d) 23 Central Banks in the Central Provinces and 11 Central Banks in Berar, and
- (e) indigenous bankers.

It is not possible to state the additional capital which will be required. These banking resources afford attractions to encourage saving and investment habit. The influence of the co-operative societies and banks has been comparatively very little, but in districts where the co-operative Central Banks have got a large volume of business, the general rate of interest has appreciably gone down within the area of their financial operations.

There exist ample facilities for the investment of savings, but the difficulty is that most of the population who can afford to save something however small, are ignorant of the existence of these facilities. The existing facilities are capable of being improved or extended in the smaller places in the interior only through the medium of co-operative organizations.

Speaking for Berar, there is no justifiable foundation for the theory that the people are in the habit of hoarding gold and silver. Whatever gold and silver is seen with the old families of princes and ancient nobilities or with the families of well-to-do Government servants and professional classes, merchants and traders who, by social custom more than by personal liking, are required to put ornaments on the persons of their females and children. But such quantity, all told, is very insignificant as compared with the volume of money that passed through the hands of those people. It is quite possible that part of this quantity may diminish in course of time as these classes by adverse misfortunes are compelled to part with it. No amount of persuasive reasoning on grounds of economy will induce them to part with their ancient hereditary family ornaments which they preserve as precious heir-looms.

RAO BAHADUR K. G. DAMLE.

**QUESTION 3.—(2)** Postal cash certificates are popular with the literate classes only, who are able to make small savings with which to purchase them, but the increase of sale of these postal certificates may take place if they are made easily accessible to the illiterate classes by removing many of the restrictions under which they pass hands.

**QUESTION 3.—(3)** The Government through its Treasury offices and the Imperial Bank of India and other banks do purchase and sell Government securities for customers big or small. No specific and new facility can be suggested to attract small agriculturists and small investors in the country to go in for Government securities.

Debentures issued by banks are valuable securities. They will become popular only if they offer interest at more than 6 per cent. But until Government is prepared to guarantee interest wholly or partly on the issue of such debentures, these debentures will hardly find considerable custom. So far as this district is concerned, the Akola Central Bank in co-operation with the Provincial Co-operative Bank, Nagpur, issued in 1916-17 debentures of the value of Rs. 1,50,000 in pursuance of a scheme devised for the liquidation of old debts of members of co-operative societies in 16 years and in so far as both the Provincial Bank and the Central Bank offered their joint and several security in addition to the security of the landed holdings mortgaged by the borrowers under the scheme, the debenture-holders possessed ample security for their debenture money and therefore they were in brisk demand. But no other instance of a sound debenture issue floated on the market can be quoted.

The people of this district may be divided into the following categories:—

- (a) Agriculturists.
- (b) Labouring classes.
- (c) Traders, merchants and bankers.
- (d) Professional classes such as pleaders, doctors, engineers, contractors, etc.
- (e) Government servants and private servants.
- (f) Destitutes.

As regards agriculturists, it is a fact which can never be gainsaid that they are heavily indebted, i.e., it is not possible for them to get out of their debts by their continuing their present rudimentary method of cultivation and by availing themselves of the present financial resources. All the money which comes to their hands by the sale of their field produce or by the lease of their lands goes towards the satisfaction of their debts except in the case of those agriculturists who have saved sufficiently to be able to deal in money-lending. The agriculturist as such has no savings to his credit.

Labouring classes live from hand to mouth and they have no means and therefore no incentive to lay by.

Traders, merchants and bankers utilize all the money coming to them to their best advantage, viz., they invest it in dealings which bring in satisfactory profits, or in speculative business or in trade and industry.

The professional classes and Government or private servants who can afford to save convert their savings, firstly, into Government securities or other securities equally safe and attractive, and, secondly, in deposits with sound banking concerns.

*Destitutes.*—Nothing need be said of destitutes.

In times of pre-British administration when there was no peace and safety to property and person, those who could afford to save had sufficient reason to hoard their savings and keep them underground with a view that they should not be deprived of the same at the hands of plunderers, dacoits and other mischief makers. But since the advent of British administration which has successfully secured and maintained general peace and order there exist no reason to hoard money in the old way. Speaking, therefore, of the present time, the theory of hoarding habit has now become a matter of past history, and if some individual may still be found to be persisting in this habit, he may be said to be an exception to the general observation that the hoarding habit is all gone.

**QUESTION 3.—(4)** It is in the town areas where some educated people reside and who know its advantages, the cheque system is appreciated and is making a headway though slowly.

The use of cheques is sure to become more popular by the abolition of stamp duty thereon. Merchants, traders, bankers and professional people use cheques. There is no harm in encouraging the cheque habit among Government servants and bank employees in receipt of salaries above Rs. 200 per mensem, provided cheques are made compulsorily negotiable at par.

RAO BAHADUR K. G. DAMLE.

The use of vernacular scripts in banking will tend to popularise the business of the banks.

**QUESTION 3.—(5)** The banking habit of an organized form as prevailing in India has a short and recent history of nearly 50 years, and from the growth of banking concerns during this period it is not fair to conclude that the banking habit in India is growing slow.

The term productive undertaking covers such a wide field of activities that it may include experimental undertakings too. The mass of village population require education no doubt to understand the benefits of investing their savings in Government loans. The issue in rapid succession of Government loans as slowly reduced rates of interest has tended to unsettle popular confidence in the issue of Government loans as their conversion from one kind of loan into another has caused loss to the people. However it is doubtful, generally speaking, whether people can be easily attracted to invest their savings in Government loans, but commercial and trading communities easily go in for these securities and very often make money by dealing in them.

The opening of new branches of the Imperial Bank of India at new centres has a tendency to displace the indigenous bankers and other bankers and the Imperial Bank of India is virtually monopolizing the work of supplying capital to all the centres of commerce, trade and industry.

#### APPENDIX A.

Information elicited from the inquiry made at the Akols cotton market and grain market offices for 1928-29:—

	<i>Cotton Market.</i>	
No. 1.—Average total commodity of (agricultural produce) brought to the market in a year.	Kuppas, carts 69,586 } Cotton bales, 8,880 }	64,548 F. P. cotton bales.
	<i>Grain Market.</i>	
	Number of 21,171 carts of food grains and oil seeds, total $\frac{1}{2}$ maund (average) 285,808.	
	<i>Cotton Market.</i>	
No. 2.—The number of Adtyas (commission Agents) who sell this total quantity.	Number of adtyas	... 111
	<i>Grain Market.</i>	
	Number of adtyas	... 90
	<i>Cotton Market.</i>	
No. 3.—Number of exporting firms purchasing this whole quantity.	Exporting firms	... 14
	<i>Grain Market.</i>	
	Exporting firms	... 10
	<i>Cotton Market.</i>	
No. 4.—Private purchasers who deal in this.	Purchasers	... 15
	<i>Grain Market.</i>	
	Purchasers	... 40
No. 5.—What profit do these men make to themselves.	There is no certainty of profit as it depends upon movements in the right or wrong direction of such dealers.	
	<i>Cotton Market.</i>	
No. 6.—What has the produce-grower to pay the Adtyas, Broker, weighmen and what difference in price the grower has to lose in the affair.	The grower has to pay the following:— Adtya's fee Re. 1 per cent on the value of the produce and for weighmen, etc., charges 9 annas per cart.	

RAO BAHADUR K. G. DANLE.

(1) The grower has to lose in price only if the quality of his commodity is lower than the standard quality and the difference in price for such inferior commodity is fixed by the buyer and seller and thus the difference between the standard and inferior quality is borne by the grower. Such difference varies according to the inferiority of the growers commodity and it is thus left to the judgment of buyer and seller to fix the price for it.

(2) In the cotton market during cotton season each day rates for good cotton are declared on the basis of the rates as reported by daily wire from Bombay. The rate actually paid to sellers varies according to the quality of cotton. The seller gets the declared rate as of right only if his cotton is good. But as his cotton is generally not good, the rate he receives is much lower than the declared rate. As regards the rate of grains—there is no rate declared, the daily rate depending on the rule of demand and supply.

## APPENDIX "B"

Akola, the 3rd February 1930.

No.

Exhibit

(endorsement and signature)

I Shree Ganeshjee  
(auspicious reference to the Deity)

To \_\_\_\_\_

Bombay Bunder  
(a very auspicious place)

From (Akola) \_\_\_\_\_

accept greetings and honour by cashing this Hundi, one in number.  
for Rupees \_\_\_\_\_ (in words).

The half of which amount comes to  
Rupees \_\_\_\_\_ has been duly received here  
from the payee \_\_\_\_\_ on \_\_\_\_\_  
payable at sight according to Hindu custom.

Dated \_\_\_\_\_

(signature) \_\_\_\_\_

[Back of Hundi.]

Rupees

Half of the half amounting to Rs. \_\_\_\_\_

- Quadruple of this amounting to Rs. \_\_\_\_\_

This amount is to be paid.

Oral Evidence.

Akola, the 3rd February 1930.

Chairman: It is very good of you to come down here. I hope we will not trouble you very much. You say that the total population of Akola district is 8 lakhs. Then you proceed to give the figures of total occupied area, etc. Would you like to modify those figures?—I shall have to cut them down to 4thas because agricultural population is 73 per cent.

RAO BAHADUR K. G. DAMLE.

You say that the cost of maintenance is Rs. 120 in rural areas as against Rs. 180 in the towns. Is not that so?—That is what I mean.

The village family consists of 5 persons. Is it not?—Yes.

Is it your meaning that the average maintenance charges of an ordinary family in the towns is Rs. 900?—Yes.

Would you admit that ordinary men, say peons, do not earn more than Rs. 12 to Rs. 14?—Yes.

Do you think that all the members of the Akola Bar, *i.e.*, the most junior of them make that much earning?—No, not all.

May I take that you mean Rs. 180 per wage earner?—Yes.

Could you tell me how a family in town would require for bare cost of maintenance, Rs. 180 or Rs. 2-12 a day?—I have made some calculations and have come to the conclusion that a man has to spend Rs. 14 for bare maintenance.

You say the average quality of soil in the district is light and the cultivation expenses are therefore higher. The agricultural experts tell us that the cost of cultivation for light soil is actually lower than the heavy soil?—This is my view; it may be mistaken.

You say that the total indebtedness of the Akola district is 15 crores. May I know how you arrive at this figure?—I made enquiries in Hatod village where we have got a co-operative society and on those figures I based my calculations of the indebtedness of the Akola district. I am not quite sure of this figure myself.

As regards the Imperial Bank of India, you have admitted that the bank is performing a certain service. Your view seems to be it should be extended? Is it not?—Yes. What they do is good, but it should be extended.

You have pointed out quite rightly a number of persons derive a regular income from dealing in hundis and thereby they are performing a legitimate service to the community. Do you not think so?—Yes.

Some people advocated that we should abolish commission on hundis and no person should be allowed to make profit. Do you favour that view?—I do not approve of that.

Have you had an opportunity of studying the science of banking as practised in Europe?—I have not had.

With regard to so-called shroffs who obtain cash credit from the Imperial Bank and thereby advance money would you be prepared to agree that they are able to do so owing to their superior credit with the bank?—Yes, I agree.

Do you think that if many people do not get advances from the Imperial Bank it is because of the difficulty of satisfying the bank as regards their credit?—Yes.

Would you admit that our aim should be to try to raise the credit of the co-operative societies to enable them to receive advances from the Imperial Bank?—Yes.

You would agree that the rate of interest must depend very largely upon the view a lender takes of the borrower?—Yes.

I think you would also agree as a practical man that credit depends very largely on the promptness of payment?—Yes.

Would you therefore be prepared to agree that in any kind of banking system which is financed by the Imperial Government prompt repayment should be one of the main considerations?—It must be strictly enforced.

Would you be willing to agree that the credit of the Akola Central Bank would increase in the eyes of the Imperial Bank if they could be more prompt in their recoveries?—Yes.

Do you think it would be possible to create agricultural paper on the basis of standing crops?—I have no idea about it.

Do you think it would be possible to create some system of insurance?—Yes.

You are not in favour of licensed warehouse. Is it not?—I think it is premature.

RAO BHADUR K. G. DAMEL.

You have suggested, for increasing the legal accuracy and value of the record of rights, that the verification and investigation of legal title should be transferred to the judicial officers of the district. Would that not involve the necessity of going on tours?—It will. We will have to create special officers. We should get correct results. I think an officer will be sufficient for one district and this experiment is worth while.

As regards the land mortgage banks, you have clearly stated, and I entirely agree with you, that it will perform a service from the mere fact that it will relieve the co-operative credit bank of this long-term business. You yourself are not in favour of long-term business being done by the co-operative bank?—No.

Have you any definite scheme for these land mortgage banks?—I have none beyond the proposals put up by the sub-committee.

You have alluded to the legal difficulties as regards title in land and you have stated that the difficulties would be greater if there was no lawyer on the Committee of the Central Bank. Do you not think that it would be necessary to maintain a specially trained paid staff of valuers?—It will not be possible for honorary workers to do this. It is better to have a properly trained staff.

A certain school of thought seems to be of the opinion that the honorary worker can do even more than he is doing at present. I do not think it is reasonable to expect the honorary worker to devote more time?—The honorary worker has no responsibility. The staff of the co-operative banks is not adequately paid, properly trained and disciplined. So far as my central bank is concerned, I have the whole bank under the direct supervision of a paid officer. He is our principal executive officer and is responsible for the efficiency of the executive staff. He is to infuse discipline and efficiency amongst the staff. There is another point in view to appoint an energetic, young and duly qualified man to control this whole affair. He may even be paid Ra. 300 to Ra. 600. It will repay.

Will you be willing to agree that your bank manager should be a man with some real banking knowledge?—Yes, if my funds will permit.

Do you think it will not be a good thing if a school is opened in the Central Provinces for training persons in the science of banking as is done in Bombay?—Yes. It will be a good thing.

Further on you say that the local enquiries made by the directors of your bank personally with the rural society members led them to place the extent of agricultural indebtedness of the district at Ra. 15 crores. Was it based on the debts of members of societies?—These figures are for villages in which societies exist; but not of all villages. These figures may not also be accurate.

You have stated quite correctly that the co-operative movement in this district has not touched even a fringe of the agriculturists in this district. You will agree that a considerable period of time is required before the movement can really extend so as to be of substantial use to a large majority of the agriculturists?—At least 50 years. The help is immediately required. I agree that some immediate steps should be taken to give adequate help.

As regards taccavi, you have said that the land improvement loan is not availed of to a considerable extent in this district, 8 lakhs of rupees being the outstanding total last year and loans under the Agriculturist's Loans Act aggregated Rs. 21,34,293 last year. What area do these figures refer to?—It might be for the whole of Berar.

You say that these advances should be made through the co-operative credit societies and not more than one per cent margin should be charged to cover working expenses. I do not see that this quite agrees with your previous statement that the movement has not touched even a fringe of the agriculturists. Would it be possible to advance taccavi throughout the whole district?—To the members of the existing societies.

Do you imply that taccavi advances are at present inadequate?—I want to see larger sums advanced.

You have said that neither the English Money-lenders' Act nor the Money-lenders' Bill of the Punjab finds favour with any public worker in this district. Later on you say that it is necessary to licence the money-lenders. Your proposals are even harder than the English Money-lenders' Act?—I have not read the Act; I am in favour of licensing money-lenders.

RAO BAHADUR K. G. DAMLE.

It has been alleged that the effect of postal cash certificates has been to collect capital in rural areas and to carry the money away for financing commercial industries in the towns and that for this reason we should not encourage postal cash certificates; but we could substitute for them some cash savings certificates which would secure the retention of that money in rural areas. Do you think it would be possible for the Provincial or Central Banks to issue savings certificates and to send them for deposit and sale with the societies?—Yes. I do not see any difficulty in this.

*Vice-Chairman:* You have said that at present the agriculturist has no budgeting habit. Is not that very largely responsible for the present-day economic depression of the cultivator?—Yes.

Even if we supply cheap credit, the problem of rural indebtedness will not be solved unless we bring about a radical change in the economic outlook of the cultivators. Is it not?—Quite right.

The latter is as important, if not more, as the supply of cheap capital?—Yes.

Whatever arrangements we may therefore make to relieve rural indebtedness must give a very important position to bringing about this mental revolution in the cultivators. Is it not?—It is absolutely essential.

You have suggested that there must be co-ordination of credit agencies, including Government, and there is much scope for improvement in this direction. Do you advocate the bringing about of such co-ordination by legislation or do you think that if the advantages of such co-ordination are sufficiently explained there will at once spring up a general desire on the part of money-lenders to enter such a voluntary association?—I would prefer a voluntary association, failing which legislation must be made.

You have referred to the malpractices prevailing in the cotton markets. To what extent do you think, as a result of these, the seller of cotton is robbed of the proper price of his produce?—I think the majority of the sellers do lose terribly. I cannot form an estimate.

You advocate a better system of marketing?—Yes.

Have I understood you aright that this system must enable the organization of a larger number of markets in the interior also?—Yes.

Merely a more efficient organization of the existing markets will not do. Is it not?—No.

Were you a member of the Land Mortgage Bank Committee appointed by the Registrar of Co-operative Societies?—Yes.

The Akola Central Bank tried their sixteen years' debenture scheme for giving long-term credit. That scheme was not successful. Was it not?—Not successful in the sense that the borrowing members invariably committed default and as a result the Central Bank had to repay.

The chief cause of the unsatisfactory working of that scheme was that, as stated by the Land Mortgage Bank Committee, care was not taken in the selection of members in the light of their character, their mode of living, their ability to repay out of their net annual income, and their determination to ameliorate their economic condition. You therefore agree that the most vital requirement for the success of any scheme of long-term credit is close and continuous supervision of the borrowers to make them practise thrift and to repay their instalments out of their net annual income. Do you not?—We have to do it.

Would you agree that in order that supervision may be ensured, any organization for giving long-term credit must have a sufficient number of paid Government officers in it?—Government officers must be there; because they have got the security of honesty.

You have once said that the remedy lies in replacing gradually the indigenous banker by well organized co-operative institutions and you have again said that as the indigenous banker is the most easily accessible source of credit it is doubtful whether he can be ousted from his position of domination. What do you really mean?—I would like to see a co-operative society of these indigenous bankers. What I recommend is that in addition to the increasing of co-operative banks we should also try to organize the indigenous bankers. I do not think that any legislative restriction or licensing of money-lenders will drive them completely out of the field. If they would not voluntarily come forward, I would favour some sort of legislation for compelling them to join some sort of recognised organizations.

RAO BHADUR K. G. DAMLE.

*Witness to Rao Bahadur K. V. Brahma:* I agree that if warehouses on the American or German systems are started for storing cotton in Berar, it will facilitate marketing of cotton to a great extent and both purchasers and growers will benefit.

Have you any idea of the working of the Insolvency Act? Have you any reason to think that Insolvency Act is resorted to to a greater extent nowadays to avoid payment of debts?—Yes. In my opinion the Act needs amendment. I should also like you to tell us if you have got any experience of the working of the Usurious Loans Act?—I have no experience.

Would you like the courts to have unlimited power to go behind the transactions brought before them and decree whatever is just and proper?—Yes.

You do not think that it will hamper agriculturists in getting finance?—I do not think.

Do you think agriculturists will find difficulty in getting finance for agriculture if special legislation of the kind of Usurious Loans Act and Deccan Agriculturist Loans Act is strictly enforced?—It is likely but it will eventually benefit the agriculturists.

*Rao Bahadur M. G. Deshpande:* You have stated on page 27 that the Land Improvement Loans Act is not availed of in this district to a considerable extent. Can you say what may be the reasons?—I cannot say why; but that they do not take much advantage is a fact. Possibly because the amount available is small.

*Chairman:* In your own societies in Akola have you many society depositors?—There are practically none.

Would you agree that if the societies can be induced to take deposits in a larger degree they will be greatly strengthened?—Yes.

Do you think that the Local Audit Department perform their duties satisfactorily?—I do not think so.

You think the staff should be increased?—Yes.

Do you think that the Registrar at present exercises adequate control?—No. He does not because he has no time.

Do you think that malpractices and disregard of byelaws are properly dealt with or they are under sufficient control?—They are not.

At present if there is a Government guarantee the interest paid on deposits should be lower. Do you agree?—Yes.

Do you think Government should disclaim any responsibility relating to co-operative societies? If Government do so, there might be a run on banks and might bring disastrous results?—Government should not withdraw itself from co-operative societies.

Commercial banks do not undertake long-term business with short-term business and it would be highly dangerous; and it is a specific cause of trouble when co-operative banks make short-term loan business with long-term business. Are you in favour of co-operative societies doing long-term business?—I am not.

Are you in favour of any penal provision on the lines of the English Credit Act of 1928?—Yes.

*Seth Narsinghdas Daga:* Are you a money-lender or a cultivator?—I am a pleader.

May I then take it that what you have written in your statement is not your personal experience, but what you have learnt in the course of your profession?—Yes.

You say that people do not like to take taccavi. Do you think people do not take taccavi, because they fear than an enquiry into their credit would be made and they would not get the required amount, while they get the amount from a sowkar without much enquiry into their credit?—Yes; that may be the reason.

*Chairman:* Do you know that the amount of taccavi is limited to five times in special cases and ordinarily to three times the land revenue assessment?—No.

*Seth Narsinghdas Daga:* Do you admit that at times a sowkar is unable to recover the amount advanced?—Yes.

RAO RAHADUR K. G. DAMLE



Can you tell me the details of deduction of 5 to 10 per cent that are made while granting a loan?—I cannot tell. I only know that deductions are made.

You say that the rate of interest is from 12 per cent to 24 per cent. Do you admit that a loan is granted at 12 per cent on land security or even personal security if a man is solvent and it is only in cases of insufficient security that the high rate of 24 per cent interest is charged?—Yes.

**Professor A. G. Sen Gupta:** You say that the same man acts as commission agent and money-lender. With a view to secure this business and develop it, they lend to the village agriculturist, binding the latter to bring his produce to the market to be sold through his agency. Do you mean moral or legal binding?—Although there is nothing stated in writing, the understanding is that he will sell his produce through the money-lender.

**Mr. P. D. Fundlik:** You have stated that Government sometimes make the payment of land revenue easier by suspensions and remissions. Will you say for how many times remissions were given by Government?—I cannot say off hand.

**Vice-Chairman:** You have said that the Registrar does not now take sufficient action for breach of byelaws or some sort of that thing. You know that the only penal action which the Registrar can now take is the winding up of a society. Is it not?—Yes.

You will agree that for minor irregularities it will be a great hardship to cancel organized co-operative societies like Central Banks?—Yes.

You know that in order to enable the Registrar to exercise a more effective and continuous control over the banks, the King Committee recommended the conferment of higher powers of punishment on the Registrar?—Yes.

And this recommendation was unfortunately not accepted and was not given effect to?—Yes.

Every month the Auditor makes an inspection of the Central Bank and points out all the irregularities. Generally the Central Banks are very remiss in removing these irregularities. Is it not?—Yes.

**Rao Bahadur M. G. Deshpande:** Whenever you find that the banks and societies are making mistakes, do you or your directors take action to correct them?—They are very lenient. They sometimes overlook defects.

**Chairman:** I understand that you think that all the paid staff of the Central Bank should be under one head executive officer who should alone have disciplinary powers over them and who should be responsible for their good behaviour on the lines of the Commissioner of the Bombay Corporation and that every other individual member should not have the right of interference on petty affairs. Is it not?—Yes. That is my conclusion after twenty years' experience.

Thank you very much.

## S. R. KHANZODE. Landholder. Akola.

## Reply to the Questionnaire.

QUESTION 1.—The agriculturists out of 100 about 5 generally do not go to sowkars and do the money-lending business and 5 do not ask for loan from the sowkars and about 10 make their two ends meet together anyhow without incurring debt and the rest (80) are debtors, but the proportion amongst the 80 agriculturists is 40 landholders and the remaining are tenants. The tenant class has been increased by the rush of the cottage industrial persons whose industries have been pushed out.

There are three kinds of agriculturists, viz., those who have lands of their own are the 1st class, those who have bought lands or have lands by incurring debts and have again given the lands as security for the debts to sowkars are the 2nd class; and those who have lands for cultivation as tenants by lease for fixed amounts or *bata* contract are the 3rd class.

(a) The agriculturists resort to sowkars for loan at the time of ploughing, (preparation of land), sowing, weeding operations, etc.

(b) They get loans for permanent improvements such as:—Digging wells, erecting *langas* (a *nalas*, rooting out *haryal* and *kunda*, etc.

(c) They go to sowkars for ceremonial purposes, i.e., marriage, re-marriage, etc; and other purposes:—illness, accidental charges, failure of crops, failure of monsoon, family maintenance, repayment of debts, rent, etc., etc.

The rates of interest are varying from 6 to 24 per cent and above per year. It depends on the man and the circumstances under which loan is to be borrowed:

Very moderate interest, i.e., less than 12 per cent or about 6 per cent yearly, according to the capacity of the man (agriculturist) is charged for big amounts of loans for longer period if land, house, any building (permanent nature) is given as security, and if gold or any other valuable article is given as security for short period, the big amount of loans fetch low interest to the sowkars; i.e., less than 12 per cent and for the standing crops the loans give interest from 12 to 15 per cent and more annually to the sowkars, because the standing crops at times get themselves spoiled by untimely rain, cold, heat, etc., so there is a risk in giving loans on standing crops as security. The Pathan or Rohila loan system is very dangerous. They charge very very high interest. Their interest system is for the week and compound interest. Some instances can be found in which loans remain as it is in spite of recoveries in the name of interest made to many times the original loans. Strict legal restrictions should be placed or it should be placed or it should be put a stop to.

Government to pay *faccavi* advances to agriculturists under two heads:—

(1) Land Improvement Loans Act.

(2) Agriculturists' Loans Act.

Under the first head money, if given by Government, must be utilized to land improvements as digging wells, raising *langas*, rooting out *kunda* and *haryal*, etc.

Under the second head the agriculturists can purchase seed for sowing, bullocks for field work, weeding operations, etc. These loans are generally given to the landholder very sparingly in several cases. The officers think that if more money is advanced, it gets very hard to recover it. So they hesitate to give loans freely to landholders even and in some cases their discretion errs not on the side of comparatively needy people; and it is very difficult to the cultivators who have got no lands of their own. They get it recently by joint responsibility with three or four agriculturists.

The agriculturists do not get from the Government advances, except the two heads referred to above, for any other purposes when they have to go to sowkars for loans for other purposes by agreeing high interest as the sowkars know that Government dues will be recovered first and if left anything the sowkars are to get it, etc., otherwise they have to wait for money. So they charge high interest; still they give loans to agriculturists anyhow. The sowkars or money-lenders become very useful to them. They get the repayments in several cases through courts as per law in force. The debtors (who take loans)

Mr. S. R. KHANZODE.

spoil the sowkars. If the agriculturist will return money to the sowkars who show mercy to them and become useful to them at any time to the honest agriculturists still now.

There is one class of agriculturists who instead of working in the field honestly or without idleness find faults with sowkars by the so-called legal advice, i.e., taking the advantage of the ignorant people in the rural areas mostly and bring them into conflict and thus they (agriculturists) earn their livelihood.

The Imperial Bank of India can advance money generally to merchants, dealers, agriculturists, etc., who give land, house, building, gold, any other article of value, goods, as security with interest the rate of which is varying as per the article, etc.; and the capacity of the market.

Co-operative banks advance money to landholders, credit societies in the villages by keeping security of land only.

Indigenous bankers or money-lenders have been described first and their system of advancing money as loans in question 1.

Merchants and dealers advance money to agriculturists for their standing crops by settling the prices for each crop (that is called *lavani* advance).

Cotton price per khandi	50
	60
	75
Juar price per khandi	50
	60
	70

and the like, irrespective of the future high price if it would be.

They get the crops as per settled price, deducting the money advanced with interest. For the remaining balance, if any, the agriculturists execute bonds to the dealers for payment, etc. They have to suffer loss at a low price. (They mean agriculturists.)

The agriculturists get grain advances at the rate of 25 per cent as *sowai*, or 50 per cent as *dedhi* and double the amount as *dundi* or *dupal*.

But it is less if compared with money loans.

QUESTION 2.—The present *adatsya* system is alright, but there must be improvement to the effect that the *adatsya* is the paymaster of the purchasers. He should not meddle with the fixing of the rates for crops arrived at in the respective markets for sale. The price fixed by *dalals* between the sellers and the buyers should be the final one. There should be strict supervision in the markets while weighing or measuring. They play mischief in weighing and measuring. It is applicable to all commodities. The purchasers take cotton carts to their places for weighment and play mischief with the agriculturists. Sometimes they corner the markets and get the commodity with as much less or low price as they can. Owing to the above causes on the part of the buyers and *dalals* some agriculturists are at times tempted to mix the inferior with the superior stuff. Such mixing ultimately naturally damages the agriculturists to a still greater degree.

Cotton and grain market system is better, but it must be extended to the big markets in the rural areas, taking into consideration the circumstances such as roads, nearer railways and buyers, etc. The organization or formation of pool is necessary in point of view of agriculturists for the sale of their produce; otherwise they fall victim to the dealers.

The cotton or grain market committees do not exercise proper control on the dealers (merchants) as the merchants are buyers and sellers and they are the members in the committees and some of them do play mischief, so nobody goes against each other and thus the agriculturists have to suffer loss in the end. There are two kinds of sellers, viz., the producer is the true seller and the petty dealer (retail dealers) is the second seller in the big markets; but the second seller gets less trouble than the true one. The villagers (agriculturists) do not know the different kinds of weights and measures in use in different places. For this purpose uniform weights and measures for all commodities are necessary. For that purpose a commission was appointed by the Government of India when late Rao Bahadur Mudholkar moved this question to enquire into the matter and a report was published and the authority was vested into the provincial Governments to do the needful so the Acts and rules thereunder may be amended.

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If the price is not good one for the commodity, the pool or associations should approach the co-operative banks to get advance money to producers by keeping their produce in custody or godowns. Such warehouses should be erected for this purpose or taken on hire for the season when the favourable prices will be offered, it should be sold and money should be credited to the names of the producers.

There is much difference between the internal and the foreign trade. The internal trade goes on in the province or province to provinces, while the foreign trade is between one country to other countries or vice versa. The gold standard and currency questions play great part on the internal trade as well as on the foreign trade from other countries. This should be once for all permanently settled conducive to the agriculturists. This question is very lengthy and only a mention is made to understand the question with tariff and the railway freights, etc., which do tell on the internal trade.

The big mercantile companies get facilities in the Imperial Bank of India by letter of credit, etc., with the Government treasury in the interior parts of the district or province, etc. They get paper currency notes, cheques which play much part and give facilities for money transactions. The money-lenders will help much in the interior parts in this respect, the agriculturists if the Government will give a backing to them.

Before the formation of the present cotton market system and the grain market working the Government had yard system for stacking cotton near the railway stations in Berar and Nagpur when Mr. R. Carnack was the then Cotton Commissioner for Berar and Nagpur in 1863, but that system was abolished in 1876. After this in 1863 Cotton Fraud Act was passed, but the merchants were afraid of it and by their movement it was abolished.

Description regarding warehouses was already given above.

QUESTION 3.—Prices depend on the quality of land, they are—

Per acre.

	Before war time.	War time.	Present.
	Rs.	Rs.	Rs.
<b>Class</b>			
1. Cotton or rubber	250 to 400	300 to 500	Less than 200
2. Juar.	100 to 150	200 to 225	Less than 100
3. Ordinary crops	80 to 100	125	50 to 70
Garden lands	400 to 500	500 to 600	150 to 200—250

(1) Industrial people having rushed into agriculture, i.e., competition, prices were high.

(2) When prices for cotton were high—prices were raised.

(3) Indebtedness affected prices—low prices.

(4) Owing to idleness on the part of the agriculturists no good produce is obtained from land—so prices fall.

(5) Deterioration of soil fetches less price:

(a) A very few cases can be found and those too are for the very inferior land. For a good land rare cases can be found, i.e., for dispute.

(b) By the revenue authority auction sale fetches more price than the civil court subordinate does.

(c) Private sale fetches more price.

QUESTION 5.—Purposes for which debt was incurred (a) to (b) have been already dealt with in general above.

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Formerly money-lenders used to give much more money than the Government or societies, banks, etc., now that angle of vision has been changed to a certain extent owing to several impediments and hindrances to sowkars.

By non-payment owing to failure of crops, etc., or less crop as well as the compound interest in some cases it is due to. In some respect revision of land revenue is also responsible. The Government *answari* is responsible to this.

It is due to the following vices and bad habits:—Drinking, ganja-smoking, opium-eating and gambling.

Besides these, the civilisations have increased wants and tastes of the agriculturists even in the rural areas such as easy motor traffic, cinema, theatre brothels, restaurants, etc. Thereby they have become idle, i.e., not to work in field.

Out of 100, about 40 to 50 per cent agriculturists owing to old debts, have become tenants by parting with land to money-lenders, (creditors).

If the agriculturist has a small piece of land of his own (say 5, 10, 12, 15 acres) he gets land for cultivation on lease from sowkar for a certain period (i.e., 5, 7 or 10 years) on a fixed yearly sum, but owing to failure of crops he cannot pay the yearly sum to the sowkars and thus he at least becomes indebted and loses his own land for the debt. Such instances are found.

Inefficient labour on wages and perfunctory supervision, etc., are responsible for the loss of land.

No irrigation can be done in Berar as it was enquired at the time of famine in 1899-1900 and it was found that Berar was not fit for irrigation; but in Central Provinces it is feasible and it is going on. Some years in the irrigated area land yields good crops and after some years (10 years) the land owing to non-receipt of manures, etc., becomes non-yielding. The modern fertilizing, i.e., manure, etc., is more costly and money market is too tight.

QUESTION 6.—The following subsidiary industries are in existence:—Carpet-making, garden-produce, cotton hand-ginning (very rare), hand-spinning (very much less), basket-making, weaving on a small scale, and not, as help to the agriculturists.

Cattle-breeding, sheep-farming (owing to scarcity of grazing land they do not follow the business), poultry, rice-milling in-rice tracts, etc., will improve the status of the agriculturists if help is given to them.

Money-lenders can help in these enterprises if they are well organized.

By education.—The present primary from 1st to 4th standard is nothing but wastage to the villagers and falls back to illiteracy in the rural areas. It should be raised to 1st to 7th standard like the Bombay Presidency primary education, i.e., by adding three standards, viz., 5th, 6th and 7th to the present four standards. So that the men in agricultural working in the rural area will know better. The boys who have passed the 4th standard cannot understand a bit in any official or non-official letter, deed, etc., and the like. Boys forget what they have learned as soon as they leave primary schools. So primary schools as referred to above may be extended to the rural areas.

QUESTION 8.—Facilities to the agriculturists as suggested above, will be available from the sowkars.

### Part III.—Investments Habits.

Good confidence must be increased for investment and fair dealings with agriculturists are badly needed.

Yes. They should be extended to the smaller interior places, by opening savings banks accounts in the branch posts, etc.

QUESTION 5.—Yes. People have no habit. This is a new thing to them in the rural areas. Education as proposed above will give encouragement to them in this connection.

(1) People were afraid of the failure of banks which took place sometime ago.

(2) The cottage industries were in existence, people in industries used the small floating capital for their work. So there was no necessity of big investments as are now keenly felt; because these industries being pushed out. The people have learned this gradually.

MR. S. R. KRANBOO.

For this an enquiry was made in 1916 and a report was published in that year in the *Mysore Economic Journal*.

#### APPENDIX A.

*Indian Economic—Page 235, dated the 15th April 1871.*

"*Indebtedness of cultivators.*—The price at which the riyat sells the produce of his fields is made up of the four elements of wages, profits, interest and rent. Now it is important to remember that while rent is the result of price, it is never the occasion of it and never enhances it. Rent arises from the fact that the same expenditure of labour, contrivance and money in one field yields a greater or less return than in another. Whenever this is the case and the demand for produce is so great that it is necessary to cultivate the inferior field, the better land at once becomes rentable, that is to say, its superior productiveness or other advantages cause its produce to defray not only the wages, profit and interest which the poorer field must yield to be cultivated at all, but something over and beyond this which we call rent. Thus, if two fields lying side by side yield unequal returns to the same outlay of wages, supervision and interest, the difference in the produce will be natural rent of the better field."

"The disease is universal and springs from the same root as the permanent settlement folly. Sir Richard Temple's notion that "if Government will but limit the land tax, it will be quite safe to trust to the increase of other taxes" (Central Provinces Report 1661-62, paragraph 200) is the common origin of both."

#### Oral Evidence.

*Akola, the 3rd February 1930.*

Answering the Chairman the witness said: The meaning of my first paragraph is that 5 per cent of the agriculturists themselves do money-lending and do not borrow from sowkars; that 5 per cent more are in affluent circumstances and also do not borrow, while another 10 per cent also manage to carry out their existence without borrowing money although they are in poor circumstances; while the remaining 80 per cent habitually borrow money of this 80 per cent half are plot-owners and half are tenants only. I have made no enquiry into this matter.

Chairman: You have stated that for big loans on good security money can be obtained at lower rates of interest varying between 6 and 12 per cent. Do you mean to say that loans at 6 per cent are common?—I cannot say about the last year or two; but on the best kind of credit money is usually obtainable at 6 per cent. My meaning is that the rate of interest depends very largely upon the credit of the borrower. As regards taccavi, my opinion is that money should be advanced freely to agriculturists without any particular stipulation as to the purpose for which it should be used. My experience is that the really needy do not always get taccavi, because they have no means of approaching the Tahsildar freely. As regards the next paragraph my meaning is that as the land revenue and taccavi are the first charges on property and as the taccavi granted is not sufficient, the cultivators are compelled to borrow more money from the sowkars who charge a much higher rate of interest, because of these prior charges, with the result that the cultivator gets no real benefit from borrowing taccavi. If Government advanced taccavi according to the real needs of the agriculturists and according to their full credit, they would gain some benefit and would not be compelled to go to the sowkar. The present policy of advancing small sums only for certain limited purposes does really more harm than good. In the next paragraph I have alluded to some rural amateur lawyers who earn their living by stirring up quarrels and fostering litigation and, in my opinion, at least you will find one or two such persons in each village.

Is this what we call in England a Sea Lawyer?—In our parts we call them village Barristers. You have described the working of the Imperial Bank. Have you any suggestions to make with regard to it?—The Imperial Bank finances commercial people to some degree. It is of no use to the agriculturists. What I want with regard to foreign exchange is that there should be some permanent stability. When the Government makes taccavi advances it recovers them through

MR. S. R. KHANODE.

the agency of the Tahsildar who sends for the people and compels them to make repayments by the use of executive power; but the money-lender has to go to the Court and waste much time and money before he can get recoveries. If Government would give the money-lenders the same facilities for recovering their dues, the money-lenders would be able to give much more help to the cultivators.

The difficulty in this proposition is that there is no doubt about how much is due on Government loans, but it would not be possible to recover debts on behalf of money-lenders without some previous enquiry to find out how much was really due. What have you to say to this?—I do not think any enquiry is necessary. All the money-lenders are not dishonest; most of them are very honest.

Do you think money-lenders have to face unnecessary delay and trouble in the civil courts?—I am of opinion that there are many unnecessary delays and troubles in the civil courts before money can be recovered and this should be reduced.

*Vice-Chairman:* Is the *lavani* system in vogue nowadays?—No.

How much money is misappropriated by the *adatyas* while selling cotton carts?—*Adatyas* do not cheat. What they do is they fix the price of carts by lots and then disburse the proceeds separately to the cart-owners. A surplus is often left and the *adatyas* credits to what is called *kasarkhata*.

This amount goes to *adatyas*.

*Rao Bahadur M. G. Deshpande:* On page 287 you say that much of the agricultural land has gone to sowcars. Can you suggest any remedies to prevent this?—The direction of education must be changed so that the boys will stay on the land and improve agriculture.

Do you think that the growth of indebtedness is to a certain extent due to the right of transfer?—Yes.

Do you think the indebtedness will minimise if this right is taken away?—I do not think so as loans will not be available readily.

Are you a member of any co-operative society?—Yes.

Do they send money to the Central Bank from societies by money order?—Yes.

Do you think the number of post offices should be increased?—Yes.

*Seth Narsinghdas Daga:* Do you admit that the rate of interest is less for loans advanced on the security of gold and silver than on land mortgages?—Yes.

What is the reason? Is it because the sowcar can get cash by selling gold easily while he cannot sell the land?—Yes.

What are the frauds committed in the cotton market?—There are various frauds such as reduction of price on account of moisture, black leaf, etc.

Do not you think that there must be some defect though I admit that the *adatyas* must be making more of it?—One or two carts contain cotton of inferior quality and with these all the carts are sold at a lower price.

If the interest were paid regularly, then there would be no compound interest?—No.

Do you do money-lending?—Yes.

*Chairman:* Thank you very much.

Naik D. Y. RAJURKAR, Landholder, M.L.C., Akola.

Reply to the Questionnaire.

1. (a) The agriculturist in the Akola district is mainly financed by private money-lenders majority of whom are Marwaris. The Co-operative Central Bank finances to a very little extent through the co-operative credit societies. Government finances the agriculturist for cultivation purposes by advancing taccavi loans only when there is a failure of crop and that too to very little extent.

(b) The agriculturist obtains finances for capital and for improvements mainly through private money-lenders, majority of whom are Marwaris in the Akola district.

Government also finances the agriculturist under the Land Improvement Loans Act, but Government help is a drop in the ocean.

(c) For other needs also, the private money-lender comes to the help of the agriculturist. There are four or five principal castes in this district who go to the help of the agriculturist by advancing them money. They are Marwaris, Jains, Agarwals and Gujrathis. There are some Marathas, Brahmins and Kachhis who also carry on money-lending in the district, and supply other special needs of the agriculturists.

The rate of interest charged by the money-lenders in the whole of Berar and in Akola district is very high. The rate of interest which is very common is 2 to 3 per cent per month. The *sawai* bonds that are taken from the agriculturists on advances given to them during the months of June to October is very high. The ignorance of the cultivator is fully taken advantage by the shrewd money-lender who tells the agriculturist that he charges only 25 per cent per year. The repayment of these *sawai* bonds is to be made generally in the following Margashirsha Shudha 5. Suppose the bond for Rs. 100 is executed in the month of August, the period of repayments is less than five months. The principal advanced is Rs. 80. The *sawai* Rs. 20 is included in the principal and the amount of Rs. 100 is to be paid on Margashirsha. So Rs. 20 is the interest of Rs. 80 for five months. The rate of interest in such transactions is 60 per cent per year. The money-lenders have been so very fortunate that up to this time they have been able to deceive the borrowing agriculturists, but they have been successful enough in throwing dust into the eyes of all the civil courts in Berar who have to deal with money claims. That in not a single case has any judge given a moment's thought to consider the actual rate of interest that is charged to the cultivator in their *sawai* bonds. If the plea of the penal rate of interest is raised in the case of *sawai* bonds or pronotes in the civil courts, it is not considered by the judges. The ignorance on the part of the judiciary in the case of *sawai* bonds, pronotes is colossal and the agriculturists class is ruined. If anybody is responsible for the extremely bad economic condition of the agriculturists in Berar, it is the ignorant and indifferent judiciary in Berar who have encouraged usurious money-lending in Berar during the last 30 years. The Marwari, Jain and Agarwals money-lender is nowhere so successful in money-lending business as he is in Berar. Up to September 1922 even 3 per cent rate of interest was not considered penal in a claim of Rs. 10,000 by a Senior First Class Sub-Judge in Akola. The Judicial Commissioner's Court is to a very large extent responsible for ruining the agriculturist. The Usurious Loans Act, though passed in the year 1818, was a dead letter in this province until the matter was brought to the notice of His Excellency Sir Montagu Butler in his recent tour in Berar. The judges and the pleaders most of whom do not know that there is such an act as the Usurious Loans Act of 1918 are responsible for ruining a class of people on whose existence the welfare of the state depends. The judges in Akola up to October 1922 were so indifferent to the pleas raised above the usurious rate of interest that they paid no attention to the pleas about the application of the Usurious Loans Act. Much of the misery of the agriculturist class is due to the Judicial Commissioner's Court and the whole of the judiciary in the province and the pleaders whose duty was to see that the Usurious Loans Act was acted upon. The Government also was indifferent in this matter. Though complaints were made in the Press and the Council about the high rate of interest allowed by the courts Government did not take any steps and now practically the whole class of agriculturists is ruined by the heavy rate of interest.

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The salbandi mortgage bonds and *mahinakkats* which some money-lenders obtained from the debtors are instances of another fraud practice upon the agriculturists and the ignorant and indifferent courts. Though as a rule future interest was charged and accumulated in the capital in instalments bonds and in mortgages further interest on already charged interest was allowed by the court.

The decisions of the ignorant courts affected the agriculturists 80 per cent of whom are illiterate and they paid the *sowkars* outside the courts whatever interest was charged by him fearing the decisions that were passed against them. The money-lenders in Berar and particularly in the Akola district as a class rarely pass receipt for the repayments made to them. This is an additional handicap from which the Berar agriculturist suffers. In the court oral repayment is generally not believed by the judges even though the creditor admits that he is not in a habit of passing receipts. This has encouraged fraud amongst the creditors who have taken full advantage of the illiteracy and ignorance of the agriculturist and this machine like administration of justice. Improvement in this matter is necessary. The suggested reform is as follows. The money-lender should get a license from the Government to carry on money-lending in a particular area. The account books which he desires to keep and for using them in courts should be issued by Government with the pages numbered and with the seal of the Tahsildar, who will issue the account books, on each page. There should be some legal obligation placed upon the money-lender to pass receipts. The money-lender must be able to show the signature of the person paying the amount on counterfoil of the receipts. He must be made to submit accounts whenever demanded by the debtor.

The safeguards are necessary if the agriculturist class is to be protected from the hand of money-lenders who are now carrying on tremendous business in Berar. At present different sets of account books are maintained for different purposes. Even the Income-tax Department is cheated by different sets of account books. What to speak of the ignorant and illiterate agriculturist. The pages of the account books are removed without any fear and different pages are substituted. The civil courts who have very little time at their disposal can hardly detect frauds of account books and therefore in my opinion it is high time that the private money-lender should be licensed and his account books be issued by the treasury.

In my opinion it is very difficult for any Government much less to this Government to provide enough capital for the needs of the agriculturist who will have to fall back upon his local *sowkar* for his needs.

The agriculturist of Berar is so much harassed by his indebtedness and is so very fast losing his land that in Akot taluq, which is called the best taluq in the Akola district, 1/5th of the land of this taluq has gone into the hands of the Marwari money-lender. Nearly 90 per cent of the land that is at present owned by the agricultural class is very heavily mortgaged with the money-lenders majority of whom are Marwaris. The lands mortgaged are fast going into the hands of the Marwaris by decrees of foreclosure and sale and if protection is not granted to the real cultivator classes, that class is sure to become a mere labouring class, within the next ten years. And in order to meet this unusual situation in Berar which has followed the cotton boom period which was more a curse than blessing. The years of successive scarcity for the last 5 years which followed the boom period have precipitated the crisis, and unless some drastic steps are taken the discontent amongst the agriculturist which is already great would assume serious proportion and would lead to disaster, both for the Government and the people and in order that such a situation may not arise that I have prepared a bill called the Berar Agriculturist Protection Bill, a copy of which I append herewith, which I have sent to Government of India for necessary sanction. The Banking Enquiry Committee which, I presume, is determined to help the agriculturists will also recommend to Government not to oppose the measure which I have proposed and would recommend to Government, to push through this Bill as early as possible.

About 30 per cent of the loans are advanced on personal security and on the security of ornaments and other moveable property and 70 per cent of the loans are advanced on the security of immovable property.

The condition attaching to the loans advanced on personal security is to increase the rate of interest by 50 per cent. If the original rate of interest is 2 per cent then after default generally the rate of interest laid down in bonds

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is 3 per cent. In mortgages the original rate of interest is generally 1½ per cent to 2 per cent per month. After the agreed period to pay the rate of interest charged is both compound and 3 per cent on failure of payment the common condition attaching to a mortgage is foreclosure which works very harshly upon the agriculturists. After the preliminary decree, the mortgagor is not able to get creditor to advance money on the security of the field under decree and as a result the agriculturist loses his land much below the market. In this matter amendment of the Transfer of Property Act is necessary which would do away with the condition of foreclosure altogether from the Transfer of Property Act. When there is the condition of sale and when the (execution) of the decree is sent to the collector, the mortgagor gets more relief in as much as the Sub-Divisional Officers and the Tahsildars are able to secure good customers and the mortgagor gets the market price. In the case of mortgage by foreclosure decree, the agriculturist suffers a great hardship. Hundreds of acres of land in the Akola district is passing into the hands of the money-lenders class like the Marwaris and Jains as a result of the foreclosure decree. The Jain money-lenders at Karanja are as unscrupulous as the Marwari money-lenders throughout the district and thousands of acres of land are acquired by the Jains at Karanja in Murtizapur and Mangrul taluqs. It is in this quarter that real trouble would arise unless the rapacious money-lenders of this class is subjected to proper safeguards. The discontent in the villages near about Karanja is very keen. The Marwari money-lenders at Karanja are the worst kind of money-lenders. They maintain false accounts. One Badri, Marwari, has got *khata* account of dead persons and he manipulates these accounts of dead persons whenever he has to commit fraud. He was allowed to go scot free even though it was found by the original court and the appellate court that his accounts were false. Keeping false accounts is not punished by the civil courts as it should be in order to check the growing tendency amongst the money-lenders.

The Government plays an insignificant part in agricultural finance. The Imperial Bank does not finance the agriculturist at all. There are no joint stock banks in the Akola district. I am not aware of joint stock bank or banks in Berar. The co-operative banks do finance the agriculturists to a very little extent. There are no indigenous banks and bankers in the Akola district. There are professional money-lenders like the Marwaris, Jains, Agarwals and Gujrathis. Merchants do not finance the agriculturists. The cotton *adatyas* used to finance the agriculturist before 5 years, but during the last 5 years this practice of finance by *adatyas* is dying out as the *adatyas* have not been able to recover the moneys already advanced.

The capital required for purposes mentioned in 1 (a), (b) and (c) is Rs. 15 crores at the lowest compilation.

The practice of advancing grain by way of loan is dying out. There might be some cases of grain advances by way of loan, but the number of cases is so very small that it may not be taken into consideration. In the few cases that I came across of the grain advances the rate is *sawai* or *dedhi*, i.e., either 25 per cent or 50 per cent, and that too for a very short period, say, about six months at the most. When properly calculated this *sawai* and *dedhi* goes above 80 per cent per year.

In my opinion, this question is rather vague. I answer it with understanding that the word present system means the present system of financing agriculture. In the first place there is no system in existence by which the Government finances the agriculturist at all times and in all years. The private money-lender who chiefly finances the agriculturist, advances loans not with the intention of encouraging the industry of agriculture, but with the motive of taking as much advantage of the ignorance, illiteracy, need and urgency of the agriculturist. The principal idea underlying any mortgage loan is to get possession of the land mortgaged at as low a price as possible and in the case of other loans to earn as much interest as is possible from the agriculturist. With the present mass of illiterate and ignorant agriculturist it is not possible to improve the present system. If Government advances *taccavi* loans every year to the agriculturists both under the Agriculturists' Loans Act and Land Improvements Loans Act then the present system can be improved and the agriculturists will get immense relief and some margin of profit if at all it is then in agriculture will remain to him for self-improvement.

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## Oral Evidence.

Akola, the 3rd February 1930.

**Chairman:** You are the member of the Legislative Council for South Akola rural. Is it not?—Yes.

At the end of your reply you have said that with the present mass of illiterate and ignorant agriculturists, it is not possible to improve the present system. Then you go on to advocate a wide extension of Government taccavi loans. Do I understand you to propose that Government should, as far as possible, take over most of the financing of agriculturists?—Taccavi should be given freely.

Do you not think that the present system is sufficient?—It is not sufficient.

When you say that it is not sufficient you mean that the loans should be more extensively given and larger in amount?—Yes.

Do you think that there is anything wrong with the method of advancing loans?—I think the system is faulty.

What changes would you recommend?—The applicant is expected to get recommendation from the patel and other officers. He has to please all officers. This is one of the greatest defects.

Do you think that the procuring of the recommendation of responsible officers causes him any loss?—It causes loss of time, energy, money and respect.

When you say money what is your implication?—Expenses of going to headquarters. I do not mean to imply that illegal gratification is given to subordinates. I would like the taccavi to be extended to ten times the land revenue for short-term loans under the Agriculturists Loans Act instead of five times as at present. It should be granted to all landholders freely without restriction. That should be the first charge on the agricultural produce next to land revenue.

I understand that you are also a malguzar in the Gwalior State. Is it not?—Yes. I have got six or seven villages.

Could you tell us the system followed in Gwalior as regards taccavi?—In Gwalior taccavi is freely given to the agriculturists when the zamindar (malguzar) stands security at 6 per cent interest. It is always regularly paid. Recoveries are prompt.

**Professor A. C. Sen Gupta:** What is the limit to the amount of taccavi advanced to cultivators in Gwalior?—There is no limit other than the security of the zamindar or malguzar. The rent of the tenants in these villages is fixed by the malguzar himself and Government does not interfere in this.

Does the malguzar charge anything from the guarantee for the security he stands?—Not a single pie.

**Seth Narasingdas Dago:** Have you any prejudice against the sowkars?—I have no personal prejudice. But I represent the grievances of the agriculturists who always come in contact with the sowkars.

Do you think that the rate of interest charged is from 2 to 3 per cent per month?—Yes, since the boom years.

Do you know what interest does the sowkar pay on deposits?—From 12 annas to one rupee per month.

What is, in your opinion, the cost of sowkari business, bad debts, losses, cost of litigation and establishment, etc? What is the net profit on their capital?—I think the expenses must come to 5 per cent on the income. 95 per cent of the income is his saving.

You say that in the courts repayment is generally not believed by the judges even though the creditor admits that he is not in the habit of passing receipts. Are the debts advanced on promotes or on their entries in the account book?—On both.

Are entries of repayments made on the promotes or in the account book?—Entries of repayments are not made on promotes, but are made regarding loans taken on the entries on account books. The debtor has no evidence in his possession to prove repayment of loans taken on the account books of the sowkar by the debtor himself.

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Are you aware that borrowers at times refuse to admit their own signatures?—It may happen in the case of a few persons; but it is not a general case.

Is it possible that the sowkar must be made to submit accounts whenever demanded by the debtor.—I do not think that in every case the debtor demands accounts. I want that the receipts should be compulsorily given in the same way as *malguzars* are by law required to pass receipts for rents paid to him. I think that sowkars should give receipts whenever repayments are made within a reasonable time.

You say that at present different sets of account books are maintained for different purposes. Even the Income-tax Department is cheated by different sets of account books. What to speak of ignorant and illiterate agriculturist. Is this your own personal experience?—I know this myself.

Have you brought such cases to the notice of proper authorities?—These things have come out in courts and I can quote hundreds of cases. It has been held in many cases that it is fraud. I myself have no dealings with sowkars.

*Professor A. C. Sen Gupta:* You have given a case where for a claim of Rs. 10,000 a first class senior sub-judge allowed 36 per cent interest. Can you give us the names of the parties so that we can verify and use this information?—Yes. In Civil Suit No. 54 of 1926 in the Court of the first class Sub-Judge No. 1 of Akola, Motilal Onkar of Karanja, plaintiff, and Gunia, son of Ramnath, defendant No. 1, Ragho, defendant No. 2, and Wagia, defendant No. 3. The claim was for Rs. 9,400 and 3 per cent per mensem rate of interest was not considered a penal rate and the full amount was decreed.

Will you give us the details of the case of Badrinath Prasad which you have quoted in your statement?—In the Court of Mr. M. A. Wadya, Additional Sub-judge, Akola, December 23, 1918, Manwar Kago, Karanja, plaintiffs, Laxman Bhagwathy Mudholkar, defendant. In this case one Badrinath, son of Ramnath, money-lender, Karanja, was examined by the plaintiff as his witness and then was cross-examined by Mr. J. D. Chowrey, Pleader of Karanja. He knew the history of the witness Badrinath and therefore Mr. Chowrey successfully brought out that the man kept *khatas* of two dead men, Badrinath may be examined.

*Seth Narsingdas Daga:* Do you admit that the value of land having gone down, sowkars are not willing to take land?—Sowkars cannot help it as there is nothing except land to receive in repayment of the loan.

Does not the land go to a sowkar in consideration for the loan he has advanced?—It does.

Are you aware that the borrowers at times produce false receipts to prove payments of loan?—I am not aware of any case in which the agriculturist produced false receipts. I cannot say anything about other people.

On page 291 you say "protection to real agriculturists", etc. What do you mean by real agriculturist?—By "real agriculturist" I mean a person who depends for his maintenance mainly on agriculture. Marwaris and Jains are not called cultivators in Berar.

Is the propaganda against Marwaris and Jains the result of Poona activities?—There is no propaganda against Marwaris and Jains. I do not know of any activities in Poona.

Then why is there a prejudice in people about Marwaris?—As all the agricultural lands are passing to this community, they feel some prejudice against them.

What is the reason of land going to Marwaris.—Indebtedness.

Does the cultivator ask for loans or a sowkar forces it on him?—The cultivator does certainly go to a sowkar, but when a cultivator is in a position to repay, the sowkar does not accept the payment and allows it to accumulate.

Why does not the cultivator credit the amount in court?—Because he is ignorant.

Have you drafted the Land Alienation Bill on your own experience or with the help of others?—It is based on the Sind Agricultural Land Alienation and other Acts.

Does it not mean that that kind of protection exists in other provinces of British India?—It does exist and I only propose that that kind of protection should be given to the cultivators of this province also.

Is the rate of 2 to 3 per cent interest charged on loans advanced on mortgage security or on personal security?—Practically on both as loans to the extent of 10 per cent only are granted on personal security.

Do you admit that compound interest will not be charged if timely payment of interest is made by the debtor?—Yes.

*Vice-Chairman:* You have made certain remarks about the Marwaris being dishonest. What is your basis for making that statement? Have you made any enquiries?—Yes.

Is there any basis for the statement that a Marwari does not get so high a rate of interest in any other part of India as he gets in Berar?—Yes. I have got my property in other places.

You have attacked the Judicial Department and civil courts. Do you not think that the civil courts in British India have been the protectors of public life?—Unfortunately the present mode of their judgments is not for the protection of agriculturists though the law provides.

Apart from money-lenders you and I also have to seek the help of civil courts?—Always.

Do we not get justice generally?—I do not mean that they do injustice. What I mean is they do not go sufficiently deep to administer equity and justice to the cultivator.

You have said that whenever dishonesty is completely proved the civil courts have sanctioned prosecutions under the law?—In some cases.

Do you admit that there have been several cases in this district during the last two years in which very big money-lenders have been prosecuted by the civil courts for dishonesty on their own initiative?—Yes.

You have said the money-lenders in Berar and particularly in the Akola district as a class rarely pass receipts for the repayments made to them? On what is this comparison based?—I have found in Central India that they always pass receipts, while in Berar they always pay money, but do not receive receipt. That is why I have suggested that a duplicate receipt book should be maintained by sowkars and as soon as the receipt is passed the debtor's signature should be obtained on the book foil.

You have said Government should give more taccavi to the agriculturist and you have also said: "in my opinion it is very difficult for any Government and much less to this Government to provide enough capital for the needs of the agriculturist who will have to fall back upon his local sowkar for his needs." What do you mean?—I mean Government should provide short-term loans necessary for agricultural purposes, while the sowkar should be allowed to provide long-term loans only.

What I understand you to mean was that sowkars should discontinue and Government should advance more money.—I have no objection to Government financing the whole amount, but I do not think it possible.

You have said that in the Akola district 1/5th of the land of this taluq has gone into the hands of Marwaris. Is it based on settlement reports?—No.

On what is it based?—In my capacity as a district council member I have made enquiries myself and also from other district council and local board members.

Is your Land Alienation Bill based on Deccan Agriculturists' Relief Act? Is the main provision to restrict the sale of land?—No. It only restricts the permanent sale of land.

Are you aware that this Act has not been very successful in meeting the condition of agriculturist?—Yes. It is because permanent selling is allowed and my Bill does not allow that.

Do you know of a committee which has reported that the Act has failed?—Yes.

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It has been suggested to us that the revenue officers cannot get a proper price for the lands sold in execution of decrees, but the civil officers can get a better price and therefore these cases should be given to the civil officers. Are you much surprised at this?—Yes. The whole of Berar thinks that the sale cases should be transferred to the collector. A resolution was passed to this effect in the Legislative Council also.

You mention Mangrul taluq having suffered from unjust treatment at the hands of money-lenders. Do you represent this taluq in the Council?—Yes.

*Rao Bahadur K. V. Brahma C.I.E.*: Have you studied the Usurious Loans Act yourself?—I have seen it.

Do you think that Act could be applied with any difficulties?—Yes.

Do you think the wording of the Act allows the court to go behind the transaction of its own accord or whether it is necessary that parties should plead that a particular transaction is usurious?—I cannot say that, but I know instances where on the parties pleading that the transaction was usurious courts have not given any finding on this plea.

Was any appeal preferred in such cases?—Yes, and the appellate court ordered remand.

Does it require any change in your opinion?—I do not think so.

You yourself say that the general rate in this district is 2 to 3 per cent. Is it not?—Yes.

If a party claims 2 to 3 per cent, you yourself would agree that it is a market rate?—Yes, unfortunately so.

Does it not follow that it is equitable and the court cannot say that it is anything more than the market?—But I think certain restriction is necessary.

Do you think that the courts can do that?—Yes.

You think that under the Contract Act courts have got the power to go behind the transaction?—Yes. My point is that the court should have the power to disregard the market rate and give what is proper.

How should it be decided as to what is the proper rate?—I would regard co-operative societies rate of interest as a proper rate?—I have not had the opportunity of studying your Land Alienation Bill.

Do you regard land as property?—Yes.

Would you admit that by taking away the right of selling land permanently you cut down a man's credit?—I am not cutting down his credit completely.

However small you cut it to that extent his borrowing capacity is lost. Do you admit this position?—Yes. But I think instead of destroying his credit it is better to reduce it. The present state of affair in Berar is that indebtedness has risen so much that people cannot repay their debts unless there is some restriction or some compulsory legislation.

May I take it that you favour the idea that restrictive legislation is necessary though it may result in reduction of credit?—Yes.

Is it your opinion that every agriculturist is indebted?—Yes. I think 90 to 95 per cent cultivators are indebted.

Have you had the advantage of studying any particular village in detail?—Yes.

May I know which?—My own village Rajura.

Do you think that Rajura is typical of Berar?—No. I do not think so.

In what taluq is Rajura?—Basim.

Is the land there very inferior?—It is ordinary, say, about Rs. 100 per acre.

Is the value of Rajura land more than the amount of debts?—No.

I believe Rajura agriculturists are getting no finance then?—It is very hard.

What is the rate of interest there?—It is 2 to 3 per cent.

So you mean to say that there are people in this world who pay them at the rate of 2 to 3 per cent?—They are practically getting no finance.

Have you seen the Punjab Land Alienation Act?—Yes.

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Have you read the report of the Punjab authorities that the Act has failed in its purpose?—No.

Would you be surprised to hear that?—My Bill is based on the Sind Land Alienation Act.

Do you know that Sind Alienation Act is based on the Punjab Act?—May be, I do not know.

*Mr. P. D. Pundlik:* You have stated, in reply to the Vice-Chairman, that the Government should finance at the time of cultivation and the long-term loans should be financed by the money-lenders. When you say that the money-lender is not honest why should he be there?—I never said that all the money-lenders are bad. Moreover, I do not think anybody else can meet the necessity.

Why do you not say that Government should do all the business?—I have no objection if Government would do it.

MR. S. A. PANDE, M.A., LL.B., Pleader, Akola.

Reply to the Questionnaire.

QUESTION 1.—(1) In our district and province credit is obtained largely from the co-operative and the private money-lenders and to some extent from the Imperial Bank, the joint stock banks and the Government.

(2) Government lends in the form of taccavi loans in times of scarcity and sometimes for permanent improvements. Recently for the last four years or so in our district since the private lenders have been unable to advance as before people resort more to Government. People, however, are even now probably more in favour of resorting to private sowkars than to Government, because of very many formalities that have to be gone into in Government loans. However I must say that in the last four years or so people have very freely resorted to Government for help.

(3) People have been taking some loans from the Imperial Bank in some places like Khamgaon, so far as I am informed, by pledge of ornaments or so as the rates of interest in the same are reasonable. Joint stock banks helping the agriculturists are very few in past four years or so one of Nagpur has been availed of by some in Berar as during these years the Beraris have run to any source for finance.

(4) The main sources, as I have already said above, are the co-operative and the private sowkars.

(5) The rates of interest are from 12 annas per cent per mensem to Rs. 2 per cent per mensem according to the person lending and borrowing. I think the co-operative credit societies are a great boon to the farmers.

(6) People have not generally to borrow for payment of land revenue as in good years they generally make first provision for the same and in bad years it is either remitted or suspended. For ceremonial purposes they borrow from the sowkars. For permanent improvements they spend as far as possible from the savings or from the Government.

(7) I think the private money-lenders should be substituted as far as possible by the co-operative or the Imperial and the joint stock banks or the Government as private persons with very few exceptions prove generally very exacting for the means of the farmers. Unless legislation or the law courts and both prove strict in dealing with the private persons about their methods of interest and want of honesty in showing the repayments, the system will have to be ended. Great deal of injustice is done by the private money-lenders by not showing real repayments. Many sowkars in their desire to get rich quickly deny repayments and make the debtors repay over again.

(8) All these agencies may be made to co-operate with each other by Government on the lines suggested by me in the columns of *Hitavada* in my articles on agricultural finance.

QUESTION 2.—(1) I do not think people are yet advanced enough to form pools. In some parts the co-operative societies are opening adat shops to sell their customers' agricultural produce at better prices. Generally, all sorts of agricultural produce is sold through brokers who charge a certain commission and probably prove of some use to their clients. In principal markets of the towns this class of middlemen proves indispensable to the ordinary agriculturists. In fact, even an intelligent farmer by the arrangement of the place cannot deal direct with the purchasers of his agricultural products. I think some specialized machinery as the broker is not bad, for the purpose of marketing. In these days of specialization and complicated social conditions, every one cannot have knowledge of all things and hence adatyas may prove quite beneficial in the disposal of agricultural produce. The only thing that they should do is to be more honest and reasonable in the dealings with their clients which competition to a certain extent brings about.

(2) In smaller villages retail purchasers deal directly in the purchase of their commodities.

(3) The only reform that I can suggest on this topic is to encourage some of the agriculturists themselves to form associations in towns and take this business of proper help to their village brothers by learning the tricks of their trade. The co-operative societies may be also encouraged to form pools and to extend their adat business in marketing the produce properly.

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(4) About the other matters in this question, I have not much personal knowledge, though I know that in the internal finance of the province hundis do play a considerable and important part.

QUESTION 3.—(1) In my district land is not valued according to the crops but according to its quality. Nearness of the plot to the intending purchaser so that he may consolidate it with his own, nearness of the land to village and the desire to purchase land are the factors governing the value. The *bona fide* agriculturists always prefer investment in land, whenever they have surplus money to save. They generally pay higher value than the trading and other professional classes who generally purchase land only by foreclosure decrees and in satisfaction of debts. The latter class thus do not pay a fair value of land. The agriculturist more than do so. I do not think in principle there can be any distinction between the three classes (a), (b) and (c) of this question. Individual cases will depend on individual circumstances. Proper enquiries about title in all these three kinds of sales would fetch the same values.

QUESTION 4.—(1) In our province there are no impediments to mortgage of holdings. Only inams and jagirs cannot be alienated. There are no land mortgage banks and the only agricultural banks are the co-operative societies.

(2) I think our records of rights and title are as complete as they could be. The recent elimination of details of derivation of title from the records of rights is foolish and it would be a great boon if the old system of showing the details of title in the column meant for the same is restored.

(3) Greater exactitude of reports of title should be demanded from the village officers; and any negligence or mischief on their part in not getting on record actually existing facts about title or possession should seriously be dealt with. We cannot make the institutions more perfect than this and banks must make detailed enquiries about title and rights from all sources. I approve of agricultural mortgage banks of long-term credit and I do not think I need spend time in suggesting details.

QUESTION 5.—The debts are incurred for nearly all the purposes mentioned in clauses (a) to (h) of this question. In our province professional money-lenders and the co-operative societies are the main sources of agricultural credit. One great cause of indebtedness is the dishonest denial of private money-lenders of repayments made to them, but not evidenced by receipt which only the courts generally admit. Efficient farmers are not being turned into tenants, because of old debts, and their property is not passing into the hands of their creditors. Inefficient farmers do so. But want of irrigation either from well or rivers turns many a time an efficient farmer into an inefficient one. This growing indebtedness and the sowkars desire to take the last pie out of the agriculturist is a great national evil and is reducing the national wealth as thereby the incentive to produce the maximum is absent. Unless the sowkars are ready to accept banking rates of interests and unless irrigation and advanced agricultural education is supplied, there is no hope for the agriculturist.

QUESTION 6.—There are no subsidiary industries allied with or supplemental to the agriculture in our province, in the sense that the agriculturists do not resort to them for eking out agricultural income. There do exist some of the industries detailed in this question, but they are in the hands of trading classes or particular caste who are practising them traditionary. I do not feel sure how we can help individual farmers in the provision of occupations to them when they are off their legitimate work. Poultry, dairies and sheep and cattle-breeding could be taken up by individual farmers if they get cheap credit. Besides this, villagers could be encouraged to take up other industries mentioned in this question either by opening Joint Stock Companies or encouraging intelligent individuals from amongst them, where villagers could go and seek employments when they have none. Credit to such industries may be given by banks or by Government, unless private capital is attracted by the confidence in the organizers.

QUESTION 7.—Usurious Loans Act is now in active operation in our province since one of the Councillors moved a resolution in our Council. Co-operative movement has contributed much towards private finance, and further extension of it would be sound in both principle and practice. It becomes a social finance for social purposes and profits and loss of society falls on the whole society. Co-operative societies are, I think, mainly agricultural in Berar. They may be extended to all industries.

MR. S. A. PANDE.

## Section II—Indigenous Banking.

**QUESTION 1.**—I do not find any respectable class of Indian bankers or banks in my district. I do not think it is possible to help such a class. For individual bankers would not have for some time to come a very good standard of business morality which is the condition precedent of all successful and effective banking. I would certainly like to promote joint stock banks properly supervised by Government Auditors and Directors of Industries. They could be encouraged to accept deposits and invest them in land mortgages and loans to agriculturists and small industries with strict insistence on about 40 per cent of their deposits being in liquid form. I do not think there is a large amount of money waiting for investment with indigenous bankers if there are any.

## Section III—Investment habit and attraction of capital.

**QUESTION 1.**—Postal savings banks, Central Banks and Imperial Banks seem to be the only serviceable institutions in Berar. All of these are sufficient incentives for saving. Public have sufficient facilities of investment at any one of these banks. A little propaganda in the villages by the Government agency and postal authorities to popularize the postal banks would be effective. The one thing that is remarkable in the postal savings banks is the least trouble they give to small investors and their freedom from corruption. I think much capital would be attracted to the postal banks if such a propaganda is carried on. One way of doing it would be to keep full-time postmasters at all existing village post offices where at present the work is being done by schoolmasters on extra pay from the postal department which is generally very small. These postmasters, after their post work, should move in the interior villages, secure deposits and issue pass books. As far as possible, proper men will have to be appointed from the province itself as the upcountry Punjabi or Pardeshi postmasters or Madrasi ones will hardly attract confidence. Joint stock banks can, of course, be depended upon to know their own business and to attract the capital. The work must be done by active movement in the society. Mere posters and advertisements will not do.

**QUESTION 2.**—Postal cash certificates are not much popular in our district. I think Postal Savings Banks would be enough to attract the capital through this venue, if attempts were made on the lines indicated in my answer to question 1. Savings Banks afford all the facilities to all investing public whose income is not large. Other classes may be attracted to it by increasing the maximums to be deposited in one year from Rs. 750 to Rs. 2,000 and the total from Rs. 5,000 to Rs. 10,000. I think postal banks carry more confidence with them than would the joint stock banks except the Imperial Bank. Government could establish a financial link between it and the joint stock banks of approved merit, so that the deposits in the postal department may be made available to the joint stock banks. But the relationship would require a great caution. Whether there is a competition between the Government and the private banking institutions or not, the public cannot be asked to invest in joint stock banks when they want to do so with the Government.

**QUESTION 3.**—Agriculturists, as I have already said, generally invest in land. The non-agriculturists do private money-lending. Government servants deposit in the Imperial, Central and postal banks. The non-agriculturists also finance to a certain extent the trade and commerce. I do not think people now hoard as before, but they may do so in future as money-lending to individual by individuals is proving a very unprofitable business, mainly due to the facilities that law courts can provide to debtors to escape payments. Farmers do lend to farmers and prove as exacting as the Marwaris. In all these lendings they have always an eye on the debtors' property. In prosperous years they purchase land; They very rarely invest in non-agricultural pursuits.

**QUESTION 5.**—Banking and investment habit is of slow growth in India. But that is not a danger as so much capital is in active circulation in private money-lending which is even better than the banking, provided it were carried more honestly and at lower rates of interest than current. 12 per cent should be the standardized rate. I have already suggested the means of educating the people. Opening of the new branches by the Imperial Bank must have been good as both attracting deposits and supplying capital.

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## Oral Evidence.

*Ahola, the 4th February 1930.*

*Vice-Chairman:* How long have you been practising?—For thirteen years. I am a *bona fide* resident of Berar. I have got land of my own. My family has got money-lending on a small scale. In the course of my practice I come in touch with many agriculturists.

You have said that in your district and province credit is obtained largely from the co-operative and private money-lenders. You know that the amount of credit provided by the co-operative banks is comparatively small. Don't you?—I mean so. The bulk of finance comes from money-lenders.

You have said that the borrowers are in favour of resorting to private sowkars rather than to Government, because of very many formalities that have to be gone into in Government loans. You will agree that before we advance money to a certain applicant, there must be a certain minimum enquiry into his economic status, paying capacity and his financial habits?—That is inevitable. I do not blame this. I think the enquiry at present conducted is the minimum.

You say that the Imperial Bank rates of interest are reasonable. Are they lower than the rates offered by money-lenders?—If you take only the agricultural credit as the standard, the Imperial Bank is much better in its rate of interest.

You have referred to one Nagpur joint stock bank which is utilized in Berar. You mean the Ideal Democratic Company. Are you aware that there are many complaints against the working of this bank?—I subsequently came to know of this. I have never considered it to be yet on a suitable basis.

You have said that private money-lenders should be substituted as far as possible by the co-operative or Imperial Bank and joint stock banks and Government. You have also said that the private money-lenders are so exacting that the system will have to be ended?—Unless the money-lenders improve themselves.

Do I understand that in your scheme for a better organization for credit facilities it is not possible to accommodate the money-lenders?—It will be possible, provided they improve their ways.

I take it that in the first place you would try to mend their ways and not to wipe them out. Is it not?—Not necessarily to wipe them out.

How do you suggest that we should mend their ways?—One of the existing means would be to apply the Usurious Loans Act more strictly. The second would be to open competing agencies for credit. The third would be to see that the money-lender gives proper credit to the borrowers and also that he is not so exacting in rates of interest.

Do you advocate further legislative restriction on the money-lenders to achieve these objects?—I do not think that we would ever be able to get this done by legislation. We will have to do this by education. The existing legislation is enough if it is properly enforced.

Do you think it is practicable to wipe out the money-lenders?—I do not think.

Do you not think that any new scheme for providing credit facilities will take time and if there is any immediate withdrawal of the money-lender from the market the agriculturists will be put to great hardship?—Yes.

Will you please give us the substance of the article sent by you to the *Hitavada* on this subject?—As far as possible we should utilize the existing machinery without any additional legislation for supplying agricultural and other finance. I have said that there are three existing agencies which are at present supplying agricultural finance and better inducement should be offered to them to do better business than they have hitherto done. I have divided agriculturists into three classes:—

- (1) The big landlord.
- (2) The small landholder.
- (3) The labourer turning into a tenant.

At present many substantial landlords can get money with difficulty at a high rate of interest. There are also many indigenous money-lenders of unquestionable status. There is no reason why the Imperial Bank and other joint stock banks should not be able to advance money to them for financing the agriculturists.

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A small cultivator with 30 "tiffans" can be easily financed by co-operative and small joint stock banks and the poorest cultivators including the sub-lessees can be suitably financed with Government taccavi. It is primarily necessary that the last class should get finance at the cheapest rate of interest; as they are more subject to fluctuations of nature. Government taccavi is pre-eminently suitable to such people.

Do you think that you will be able to give us a rough estimate of the percentage of dishonest money-lenders?—I should say that about 70 per cent of the existing money-lenders do not follow business methods in the sense in which the expression is understood in the West. By not following business methods I mean that their transactions are not fair to debtors. This information is based on my enquiries from people I come in contact with.

A leading money-lender and worker in the field of co-operation told us yesterday that at least 75 per cent of the sowkars are honest and 25 per cent are given to underhand dealings. Is that an over-estimate?—I should think it is an over-estimate.

You seem to say that land fetches very nearly the same value irrespective of the method of sale. We have been told that land fetches a higher value when sold by private negotiations. What are your views on the subject?—I do not think it is necessarily so.

Is it not the extent to which inalienable lands like inam and jagir in Berar are transferred surreptitiously increasing?—With economic pressure it has increased.

Do you think that it would be a fair conclusion from this that transferable rights are necessary for increasing the credit of the cultivators?—We have already enough transferable rights. If possible we may restrict the transfer of land.

In what way has the elimination of the details of the record of right proved harmful?—Money-lenders and persons who want to purchase land do not find all the information at hand and consequently the proceedings are postponed which is undesirable to either party.

You have said that unless the sowkars are ready to accept the banking rates of interest there is no hope for the agriculturist. Do you advocate any legislative prescription of a maximum rate of interest?—I do not believe in legislation, because human mind is always clever enough to get over legislation. This should be done by opening competitive agencies and by educating public opinion. There is already the Usurious Loans Act, which, when put into practice, will bring the desired results.

Why is not the Usurious Loans Act utilized on a larger scale?—There is some ruling of our own High Court, wherein the contract is always supposed to be more sacred than law. That is the difficulty why these judges could not get over them. The other point is that civil sub-judges have not the same sympathetic understanding of the situation as the executive officers.

A leading Amraoti lawyer put it the other way. He said that he would entrust Collectors' cases not to executive revenue officers, but to sub-judges?—I would not agree to that.

You apparently seem to think that a joint stock bank or a regular organization of indigenous bankers will follow a higher standard of business morality than individual bankers?—I should think so, because when you deal with a mass of people you will have to be more careful than when dealing with individuals.

*Chairman:* In the earlier portion of your reply you have alluded to the want of honesty in crediting repayments and you have said that a good deal of injustice is done by private money-lenders by not showing real repayments. Later on you have stated "money-lending to individuals by individuals is proving a very unprofitable business mainly due to the facilities that law courts can provide to debtors to escape payments". The impression created in my mind is that what you mean to imply is that the number of dishonest debtors is as large as that of dishonest creditors. Is not this the implication of these statements?—They were written in two contexts. First, probably the creditor is dishonest; then the debtor repays it by dishonesty. I think it is a vicious circle.

You have also stated that farmers do lend to farmers and prove as exacting as Marwaris. I suggest you that it is an ordinary business proposition that

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everybody tries to get as much as he can out of a transaction. Is it not?—It should not be so. That may be natural instinct. We have got to improve it. There are many people who are advancing money to agriculturists at 6 per cent.

Do you not think that the most obvious remedy according to the principles of political economy would be to increase the supply of money?—I have already said the economics has got to be more humanized than it is now.

*Rao Bahadur K. V. Brahma, C.I.E.*: I take it that your idea is that you will like a group of persons being substituted for money-lenders, because the chances of grievance will be decreasing in a proportionate degree?—Yes. An individual is likely to be more individual in his dealings than a corporate body. It is in that sense that I believe that co-operative activities are better still.

As regards taccavi, you have said that a certain amount of enquiry is essential. I think that your complaint is that people do not get as readily as they should. Do you think that if the taccavi enquiries are given over to a special man, matters will improve?—The enquiry is first made by the patwaris; then the Revenue Inspector checks it. Then the Tahsildar acts upon it after going to the villages. Then there is a further imposition of corporate responsibility also. This could be eliminated by the Tahsildar directly going to the spot, taking the village register and making the enquiry. I have no objection to the suggestion of having a special officer. The magisterial duties of Tahsildars are now taken by Honorary Magistrates. They can do this business more efficiently. In any case, the Revenue Inspector and patwari should be eliminated from these enquiries.

I understand that as the rules stand at present, the granting of taccavi is limited ordinarily to three times and in no case to more than five times of the land revenue assessment. Do you think the multiple of five times the land revenue is enough for agricultural operations?—If the state of finance permits, it should certainly be increased, but five times should at least be made the minimum.

Would you like the right to sell land to be restricted?—I think some harm has come to Berar, because of the transferable rights.

In what sense would you like it to be restricted?—I have not very much studied the Deccan Agriculturists' Relief Act or Punjab Anti-Alienation Act, but probably you have some kind of Act on those lines; though I doubt its efficacy. I would rather leave the things as they are and educate the cultivator.

I take it to be your opinion that you would not welcome any restriction in the right of land, because that would reduce the credit of the agriculturist?—Yes; I also think that the Berar agriculturist is sufficiently clever enough by this time to take care of himself.

You have said in your written memorandum that you think that people are advanced enough to form pools for the purpose of marketing their produce?—Yes.

Are you in favour of these pools being encouraged?—Yes.

You have also stated here in the same connection that the only reforms you would like to suggest is to encourage some of these cultivators to form associations in towns and carry on this kind of business to help their brethren by learning the tricks of the trade. Would you like to suggest any definite measures as to how these people could be encouraged to take to this?—I think it should be done by revenue officers in course of their tours. For example, I have myself suggested to some adatyas to help themselves by forming into associations for financing purposes.

May I know if you have given any thought to the question known as the warehouse system in America and Germany?—I have no definite idea though I can roughly imagine it. I think warehouse system would be good for marketing produce.

Would you welcome this warehouse system?—Yes.

Would you like the receipts passed by warehouse authorities to be negotiable?—I would welcome the idea.

Do you find from the provisions of the Usurious Loans Act that it is necessary for the parties to plead in the first instance that a particular transaction is usurious?—Yes.

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Would you like the courts should get an absolute discretion for entering into all transactions of their own accord?—I do not think any amendment is necessary to the Act.

Do you think that the litigants in Berar are sufficiently well educated for taking proper pleas at proper times?—I think so.

I dare say you have got considerable experience about the working of the Insolvency Act. Have you reason to think that the Insolvency Act is misused by persons resorting to insolvency in a dishonest manner?—I think there is no tendency on the part of a debtor to avoid the liability unless he finds it absolutely impossible. Even now I find some debtors who do not want to become insolvent as long as they can.

Have you come across cases when debtors transferred their property and then went to the court asking for insolvency?—Some cases are coming to light during the last four or five years.

Would you like the Insolvency Act to be amended so as not to permit this kind of malpractice?—There is already section 9. It should be enforced strictly.

Have you any objection if the amendment is made?—No.

Under the heading post offices you have made certain suggestions? Would you welcome the idea of recognized associations like co-operative credit being sold as post office certificates in villages?—I think the receipt passed for deposit made in the Central Bank is analogous to the certificate. I find no necessity.

My point is that there are no banks in many villages. Would you like such certificates being sold in villages as it will be sure saving?—I see no harm. I am afraid of a difficulty. In your co-operative banks the investment is more or less used for agriculture and unless you get certain percentage of fluid reserve in the Imperial Bank, I think it will be undesirable to attract further deposits and court trouble.

May I take it that you have no objection to undertake this with proper safeguards?—No objection.

Are you aware that Central Banks are required to keep certain percentage of their deposit in the Imperial Bank under the instructions of the Registrar? For example, 35 per cent is required to be kept apart in the case of deposits and 50 per cent in case of savings banks and cent per cent when it is a current deposit?—Yes.

*Rao Bahadur M. G. Deshpande:* Do you think that taccavi is not given to deserving persons?—No. I have not come across such cases.

Do you mean to say that deserving persons do get taccavi?—I should think they first get it.

Do you think that the present agency is sufficient to distribute taccavi or do you want other agency to help it?—I do not think there could be any agency that could do this work as it is a Government loan.

What I mean to say is if enquiries were made from the societies in the matter of giving taccavi to the members of societies, will it be advisable?—I have no objection to the recommendations being made by the societies, but the work of distribution must ultimately be in the hands of revenue officers.

What is the average rate of interest in your district?—The average rate of interest is 2 per cent.

Suppose if the rate of 2 per cent is charged by a party do you think the court would be right in applying the Usurious Loans Act in this case?—Yes, 2 per cent is an unbearable rate.

In reply to the question of Vice-Chairman, you suggested that the ways of sowkars should be mended to grant relief to the agriculturists. Do you think that sowkars will finance agriculture if legal restrictions were put upon them?—I believe so. If they will not finance, some other agency will take their place.

Supposing no new agency comes forth to help and Government passes restrictive measures, do you think they will continue their business?—I think they will.

What are the business methods followed by dishonest money-lenders?—I have already stated them in my reply such as, repayments are not shown,

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accounts are not properly kept, receipts are not passed, etc., and in the actual calculation also rates of interest charged are higher and calculations are not made fairly.

It is said that adatyas cause loss to the cultivator. In your statement you say that the middleman helps them. Are you still of the same opinion?—Yes, and for the reason that because of a large competition amongst adatyas they have also found it necessary to improve their methods and to show honesty to their constituents and be of service to them. With that competition in their midst they are bound to improve.

What is the difference between co-operative adat shop and other adatyas?—Practically I find no difference.

But you have recommended that there should be co-operative sale shops. What do you mean?—I have recommended that groups should be formed to work together.

Do you think cultivators are cheated by selling cotton locally?—Yes, as far as the rate is concerned, as they are not well informed of the current rate.

Is there any fraud committed in weighments, etc.?—I think not.

What is the difference between an efficient farmer and inefficient farmer?—An efficient farmer does his work with more businesslike methods; I may illustrate it by way of an example. The committee must have examined Mr. Shamrao Khansode yesterday. I take him to be an efficient farmer.

Have you got any idea about the number of cultivators who have lost their lands to sowkars?—I think the situation is that very many lands have passed into the hands of sowkars.

As regards the subsidiary industry, do you think agriculturists find time to take up other work besides their cultivation work?—I have found some persons who think that it is not possible for an agriculturist to find time in all the 12 months. I have, on the contrary from my own standpoint, found that they have got surplus time on some days in a month which they should utilize in some economic pursuit.

You have just stated that Berar cultivators are careful enough to protect their interest and do not want any legislation. Do you think that by sticking to the present methods the indebtedness will not occur?—It all depends on times. If good years follow, they will get rid of indebtedness.

How many good years did you get during the last fifteen years?—At the most there were five good years.

Do you blame sowkars if the cultivators become insolvent?—Yes. I may tell you an example where a sowkar was offered Rs. 600 in payment of a debt of Rs. 500 plus Rs. 100 interest for five years. The sowkar refused to accept it and the debtor after transferring the amount quietly turned an insolvent.

Do you favour an amendment to the Insolvency Act for appointing an official receiver?—The provision already exists in the present Act.

*Seth Narsinghadas Daga:* Do you own land, and if so, how much?—I own about 40 tiftans.

Do you lease the whole of it?—Yes.

What rate of interest do you charge on the amount of lease?—I charge about Re. 1-4-0 per cent per mensem.

You say that if the sowkars stop their business on account of restrictions put upon them, there will be no difficulty in obtaining money. Will you tell me who will finance the agriculturist if no new agency is started and the sowkars stop their business?—In that case agriculturists will again have to fall back upon the sowkar.

You say that rich landlords even get loans at 1 per cent or  $1\frac{1}{2}$  per cent with great difficulty. What is the reason?—The last few years were very bad and consequently money was not repaid, also the price of land has gone down and hence there is great difficulty in obtaining money.

On page 298 you say that sowkars recover the same amount more than once. Do you make this statement as a result of your personal experience or on the information you derive in your profession?—The remarks are based on the information received by me in the course of my profession.

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Were any such cases proved in the court?—It is very difficult to prove many things in courts.

Do you mean to say that even facts are not established?—At times they are not.

Do you admit that inefficiency in cultivation is a reason for cultivators being unable to pay off their debts to the sowkar?—Yes.

You say sowkars recover money from their debtors to the last pie. Do co-operative societies and such others not do the same thing?—They do, but there is some difference. A sowkar can very well afford to recover less amount while a corporate body cannot. A corporation is bound by rules and regulations and cannot go against them, while there are no legal difficulties for a sowkar doing this. It is my standing grievance that sowkars in India want to keep a greater margin of profit.

Can you find out any reason for this attitude of sowkars?—In my opinion the reason is that sowkars as a class are not educated on modern lines and that they have not got a business morality on Western lines.

Under the heading "credit facilities" you have said something about banking rate in the last sentence. What do you mean by that?—I mean that sowkars should charge the rate of the Imperial Bank of India.

Do you know that the Imperial Bank charges 1 per cent or 2 per cent over the bank rate over the sums advanced by it?—Yes.

On page 300 you say, "I do not find any respectable class of Indian bankers or banks in my district". What do you mean by this? Are there any non-Indian bankers?—My intention is not to draw any comparison between an Indian and a non-Indian. What I mean is that there is no good banker. You may take the word "respectable" to mean "good".

You say that people will not have confidence in a man from other provinces. What is the reason?—There can be no reason for not having any confidence in any man. If a man from Punjab wants me to invest money in a certain business, I will refuse as I cannot have as much confidence in that enterprise. Business largely depends upon confidence and skill. I am not likely to have confidence in an enterprise sprung outside the province and a broker of my province will inspire confidence in me by his skill.

Suppose you go to the post office. Would you like the postmaster to be a man from your province?—If possible, yes.

Have you no confidence in Government?—I have, but the broker will not be so skilful.

Do you consider the postmaster a broker?—Yes.

In paragraph 5 you have said "18 per cent should be the standardized rate". Do you mean it or is it a mistake?—It is a mistake for 12 per cent.

*Professor A. C. Sen Gupta:* You say that one great cause of indebtedness is the dishonest denial of private money-lenders of repayments made to them, but not evidenced by receipts which alone the courts generally admit. Do you think that this is a great cause of indebtedness?—In the case of farmers, I consider this so.

If you were asked what are the principal causes of indebtedness in Berar, will you mention this as a great cause?—Yes.

You say that inefficient farmers lose their land. Where does the land go?—It goes into the hands of capitalists or creditors in satisfaction of their debts.

Do the money-lenders cultivate such land themselves or do they lease it out?—They generally let them out.

Does such land pass into the hands of more efficient cultivators? If so, don't you think it increases the productive efficiency of the province?—I do not think it leads to better cultivation and to production of more wealth in the country. It should lead to more production, but it does not. This promotes absentee landlordism.

You say that farmers lend to farmers and prove as exacting as the Marwaris. Is it true?—Yes.

You say that in all these lendings they have always an eye on the debtors' property. Whom do you mean by "they"?—All creditors.

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You think that those who are professional money-lenders also want land?—The farmer-creditors are more after land and professional money-lenders would like to have their money back.

*Mr. P. D. Pundlik:* It has been suggested to us that the adatyas, through whom the carts are sold, deprive the cultivator of five to ten per cent. Is it true?—I have not found it in my place. At the most the adatyas take one or two per cent as their brokerage.

You have said that much of the land is passing into the hands of the sowkars. How much percentage is thus passing?—It is very difficult to give figures and I have not tried to collect them. I may put roughly that about 50 per cent of the land is already in the hands of the capitalists.

*Vice-Chairman:* Mr. Greenfield in his settlement report of Khamgaon tried to form an estimate of land in the hands of the capitalists on the basis of the total area cultivated by sub-leases. His estimate did not exceed 13 or 14 per cent. Would you very seriously challenge these figures?—It strikes me as a very low figure.

**MR. N. S. PATIL, Landholder, M.L.C. Akola (Berar).**

**Reply to the Questionnaire.**

As I have had the advantage of going through the replies sent on behalf of the Central Bank of which I am the director, I have to make only a few suggestions as I have approved of the replies sent on behalf of the Central Bank subject to certain suggestions.

I believe that the condition of the agricultural classes in Berar has economically deteriorated, partly owing to the unsympathetic land revenue policy of the Government and partly owing to the mistake of the agriculturists due to illiteracy. Up to the famine of 1899-1900 he possessed some staying power. That year completely exhausted the resources of the agriculturists and created a borrowing necessity. Before that year the indebtedness of the agriculturist was within reasonable limits. That famine gave a high jump to prices of food stuffs and fodder. From that year they maintained a rising tendency, which resulted in bringing fair profit to the agriculturist and the consequent rise of prices of land. With this rise labour became dear and landed property was looked upon as a very valuable asset. But indebtedness also took a deep root. The ignorance of the agriculturists and the tricks of the money-lender did not enable the agriculturist to get out of indebtedness. With the spread of education confined to literacy and with spread of new tastes deprived many agriculturists of business habits and agriculture came to be looked upon as a mean profession. The high prices of the war times promised too much favourable, but the poor crops of the last five or six years completely deprived the agriculturists of their paying power and at present their condition is so helpless that if he is not saved in time they will lose their land.

Plague and other epidemics and endemics did not fail to affect the agriculturists who generally reside in the rural areas owing to want of medicinal facilities. As for ceremonial purposes such as marriage, *pat* and other unnecessary ceremonies such as consummation ceremony, opening ceremonies, betrothal and many others are no doubt a heavy drain on the income of the agriculturist and when it runs short he borrows on any terms. No doubt this habit must be condemned.

A strong love for these ceremonies was engendered in the days of opulence which India enjoyed owing to the influence of the priest class. Eventually this love gave rise to something like religious obligation and in course of time these assumed the form of law of the land.

Money-lending business is gambling in the province of Berar. Notwithstanding the heavy rates of interest as indicated above persons of weak intellect are easily overreached. Women-creditors and women-debtors are easily deceived by their agents and relations and the result is that many families are ruined. The period for which loans are taken is meant to end by the "Margashirsha". Till then the interest charged is one rupee in the case of debtors in good circumstances, one and half in the case of debtors of the middle classes and two per cent in the case of persons whose assets are very limited. But the mischief commences from the date of default. Much advantage is taken by the money-lender at the time of execution of bonds and other deeds giving the executant to understand that the enhanced rate is merely formal. Most of the advantages are made on the security of land and only few of them are on personal security.

The Government has not up to now played any important part in agricultural finance beyond advancing loans under the Land Improvement Loans Act and for famine relief, but these loans are very small and do not serve as a palliative. The Imperial Bank of India has not given any direct relief beyond financing the merchant class and beyond financing the co-operative movement to a limited extent. I do not know if there are joint stock banks in the province. Co-operative banks have advanced large sums to persons who chose to come under the fold of the movement, but it has not done any sufficient work being hampered by insufficient capital and being unable to advance loans on lighter rates of interest. The mofussil people are not very much satisfied with the working of the banks. The indigenous banks and bankers, professional money-lenders, merchants and dealers have played a very important part in financing the agriculturists though on terms favourable to them.

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**QUESTION 2.**—The present method of marketing the principal crops consists of sales for cash. In some cases the dealers, *adatyas* and grocers advance money by way of temporary loans to enable some of their constituents for purchasing cotton in rural areas, but the complaints against such purchasers are not many so as to attract any attention. The practice of forming pools is not very familiar in the provinces. The ginning and pressing pools are looked upon as means to exact more money from the agriculturists, but the members of the combinations uphold them as the only means of upholding stability of charges and prices, personally I am against such combinations. The co-operative effort generally in marketing produce has not made any headway. The work deserves to be brought on sounder basis. Practically speaking, there are no credit facilities existing for financing during marketing. I do not think any hard-and-fast rule can be made in this behalf. Any attempt in the direction would complicate matters and disturb the existing system. I do not know if there is any special difference as between internal trade in regard to such facilities. In Berar at least the process of marketing is very simple, unlike the process in Punjab and Gujrat the process of marketing is simple and convenient to all the parties. A section of the Agricultural Commission was much satisfied with the method of marketing current at Akola; which is one of the leading markets in the province. A set of new rules has been drafted by the Government and passed with certain modifications by the Board of Agriculture and nothing else is required to be done. The Negotiable Instruments Act has been found to be very useful. I think its operation, except in the case of simple promissory notes, should not be expanded beyond firms and banks. They should not be encouraged in the case of ignorant illiterate agriculturists. All promissory notes, however, should be in a prescribed form so as to bring them within the purview of the Act. The rate of interest should not be left to the choice of the obligee. There are, so far as I know, only two forms of *hundis* in the province. The one payable at sight and the other deferred. Sample wording need not be given, they are only too popular. But there is much conflict as to their interpretation. In order to set that conflict at rest the Act will have to be amended so as to make it clear, as far as possible, as to what promissory notes and *hundis* are written in a representative capacity and whether meaning of the signatures thereto should be strained. It must appear to be clear at the very sight so that the court's discretionary power and the sweet will of the contracting parties should not be brought into play. There is no particular way for discounting *hundis*.

If I have correctly understood the question, the system of raising money is very faulty and mischievous. No doubt railway receipt is a good document of ownership. Where money is raised on the security of goods the name of the owner is kept in the back ground if he does not do this business without the assistance of the *adatyas* and the broker. In which case the real owner is not allowed to possess any document of title, the *adatyas* or the *dalis* is treated as the real owner. Such kind of injustice occurs in the case of secret or a sleeping partner. This practice gives rise to many trade disputes and therefore deserves to be stopped. I am afraid the Berar cotton rules have left this matter unconsidered.

**QUESTION 3.**—In Akola district the price of land varies from Rs. 50 to Rs. 125 per acre. In exceptional cases the price is double or even treble the above rates. The answer to this question is merely a guess work. Cropping is not the proper criterion of prices. Proximity to the village, convenience of cultivation and necessity are the ruling features in raising prices. (a), (b) and (c) Value of land in Government auction for non-payment of revenue is considerably lower than the value in the case of private negotiation. But the value of land in the case of sale by court decree is very uncertain. When the sale is conducted by the court passing the decree or the court to which the decree is transferred for execution the price is low if it is held in the premises of the court. The number of bidders is very poor and there is no keen competition. Generally, the land is purchased by the decree-holder or the friends of the decree-holder. The sale before the Collector is fairer. Even in the case of sale by the Collector there is the necessity to invest the Collector with the power to set aside the sale for material irregularity resulting in substantial loss to the judgment-debtor. The Collector must have power to accept a deposit which a court is entitled to accept and for this purpose it is absolutely necessary to amend schedule 3 of the Code of Civil Procedure.

By way of general remarks I can say without fear of contradiction that during war time the prices of land rose very abruptly, but got down considerably. But even now they are inflated and cannot be said to be the real prices. The real

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price is considerably lower. According to my estimate the value of the land as it ought to be comes to only 25 times of the value of yield per acre. In arriving at this figure I made use of figure of cotton bales for 1928, a year of fair crops, which is 10,050,000, value liberally at 10 crores of rupees sown in 3,300,000 acres of land. This brings the value of the cotton at Rs. 32 per acre even at a liberal scale. Although there is no reliable source of any statistical information, the value of juar and other crops in Berar cannot come to more than Rs. 18 per acre. Average value therefore per acre is only Rs. 25. Deduct land revenue demand at Rs. 1½ per acre, Rs. 10 on account of cultivation expenses and other indirect taxation Rs. 5. This leaves a balance of Rs. 8-8-0 which is amount of net profit on a land which can be purchased at Rs. 125 per acre, whereas the interest on Rs. 125 can be taken to come to Rs. 15 even at the rate of Rs. 12 per cent, which is the standard minimum rate of interest in the province. It follows from this that an agriculturist is unable to pay off his debt unless he gets a debt at the rate of Rs. 6 per cent or unless he is favoured by war rates.

I well remembered that I was laughed at the time when my statement was taken by the Committee on Land Mortgage Bank when I told them that unless the rate of interest is 6 per cent the agriculturist would not be able to pay off his debt even if he lives from hand to mouth. It is a question then how he is able to hold on under the present circumstances when he has to pay interest varying from Re. 1 to Rs. 3. But the answer is plain. Land is fast going from his hands into the hands of sowkars or others. Retired Government servants, pleaders and even their clerks have accumulated land to an enormous extent. I cannot say what Government has done to save the peasantry of the province; and what it is going to do in future. Or what is meant by saving the peasantry I do not know. No doubt the farmer will remain alive till he has sold the last inch of land he now holds which time I am afraid is not far distant. Looking from this point of view, I am afraid the co-operative movement also is bound to be a failure. It is not a happy sign to see a large number of societies under liquidation. Opinions may differ. Some optimists may think that the process of liquidation is placing the bad societies on a sounder basis or replacing bad societies by good ones. But the fact remains that you cannot liquidate societies unless you deprive them of their assets. This is not the object of the co-operative movement as said by the eminent student or rather the expert of the co-operative movement, I mean Rao Bahadur K. V. Brahma in his brochure on the co-operative movement. There are no legal impediments to mortgage of land in Berar. But there are no land mortgage banks nor any agricultural banks. There are also no other banks doing any long-term business. However the banks do some business of the kind, but they do not do such business except on co-operative lines. The capital raised by them consists of shares from members and deposits from members and outsiders as also the share capital from societies. The reserve fund is also utilized as capital. But many a time they have to borrow from the Provincial Bank, the Imperial Bank and other banks. But the business is not done on sounder basis so far as capital is considered. Unlike other countries where co-operative movement has made a more satisfactory progress capital is not forthcoming on a lower rate of interest, the director's quota is very meagre. Most of the directors are no better than profit-hunters, making the business as a secondary business and consequently the bank has to rely much upon its clerical staff. So far the activities of the movement have been confined to money-lending under the cloak of relieving the agriculturists from past debts, supplying capital to them for purchasing land, seed and agricultural stock. Nothing has been done towards indigenous industry. The movement is being treated with great suspicion by the general money-lending class and hence for all these reasons the movement has not been able to make much headway. A net-work of agricultural banks and land mortgage banks must be organized throughout the province. I would suggest briefly the lines of organization so far as the special means at my disposal permit me and so far as my understanding power goes.

Establishment of Provincial Bank for each of the provinces. A Central Bank for each of the districts with branches at each of the taluqs of a district. These banks to be registered under the Companies Act. Business over Rs. 500 to be made through the district bank in the case of a single transaction up to one crore of rupees.

Business over Rs. 200 in a single transaction up to Rs. 5 lakhs to be done at each taluq branch. In no case the rate of interest should exceed one rupee. In the case of a loan to a single person to the extent of Rs. 200 no restriction should be placed either on the debtor except that in no case the rate of interest shall exceed two per cent.

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A small committee will have to be appointed to formulate a scheme. Two men from Berar and three from Central Provinces would do and then legislation to enforce the scheme should be undertaken. My object in suggesting the above scheme is at once to prohibit money-lending business except through the channel of a sort of joint stock business carried on co-operative lines. The whole scheme is to work under the director or directors. I am told that the subject of resorting to legislation for the protection of the agriculturists is before the Government and I am awaiting its fate.

As for improvement in the record of rights and title of ownership the Bar Association of Akola has submitted a memorandum to the Secretary to Government in the Revenue Department. The committee may send for it and learn from the Government what they have done or what they are doing with it. I adopt the suggestions and commend them to the acceptance of the committee.

According to my proposals all the difficulties of the process of foreclosure and sale by the mortgage bank or any other banking concerns will be removed the attendant expenditure and harassment of litigation will be saved. The Registrar or Registrars can pass awards and these awards will be capable of being executed by civil courts.

Yes, the working capital should be derived from (a) deposits and (b) funds from central institutions or debenture bonds. But the debenture bonds should not carry any Government guarantee thereof or interest.

I must confess never in my life I was so open minded. I hope to be excused when I say that Government is not in a position to bear the burden of the responsibility it now wishes to undertake. It is too late to think of the question of amelioration of the masses who represent 80 per cent of the population and who contain 60 per cent of the whole population who rely on the business of agriculture and upon whom really falls the burden of maintaining the country in addition to the duty of supplying raw material for the foreign manufacturer. I therefore do not wish it to share the responsibilities of financing the agriculturist beyond its taccavi loans more liberally. The famine fund should be utilized to the fullest extent on scarcity works and irrigation on practical lines and hence I have suggested a scheme which exonerates Government from the duty of financing the agriculturist directly. It is not safe for Government to entangle itself in a business which requires at least Rs. 15 crores to start with so far the province of Berar alone is concerned. Besides, my scheme is likely to inflict some loss on Government in the shape of court-fee. This loss means an indirect benefit to the agriculturist debtors. However Government can do something more. It can press the Imperial Bank to give money advances from the monies deposited by Government with the Imperial Bank. It can also invest the reserve fund in India instead of in England. I have no objection if debentures issued by land mortgage banks should be in the list of trustee securities. It would have been better that the agricultural banks were distinguished from land mortgage banks. Till then I would draw no distinction between the two. Plainly speaking, my object in suggesting the above scheme is to leave the capitalists to themselves beyond making obligatory on him to carry on his money-lending business through the banks alone and not otherwise. Let agriculturists and others combine with their surplus and savings to come forth to combat a national calamity and apply their skill and business aptitude for the common good. If this is not done, then there is no hope. The solution of the question of long-term deposit should be decided by these bodies. The Government should give an initiative by necessary legislation.

The estimate of the total indebtedness of the province is bound to depend more or less on guess work. However a data can be found after taking even a cursory survey of a few villages. I have made some enquiry about three villages, one of which is the best from an economic point of view, while the other two are suffering from indebtedness to a miserable extent. The total indebtedness of these three villages is not less than Rs. 3 lakhs, of which more than half is from local bankers and the rest from Shetgaon, Balapur and other surrounding villages. The total indebtedness of the province has been roughly estimated at Rs. 15 crores, of which 2/3rds can be taken to come from Marwaris and Lads, Jains and Bhatias, professional money-lenders and merchants, and the rest from the agricultural classes. A little less than half the land has already gone out of the hands of the indigenous farmers into the hands of the money-lenders as well as other business men who are using the farmers who have lost their lands as field labourers or coolies.

The information required by (a), (b) and (c) cannot be given. So also the information sought by (a) to (h) cannot be given.

The rate of interest charged by the co-operative societies varies from 12 annas to Re. 1-4-0, the rate of interest of the co-operative societies is subject to annual rests. The enforcement of the debt of the co-operative societies is by awards passed by the Registrar. These awards are executed by civil courts as if they were decrees passed by them. The liability in the case of societies is joint and several.

The rate of interest in the case of other creditors is unlimited. It varies from Re. 1 to Rs. 3. In the case of mortgages the procedure for realizing the debt is regulated by order 34 of the Civil Procedure Code. In the case of mortgage with a clause of foreclosure a preliminary decree is passed which directs the decretal amount to be paid within the time allowed, usually six months, with power to the court to extend the time for good cause shown. But this power is not exercised properly, onerous terms are imposed on the mortgagor which makes his condition very critical. The unfavourable circumstances under which the loan is contracted, the almost summary procedure which the courts have to follow and the usual inability of the debtor to substantiate his defence according to the drastic rules of evidence and the general illiteracy of the debtor and his economic inability to avail himself of good legal advice are exploited by the unscrupulous money-lender to compel him to surrender his land for the debt. There is no duty cast on him to establish his *bona fide* and the result is disastrous, both to the creditor and the debtor, and in the long run derogatory to the economic interest of the country. Land goes into the hands of those who are very backward in the art of husbandry or those who cannot cultivate it at home and have as a matter of course to lease the same to the indigenous agriculturist who cannot employ his skill to the best advantage for want of capital to carry on cultivation. The lease money falls into arrears and again the agriculturist falls prey to the harassment of the new landlord, and the result is a tremendous loss to the country as a whole.

Berar has not been favoured with the advantage of irrigation so far. And reports of the results of irrigation wherever it has been attempted are not very promising. Irrigation is placed entirely at the hands of the Government under the dictation of the Secretary of State who depends upon hearsay information. Highly paid officers assisted by an unwieldy staff and plants make the business absolutely destitute of any good results and a hopelessly costly concern. The province of Berar and a greater portion of the Marathi districts are of late visited by famines or scarcity owing to insufficient or irregular rains and other areas which are not famine tracts suffer from other calamities such as frost and dust.

Yes, the cumulative effect of all the circumstances mentioned above has the effect of taking away from the actual cultivator the incentive to produce more and in an efficient and better manner.

QUESTION 6.—Coming now to subsidiary industries allied to or supplementary to agriculture existing in the provinces one is bound to feel hopelessly disappointed. Besides rice-milling, dairy-farming, gud-making, garden-produce and others mentioned in question 6, I shall add a few more which are more directly relevant to agriculture. So far agriculture is concerned, sugar industry may be mentioned as one of the subsidiary industries.

The following are some of the industries which have a direct bearing on agriculture:—(1) rope-making, (2) construction of cattle sheds, (3) making of agricultural implements and repairs of agricultural implements and carts, corn-bins and others. These again have to be divided into two groups, viz., (a) those that cannot be undertaken without some hindrance to agriculture and (b) those which can be undertaken without any detriment to agriculture. But in the case of both we have to surmount certain obstacles such as want of material, protection and taste. If you think of making ropes you cannot get hemp as much as you require. Ambedi and sann are not cultivated for want of water difficulties. Ropes prepared by means of machinery are easily obtainable on less price. Besides hand-made articles are more clumsy and less attractive and in the absence of a protective tariff they are easily dumped into the country and to crown all the habits of all people have become incurable. Some of the industries are discouraged by the state instead of being encouraged. There are still some agriculturists who prepare at home many of the articles.

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In dealing with this subject we have to bear in mind that the first duty of an agriculturist is to pay as much attention and devote as much time in looking to his cultivation. We have to see how much time he finds after doing that duty according to the best standard of cultivation in an efficient manner. I have been very much surprised to find that of late an impression is widely gaining ground that only 145 or 150 days are sufficient to complete all the field operations and all other agricultural functions. I regret I cannot persuade myself to accept the correctness of this calculation and I have no hesitation in denouncing this impression as absolutely unfounded. Those who have no practical experience and depend upon mere guess work may say so. But I can satisfy these laymen, agriculture is not such a business which can be finished in such a short time. It leaves practically speaking very little time to undertake an industry which requires considerable time. Of course the farmer can undertake only those industries which do not materially interfere with his industries and as these industries do not require any capital, there is no necessity for making any provision for financing him on this account. Only it is necessary to create a taste and habit of thrift in him. But state protection is necessary to cut off a supply from outside. And therefore I do not suggest any financial machinery for this purpose. Although I think that industries and agriculture should go hand in hand, the agriculturist should not be expected to be able to start industries. There are many who could be prevailed upon to betake to industries.

**QUESTION 7.**—The relations that exist between the co-operative banks and the other banks are not of a very satisfactory nature. Beyond advancing loans to a very limited extent they do not play any important part in financing them. The short and long-term of deposits cannot be made by the Central Banks to co-operative societies for want of sufficient funds. I cannot give any estimate of the extra capital.

I have, as a Director of the Central Bank, Akola, approved the answers given on behalf of the Central Bank subject to the remarks herein made.

I shall be very glad if I am examined as a witness by the committee, because in that case I shall be able to make my meaning more clear after learning from the committee what is the object of the committee in asking certain questions which I do not understand properly.

#### Oral Evidence.

*Akola, the 5th February 1930.*

**Chairman:** You are the member of the Legislative Council for Akola North West Rural. Is it not?—Yes.

How much land do you hold?—About 300 acres.

Do you do any money-lending?—No. I am also a pleader.

Do you cultivate all your land yourself or do you lease it out?—Only a few acres of land at Ural is leased out. I also own lands at Takli, Sowarpatti, Moradi, Anthri and Dongargaon in the Balapur taluq and about 40 acres in Akola, Morgaon and Amanapur in the Akola taluq. A small proportion of this land, about 15 acres, is inferior. The rest is from good to very good land.

How do you manage to cultivate these small areas in different places?—Although these are situated at different places, they are not at a great distance from each other. They are in vicinity of my own village.

When you lease out your lands, what rent do you get?—During the last four or five years, there is no demand for leases for cash. We have to lease on *batai* contract. The cultivator takes generally half the proceeds.

You state that short-term loans for financing the crops are taken to be repaid in the month of December. Could you tell me what percentage of these loans are repaid on the due date?—In good years 25 per cent are repaid on the due date; in ordinary years from 20 to 25 per cent and in bad years about 5 per cent only.

When is the balance paid?—There is no fixed time. Eventually the creditor has to resort to civil court in many cases. In a good year sooner or later the whole amount is paid off without the intervention of the court.

The point which you make is, I think, that if the debt is repaid at the proper time, the interest is not a very heavy burden. Is it not?—Yes.

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It is only when the debt is not repaid at the due date that the interest becomes a very heavy burden. Is it not?—Yes. Generally, the sowkars prevail upon their clients to take loans from them at a very low rate of interest and the clients, being ignorant, are induced to accept the terms of the sowkars. They do not realize that the sowkar has inserted a condition of higher rate of interest in case of default.

Your next point is that the mofussil people are not very satisfied with the working of the co-operative banks. Why is that?—Generally, the management of the banks is in the hands of urban directors who more or less are divided hunting directors. That is the general complaint. The weak point in the movement is that at first we expected that the management would go into the hands of the members of rural societies. But as a matter of fact for some reason or another the management has not been fair and people generally complain that the management is of a more exacting nature than what they expected it to be.

Would you agree that the most important part of the co-operative credit movement is the society and that the Central Bank is primarily only a financing agency?—Yes.

Are you aware that in some countries co-operative societies exist without any Central Banks?—So far as my knowledge goes, there is no such country.

Your position is that the Central Banks have been developed at the expense of the societies and that there has been no corresponding development of the societies to keep pace with the Central Banks, with the result that the control of the whole movement has been retained in the hands of the Central Banks and the societies have not become independent?—Yes. The Directors of the Central Banks are not to blame. Practically speaking, the members of the rural societies have made very little progress. They were started without proper care, without proper scrutiny, with the main object only of lending out the money of the Central Bank. They were not led to understand that the main object of the movement was to teach them thrift and how to adjust their budget to their requirements.

Your meaning is that the Central Bank has naturally looked more to its own business, that is to say, to finding means of investing its money and obtaining a dividend on its capital, rather than on educating the societies?—Yes.

What then would you propose for improving the movement?—I would suggest that the present societies will have to be overhauled. In many cases they will have to be brought under liquidation. Fresh societies will have to be started on altogether new bases. We shall have to put all the members to test as to whether they understand thoroughly the principles of thrift and whether they are prepared to sacrifice their labour, property and skill, for the sake of their neighbours.

You mean to say that the co-operative credit movement has served a valuable purpose in opening up the springs of private capital and collecting a considerable amount of money for financing the agriculturists and that it has financed a certain number of agriculturists, but it has not succeeded in instilling the principles of co-operation among the persons who borrow money from it. Is it not?—Yes. The Directorate of the Central Bank should consist of certain members who have subscribed a large amount of capital. I am myself a Director of the Central Bank and I own only ten shares. That is not enough. I do not care to closely manage the working of the rural society. I entirely rely on the office clerks and allow them to carry things in their own way. In order to effect a change, there ought to be a number of Directors who can purchase a very large number of shares so that they may be induced to spend much of their time in taking part in the management, and in closely scrutinizing the work of the office clerks.

It has been alleged that the control of some of the societies and a good part of the control of the management of the banks has been in the hands of persons who themselves are in arrears and do not often pay up the interest and certainly do not pay their instalments readily. Is it correct?—It is almost correct.

Do you think it would be a good thing if a rule is made that no person who was in arrears of their instalments and interest should be elected as a Director?—Certainly, it will be a good thing.

*Vice-Chairman:* You know that the Central Banks are at present trying to enforce this practice?—I think that some attempts are being made in this direction.

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*Chairman:* The next point is with regard to the combination among these gins and presses. You are opposed to such combinations. How do you propose to stop this combination?—Each owner should be at liberty to ply his business without the intervention of any other extra agency. These combinations take place simply with a view to accelerate the interest of factory owners. At the time of the formation of these combinations, the interest of the cotton-grower is not considered to be a factor necessary to attract any attention.

Are you in favour of some kind of legislation to prevent the formation of trusts or combinations to interfere with trade?—Yes.

You have stated that in 1928, a year of fair crops, the outturn of cotton bales was 1,050,000. I would suggest to you that from the Season and Crop Reports for 1927-28 the total for Berar was more?—I got my figures from the last issue of the Gazette.

We find that one bale of pressed and cleaned cotton is of 392 lbs., which corresponds to 1,064 lbs. of uncleaned cotton. From this uncleaned cotton we obtain 672 lbs. of cotton seed approximately and 392 lbs. of cleaned cotton. How much of this cotton comes from outside Berar?—I do not think that more than 10 per cent comes from outside Berar. Previously they used to come from the Nizam's dominions and from Khandesh. The latter was an inferior quality and we have prohibited this from being sold in Akola. The cotton from the Nizam's territories is not of an inferior quality.

Are you aware that a certain amount of Amraoti cotton is taken to Arvi?—I am not aware of that. Ninety per cent of the baled cotton of Berar is actually produced in Berar itself.

If we apply these figures to the total area under cotton, we should get some idea of the average outturn of cotton per acre. As far as I can see, it comes to about 350 lbs. per acre, a little under half a khandi. Do you think it is a fair yield?—Yes. Half a khandi is an average outturn in a fair year.

In your calculations you have valued a bale of cotton at Rs. 100, but you have not included the value of the cotton seed, which would be worth about Rs. 16 per bale?—I have not included this, because I consider that this sum is used up in the expenditure on cleaning, etc.

You have stated that other indirect taxes amount to Rs. 5 per acre. Would you explain that?—By indirect taxation, I alluded to the amount of taxation on salt and other commodities which are paid on the articles which the cultivator purchases.

The net results of your calculations are that agriculture cannot be carried on at a profit on money borrowed at 12 per cent interest. Is it not?—Yes.

Therefore our first aim should be to try to reduce the rate of interest before we do anything else?—Yes.

Your view is that in case of a long-term loan, unless the rate of interest is low, it will never be possible to pay off the principal out of the ordinary annual savings from agriculture?—Yes.

How would you suggest that we could get the rate of interest down to 6 per cent?—It is very difficult to get capital from private sources at such a low rate of interest unless Government comes to our rescue. We submit that Government have got some funds. They can make these funds available by means of legislation.

You refer to the balance in hand with the Imperial Bank and the currency reserve. With regard to these sources of finance, you are perhaps quite aware that these sums are retained as fluid resources for certain definite purposes?—Yes.

If these fluid resources were tied up in long-term loans, they would cease to be fluid. Is it not?—Yes.

One witness has just told us that our first duty is to increase the interest on deposits. Do you agree to this?—I do not agree to this view.

*Chairman:* Do you think that one of our first aims should be prompt payment and recovery?—We cannot be too lenient towards the borrowers. They must be brought in the clutches of law, if necessary. They must not be advanced money under certain circumstances such as ceremonials, etc.

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In that connection I would like to suggest to you that it was put forward before the committee appointed by His Highness the Maharaja Gaekwar of Baroda to enquire into the possibility of forming land mortgage banks that if the land mortgage banks do not make advances for certain social ceremonies which form part of the life of people, the agriculturists will invariably borrow money for these purposes from sowkars, with the result that after two or three years these loans would become old debts and the land mortgage banks would then be required to advance much more to pay off these old debts than they would have been required to advance in the first instance?—I am of opinion that many of the ceremonies have no justification whatever. Those who hold to old views very strongly, may think so, but I do not think so. I may just quote here an instance. In mouza Khirpuri a Brahmin cultivator wanted to take a loan of Rs. 600 to marry his daughter. Many of the members of the society opposed the loan and he came to Akola to persuade the members and directors and ultimately he succeeded in persuading the rural directors as well as other members and got the loan. This was quite an unnecessary expenditure and I may add here that society is now in a very bad condition.

You say that lately very many lands have passed into the hands of indigenous money-lenders to the extent of 55 per cent of the whole. Is this a guess, or have you any basis for this statement?—It is not merely a guess. I base this information of mine on a speech made by Mr. B. N. De, Commissioner, in the Legislative Council that above 50 to 55 per cent of the land has gone from the hands of the indigenous farmers into the hands of the money-lending class. This statement favourably compares with the information which I have collected on the subject.

You have stated in your written memorandum that a cultivator has no time to spare for any other work. Do you mean that it would be advantageous for a cultivator to devote any spare time he has got to improving his cultivation rather than to taking up some subsidiary industry?—That is what I mean.

Would you like to add anything to the last paragraph of your written statement?—I have already told the committee that the business of money-lending should be allowed to remain a private enterprise. It should not be taken by Government into its charge, but it should be regulated by legislation. The Usurious Loans Act and the Interest Act should be fully utilized with the modification that the interest in default should be 12 annas. There should not be penal interest from the date of default.

It has been suggested to us that the Usurious Loans Act at present is defective owing to the provisions contained in section 3.

Would you as a senior member of the local bar like to suggest any alteration in the Act?—My knowledge about it is not fresh. I would not like to give any opinion without closely studying it.

*Vice-Chairman:* Do you say that the present assessment represents a very large percentage of the net profit from agriculture?—Yes, that is my view.

Did you hear the speech made by Mr. Waterfall during the last session of the Legislative Council?—Yes.

Do you remember that he proved by comparison with Khandesh, Jubbulpore, Wardha and Nagpur that even the revised assessments were much lower than those in the districts mentioned?—Yes.

Do you challenge the accuracy of those figures?—There is no question of challenging. But I think that the taxation should be based on the taxable capacity of the people.

Are the rates of ginning and pressing higher in centres where there are pools?—There is a tendency for the rates to go down when there is no combination. I am not prepared to say that they are higher.

Do you know that the subject of ginning and pressing pools has been brought before the Legislative Council by one of the members and it is under the consideration of Government?—Yes.

You have stated the value of land is going down. These land values of Rs. 50 and Rs. 125 have been brought down by the successive poor harvests of the last few years. Is it not?—Yes.

Do you think that the value of land will again rise with two or three moderate harvests?—It may or it may not. I cannot say positively.

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You say that these urban directors are not managing the banks and societies to the benefit of the rural borrowers?—I do not say they are purposely doing that. They are unable to devote much of their time to this work.

Do you agree that without help and intelligence of urban directors it would not have been possible 25 years ago to start Central Banks?—I would give full credit to those who have been responsible for starting this movement.

Do you think the time has come in Berar when we could rely on rural directors exclusively?—Not yet.

Do you know that the big borrowers who have concentrated in their hands a large percentage of the outstanding loss are mostly rural directors?—Yes.

Do you admit that the urban directors have found it difficult to control them and make them repay regularly?—Yes.

You placed before the Chairman your scheme of liquidation and starting of fresh taccavi. You read our annual reports. Do you not?—Yes.

You know that for the last seven years the policy of the department has been consolidation and not expansion?—Yes.

The scheme which you explained is not different from the scheme which the Government is pursuing. Is it not?—Not materially.

Is there no difficulty about finding non-official workers?—There is.

Do you know that the Central Bank is inspected every month by the Government auditor?—Yes. At least very often.

Do you know that the defects pointed out and suggestions made by him are not remedied and carried out?—I cannot say anything.

Do you think co-operative societies are likely to enforce business methods more rigorously in future?—At least it is my opinion that rigorous measures should be taken to recover outstandings.

If I tell you that the various funds which the Government has built up have been set apart by Government as guarantee against emergencies on the advice of the Government financial experts and that these funds are not available for investment in financing the agriculturists, would you agree to it?—I admit it, but I do not like funds should be locked up in England and in India too.

The point is this. These funds cannot be given out on long-term loans. They must be so maintained as to be available for use at any moment?—Government must do something about it.

Referring to subsidiary industries you have said that some of the industries are discouraged by State instead of being encouraged. What do you mean?—In the time of Lord Morley I know something about the sugar industry having been discouraged by the Government of Madras.

You have said that Government should stop the export of finer product of mills in order to encourage the products of handlooms. Do you think the country will accept it?—If you prepare the country, I think it can be done.

Do you favour legislation?—Yes.

*Chairman:* Suppose you prohibit import of finer goods, will not those finer goods be produced by Indian mills?—Yes.

*Rao Bahadur M. G. Deshpande:* You say that you own about 300 acres of land. How did you get it?—Did you purchase it?—Some of my land is ancestral and some of it I have purchased.

Do you do money-lending?—No. I only do cultivation.

In paragraph (1) you have said something about the unsympathetic attitude of Government? Will you please say what do you mean by unsympathetic policy of Government?—Government wants us to pay even in bad years unless there is regular famine or scarcity. This I call unsympathetic attitude.

You say that people had staying power even after the famine of 1899. Do you think that people have no staying power now?—No. The famine of 1899 stripped them of their surplus profit.

Were they better before that?—Yes.

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Can you narrate some tricks of the money-lenders?—For instance, when an ignorant borrower goes to a sowkar the rate of interest is too low even on insufficient security so as to attract him, but the time fixed for repayment is too short.

It is suggested to us that dealers in cotton deceive the growers when they sell cotton in villages. Do you agree with this view?—Yes.

How?—I have come across many cases in which purchasers of cotton give a different rate and the commission agents give them a low rate.

Was not the question of forming pools brought before the Board of Agriculture?—Yes.

Was the question raised that the rates were extraordinarily high where pools were formed?—I do not remember.

Can you say how the real cotton-growers are losers by this combination?—Generally they get less price.

*Chairman:* Is it not a fact that if the charges for ginning are high, then the price received for ginned cotton will be high to that extent than the price for the raw product?—Yes.

*Rao Bahadur M. G. Deshpande:* Is it not a fact that members of co-operative societies always demand reduction in the rate of interest on the loans they borrow?—They do.

Suppose the Provincial Bank finances these societies direct with the help of the present agency, do you not think that they will be able to get money at a cheaper rate?—Yes.

Do you think that this will be done?—If the proprietors of the bank can do it without detriment to their own interest, I should have no objection.

You know that the Central Banks and the societies keep a 2 per cent margin on the rates. If this 2 per cent is removed, do you agree that the rate of interest on societies can be lowered?—I agree; but the difficulty is about the working of this scheme.

*Seth Narsinghdas Daga:* You say that land is passing from the hands of the cultivators to money-lenders and others. What will the sowkars do with the land so obtained, which is less paying than the interest?—The sowkars will be disappointed.

You say that in some cases dealers and adatyas advance money by way of temporary loans to enable some of their constituents to purchase cotton in rural areas. To whom are these advances made?—There are some persons who are the real growers of cotton and there are some who purchase cotton and bring it to persons who perform the business of adatyas. I mean the intermediary petty buyers.

You say that money-lending business is a gambling. How?—In many cases it happens that the contracting parties are not on equal terms; especially in the case of women debtors they are prevailed upon, it may be the sowkar directly to accept the terms of the contract and the documents are executed in such a way as to give them a colour of a real transaction.

You say that the rate of interest varies from 2 to 3 per cent. Is it on personal security?—Yes. It is not only on unsecured debts, but on secured debts as well. It is very common on unsecured debts.

You say that the rates of interest should not be left to the choice of the obligee. To whom should it be left then?—It should be left to the choice of the Conciliation Board or an arbitrator.

You say that your object is to at once prohibit money-lending except through the channel of a sort of joint stock business. Will this not give hardship to agriculturists?—That is my impression.

*Professor A. C. Sen Gupta:* You say that most of the directors of the Central Banks are no better than profit-hunters. Is it true?—That is my impression.

You also say that the directors should have a large number of shares in the Central Banks. Do you not think that this will make them greater profit-hunters?—No. My object in insisting on the directors of this kind is that they

should be attracted with the sole object of utilizing much of their time in supervising the working of these institutions and, in taking an active part in educative purposes, etc.

Am I correct in suggesting that the amount of capital of the Central Bank is relatively very small compared to the amount taken on deposit?—It is very small.

You say that so far the activities of the movement have been confined to money-lending under the cloak of relieving the agriculturists from past debts, supplying capital to them for purchasing land, seed, etc. Do you think that these latter are not the real purposes of the movement?—There are many purposes beyond money-lending. The attempts of the present movement are simply to relieve the indebtedness of the agriculturist and to help him in financing his cultivation. They are working for gain.

Mr. N. S. PATEL.

**RAO SAHIB DAULAT JHABAJI DESHMUKH, Retired  
Tahsildar, Akola.**

**Reply to the Questionnaire.**

**QUESTION 1.**—In our district the cultivator obtains loans from professional money-lenders at Rs. 2 to Rs. 3 per cent per mensem for expenses during cultivation. Not infrequently the money-lender takes an unjust advantage of his intimate knowledge of the insolvency of his clientele by reason of his frequent dealings with them. Knowing that they are goaded by need and that they cannot but accept his terms he mercilessly pitches up the rate of interest. The solvency of the cultivator is known only to the local money-lenders and not to outsiders who, therefore, do not advance loans to him. He is thus compelled to go to the local money-lenders who knowing his needs impose their own conditions and sometimes insist on the land being mortgaged by conditional sale. The land goes to the money-lender, if the amount is not paid within the prescribed time.

The usurers giving petty loans to cultivators sometime about December—February stipulate for their repayment in July curiously enough at a time when soil claims expenses on tillage manuring, etc. Thus the cultivator is not able to repay the loan and consequently has to enter into an agreement in writing to pay *sawai* (i.e., 25 per cent in excesses of the sum actually received).

During the period of seed sowing the cultivator having no money has again to approach the money-lender who supplies him seed on condition of his returning with 50 per cent or even cent per cent profit.

The cultivators have to raise up capital for permanent improvement to his fields by taking loans from money-lender at whatever interest they choose to charge. Although Government have made arrangements to give taccavi loans to the cultivators the latter feel shy of approaching Government for the purpose and when at last they sum up their courage to do so it is already the eleventh hour. The long process of the close investigation into the cultivator's pecuniary state before granting taccavi loans always results in the loan serving little or no purpose the cultivator had in view. Again, while this investigation is going on the cultivator has to wait upon the officers at the risk of the all too important tilling operations being held over.

Even when famine is evident and the monsoons have failed the cultivator deludes himself with the false hope of rain coming down to save him from starvation and when ultimately he wakes up to the situation he finds himself driven into the arms of the money-lenders who then dictate their own terms.

In famine years the cultivators have to incur debt for payment of land revenue.

For the celebration of marriages and other social customs also the cultivators have to run into debts. The cultivators are not frugal. They are illiterate and are not given to compare their income with the expenditure. On marriages and other ceremonials they spend beyond their means. Such recklessness is the root cause of their indebtedness.

There is nothing like a fixed rate for grain advances. The general practice is to charge *sawai* ( $1\frac{1}{2}$  more) or *dedhi* ( $1\frac{1}{2}$  more). But this is not always the case. When the recipient (of grain advance) happens to be a person of monetary consequence he has to return only as much as he receives. The rate of interest in this district ranges from 1 to 3 per cent per mensem, the period for such loans being 1 to 3 years. Land is accepted in mortgage which is more often shown in books only, but in very rare cases actually taken over. Standing crops are never offered nor accepted as mortgage since it is by no means easy to come to any agreement in respect of their value, etc.

The Central Bank at Akola is the only institution of its kind in this district which advances loans to cultivators. The Imperial Bank of India renders no help to the peasantry. There are no joint stock banks in the district.

**QUESTION 2.**—The cultivators in this district bring their produce from their villages to the market place and sell it through the middlemen (brokers).

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So long as shops are not opened as agencies on co-operative basis at principle market-places, the peasants can never hope to get a fair and reasonable return for their produce and when the purchaser's agent and middlemen who ostensibly profess to side with the cultivators lay their heads together the farmer is as good as doomed. It is therefore necessary to open co-operative selling agencies.

If during the time the harvest is lying ready on the farm and is being carted to the market-place and sold, the farmer requests for a loan, the money lender consents to advance it only when he makes sure that the produce will fetch at least equal, if not more, to the loan to be advanced.

Internal remittances are effected by means of (1) hundis, (2) cheques, (3) insurances, (4) money orders and (5) telegraphic money orders.

Two kinds of hundis or bills are in vogue—bill at sight and bill at date. Money is readily secured without any expenses by means of the bill at sight. The bill at date requires stamp duty and if this stamp duty is done away with, the bill at date will be favoured equally with the bill-at sight and the expenses would also be reduced. Cheques and hundis from the villages and towns are sent to the principal sarais in the district place, where they are sold through a broker at current market rates and its money is ultimately paid in Bombay.

**QUESTION 3.**—In the southern part of our district cotton and juar are grown. The soil is kharif. Ordinarily, the kharif soil fetches Ra. 25 to Ra. 40 per acre. Under the special circumstances it may go up to Ra. 40 to Ra. 60 per acre. In the northern part the land will fetch from Ra. 75 to Ra. 100 per acre on an average and under special circumstances this price may go up to Ra. 100 to Ra. 150 per acre. In this part the land is rabi. Unsatisfactory monsoon conditions during the last four years, the increased cost of labour and low price secured for agricultural produce, these and similar factors contribute to the fluctuations in the price of land.

The value of land in Government auction for non-payment of land revenue, if it is not encumbered by mortgage, but has come to be put to auction owing merely to the peasant's inability to pay land revenue in consequence of the land not coming to harvest, will depend upon its quality and is likely to bring proper price. Even if the land in itself may not be of a sterling worth, but if it is worth buying at the figure on the loan in consideration for which it was originally accepted in mortgage, the mortgagee will not let the land slip through his hands to auction, but will keep it for himself by paying the arrears of land revenue. When the loan in consideration for which the land is mortgaged exceeds the land revenue and the land itself exceeds in value, whether taken separately or together, then the mortgagee will, if he wants to have for himself such a land, purchase it up to the loan figure or may offer even something more.

The value of land in the event of sale under a court decree sinks very low since the whole transaction is required to be concluded within the time-limit laid down in the public notice and this time-limit is generally found insufficient to allow adequate investigation being made and definite and satisfactory information being obtained as to whether or not it is already encumbered by previous mortgage, etc.

**QUESTIONS 4.**—As ryotwari system obtains in this district, there is no legal impediment to mortgage land or agricultural holdings, but as there are no land mortgage or agricultural banks in this district, nothing can be said as regards their methods of work and of raising capital. The establishment of such banks is necessary and desirable.

As regards improvement in the records of right and title of ownership we have no new suggestions to offer.

If the customers of a bank do not pay accordingly to agreement, then the expenses required for inspecting the record of rights for entry in the records and other legal expenses are so far as our information goes not charged for. The working capital of the proposed mortgage banks should be raised from the three sources, viz., (a) shares, (b) funds from central institutions and (c) debenture bonds.—Debenture bonds should carry Government guarantee both for the principal and the interest. To secure itself against unnecessary loss,

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Government should nominate one member on the executive bank with the right to vote. Debentures issued by the land mortgage banks should be included in the trustee securities.

**QUESTION 5.**—No estimate can be given as regards the existing indebtedness of the peasantry without actual investigation. It is possible to come to a tolerably accurate estimate after investigating into the income and expenditure of an individual farmer's family or a group of them or even a whole village.

In this district for a number of years funds were raised from the local money-lenders, but by the introduction of the co-operative banks the money-lenders have suffered and are gradually losing their custom. Money is now borrowed from the Government and the co-operative banks.

Reasons for indebtedness—

- (1) Expenditure greater than income.
- (2) Spending money without necessity.
- (3) Borrowing beyond means.
- (4) Purchasing cloth in excess of the requirement and borrowing for that purpose.
- (5) Failure of monsoon for the last four years and the consequent failure of crops.
- (6) Fall in the market price of grain.
- (7) Increased labour charges.
- (8) Waste of money in marriages, amusements, etc.

**QUESTION 6.**—In our district carpets and durries are made at Balapur and Akot. Besides carpet-making, turbans (long piece of cloth) are also prepared at Balapur. These industries deserve encouragement from the Government in the shape of working capital in order to increase their production and sale. The Government should at the same time appoint officer to look after the proper marketing of the manufactured commodity as to enable the producer to get a better return for the article and incidentally to ensure the realization of Government money.

In order to provide work for the farmers during the slack season, and thus enable him to supplement his income the following supplementary industries may be encouraged:—(1) Hand-spinning, (2) smithery, (3) carpentry, (4) earthenware manufacture, (5) Rope-making, (6) weaving on hand-looms, (7) manufacturing carpets, (8) extracting oils, (9) preparing bamboo baskets, and (10) tailoring.

At present there do not exist any facilities for the encouragement of any of these industries. They require facilities for getting loans.

**QUESTION 7.**—The Central Bank at Akola is the only co-operative bank in the district. The Imperial Bank of India advances loans to it up to Rs. 2 lakhs on Government securities. Short term credit is secured without much difficulty from this bank, but long-term credit is very difficult to obtain for want of adequate securities. These difficulties would be removed by establishing land mortgage banks.

Such co-operative banks should be exempt from income-tax or any other tax whatever, since such institutions are primarily meant for public rather than private or personal benefit.

Hitherto the co-operative movement has had little success in meeting the financial needs of the agriculturist, the small traders and industrialist in the district nor does the movement seem to be capable of meeting the financial needs of these classes as its capital is inadequate to meet the requirement even of the agriculturists.

In our district the money-lenders supplying capital required for small industries and agricultural purposes charge compound interest. Ordinarily, the amounts are repayable annually, but sometimes accounts are adjusted in the middle of the year compound interest being charged all the while and thus in less than two or three years the original amount is doubled by the process of renewals, etc.

In times of necessity these people (the money-lenders) give loans on condition of its repayment within a short period with 25 per cent profit and when the borrower's need is pressing enough they impose the condition of foreclosure of his immoveable property even for short-term credits.

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Sometimes the cultivator feels the necessity of taking loan, whilst his produce is ready for carting and before it is sold. At such time the sowkar offers for the standing crop only half the amount of what it is likely to fetch by sale. The rate being higher at the harvesting season, the money-lenders make more profit. This is the manner of the dealings of the money-lenders with the agriculturists.

## II.—Indigenous Banking.

QUESTION 4.—Sample copies of a few credit instruments used by local banks and bankers are attached (same as on pages of the evidence).

QUESTION 5.—To meet the loan demands the indigenous bank and bankers secure funds at low rate of interest from the Imperial and such other banks. On deposits kept in their custody these bankers give interest from 4 to 8 annas per cent per mensem. At times they allow even a rupee or more. This rate is called the *sarafi* rate of interest.

Some money-lenders not only insist upon the borrowing farmer to keep in their custody his produce, but also dictate that the loan will be paid back by selling the produce through them.

QUESTION 6.—The borrowers (cultivators) have to pay either in cash or kind interest varying at Rs. 2 to Rs. 3 per cent per mensem. If the loan, together with the interest thereon, is not paid within the stipulated period, a higher rate ranging from Rs. 3 to Rs. 4 per cent per mensem is required to be paid.

Before attempting to bring down the rate of interest the illiterate farmer must be made to realize the almost certain ruin that he would ultimately come to by crossing the threshold of a money-lender. Merely reducing the rate of interest without at the same time developing in him a sense of shame and remorse at his past indebtedness and a stern resolve against incurring any more debt would, far from mitigating his present lot, aggravate it. If the rate of interest sinks low and the cultivator does not appreciate the benefits of economy and indebtedness, he would be getting into more and more debts.

QUESTION 7.—The borrowing farmer in this district though inwardly ill-disposed towards the indigenous banks and bankers, due to their dealings with him being anything but straight-forward, has no choice is left to him. The money-lenders, on the other hand, are properly protected by law and we do not see what more legal facilities should be extended to them. These money-lenders do not treat their customers fairly. Establishment of more co-operative credit societies is likely to remove the evils of the present system.

Some legal measures making it obligatory upon the money-lenders to give credit at low rate of interest and also for ensuring that their accounts will be open for inspection by the customers, if adopted, may render great service to the peasant community.

QUESTION 8.—There are three different books for entering each transaction, cash or otherwise. There is first (1) the rough book, then comes (2) the *kind* and lastly (3) the *Khataoni*. Each succeeding book is a progressively concise record from the preceding one. The *Khataoni* gives only the nett accounts, but no details; the *kind* gives some details, while in the rough books every details will be found. In *Khataoni* reference is made to date and folio number. In the *kind* balance is struck either daily, weekly, fortnightly or monthly. The profit and loss sheet is prepared at the close of the year. The accounts are not open for inspection by customers. Even if they were, the customers being illiterate could not grasp the meaning of the figures. A tolerably literate farmer wishing to inspect and verify his accounts and a money-lender ungrudgingly and whole-heartedly inviting him to do so, is a rare spectacle.

QUESTION 9.—After allowing for legal and management charges, losses owing to default or foreclosure, it is surmised that at the present day valuation of the net return to the banks or bankers on their capital should be somewhere between 3 to 6 per cent per annum.

QUESTION 10.—The indigenous banks or bankers are not able to meet all the demands for loans and are obliged to refuse some on account of the unacceptable nature of the security offered and others owing to the insufficiency of their capital.

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**QUESTION 11.**—The establishment of a Central Bank or the Provincial Bank giving loans at low rates of interest would induce the indigenous bankers to deposit their money in them or Government promissory notes. The opening of branches of such a Bank at places where money transactions take place on a large scale would be of great help to the agriculturist or small industrialist. If the indigenous traders or money-lenders were to serve on the directorate they would be giving the benefit of their experience to the banks and also ensure the safety of their deposits and would remove any cause for complaint.

It does not appear that any very large amount of money not finding proper remunerative employment elsewhere flows into the provincial capital.

### III.—Investment Habit and Attraction for Capital.

**QUESTION 2.**—Though the public are provided with adequate facilities for the investment of their savings and the literate ones do avail themselves of them, the illiterate ones have not had sufficient education and inducement to follow the example of the former.

Postal cash certificates are popular only with the educated few, but if the masses are to be induced to investment and saving habits a simpler form of investment easily understood by the most backward class should be devised. Attempts should be made to educate the masses to deposit their money in the postal savings bank and cash certificates.

**QUESTION 3.**—The population of the district may be roughly classified as under:—

- (a) The agriculturists.
- (b) The labourers.
- (c) The traders.
- (d) The professional class, e.g., doctors, pleaders, engineers, contractors, etc.
- (e) The Government servants.

The expenses that the agriculturist has to incur on the payment of land-revenue, the manuring and tilling of the soil, the maintenance and marriages, etc., are hardly covered by the money realized from the sale of his produce. That he should therefore save anything is out of question. In regard to the labourers a similar tale has to be told. The traders and money-lenders invest their capital in trade and get a decent return. Generally, the farmer can afford to save little or nothing. If one in a thousand does save he lends his surplus money to the fellow-agriculturist as long or short-term loans as may suit him. It is the professional men and Government servants who have shown some considerable tendency towards saving and who invest their money in the savings banks and some such profit yielding and financially secure concerns.

**QUESTION 4.**—The abolition of stamp duty on cheque has undoubtedly led to the promotion of cheque habit and this would receive additional impetus if they could be brought into vogue like currency notes. The use of vernacular script in banks will, besides facilitating their working, add to their popularity.

**QUESTION 5.**—We support the view that the banking and investment habit in India is of a very slow growth and is attributable to the darkest illiteracy obtaining amongst the masses. That the people do require education to invest their savings in productive industries there can be no doubt, but of the various possible means to do so, we are not in a position to make any suggestion. The result of the opening of new branches in recent years, of the Imperial Bank of India has, as far as we know, been that well-to-do men are resorting to them as the safest place to deposit their money.

#### Oral Evidence.

*Akola, the 5th February 1930.*

**Vice-Chairman:** You have stated that there is delay in disbursing taccavi loans, but you will agree that before a loan is advanced a certain amount of minimum inquiry must be made into the status and paying capacity of the applicant. Is it not?—All I desire is that the enquiry should be expedited.

Do they not finish the work of advancing taccavi loans within two months?—  
Yes.

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Do you admit that suspensions of revenue are granted in famine years?—  
Yes.

What do you mean when you say that at times cultivators pay the land revenue by incurring debts in famine years?—By famine year I mean the year in which scarcity is not declared, but cultivators have to incur debts for paying land revenue on account of poor harvest.

Are there many cases in which land revenue is paid by incurring debts?—  
No; they are rare.

You say that on the south of your district, the value of land is Rs. 25 to Rs. 30 per acre. What do you mean by "south of the district"?—I mean the area below the southern Purna belt.

Has the value of land gone down recently?—Yes.

Do you think the value of land will rise if there are a few moderate years?—  
Yes.

You say that money-lenders have been compelled to lower their rate of interest owing to the co-operative movement. Do you think cultivators have been benefitted by this movement?—Yes. It has proved beneficial to those who make regular repayments.

Is it your personal experience that the rate of interest has been reduced owing to this movement?—Yes, it is my experience.

Do you think there is any demand for the products of subsidiary industry?—  
I think the local demand for such product is still greater than the supply turned out by the smaller artisans, who are now actually engaged in such crafts. There is thus scope for a larger supply.

What is the minimum rate of interest in your district?—12 per cent is the minimum rate of interest.

Do you advocate legislation for reducing the rate of interest and maintenance of regular accounts, etc., by money-lenders in spite of the objections of money-lenders as a class?—Yes, as I think it will be beneficial to the public.

Do you do money-lending?—I do it on a small scale.

What is the percentage of dishonest money-lenders?—It will come to about 25 per cent.

Chairman: Is there no dishonesty in other professions?—There is dishonesty in all professions in some proportion.

Do you think the rate of interest will be reduced if the supply of money is increased?—Yes.

Do you think agriculture can be profitable to persons who do it by taking loan at 12 per cent?—It can be profitable, but 12 per cent is the maximum rate of interest which a cultivator can pay on all borrowed money without suffering loss, having regard to the net profit which he gets from agriculture.

*Rao Bahadur K. V. Brahma, C.J.E.*: Do you think if enquiries into the matter of granting taccavi are made by a special officer, they will be expedited?—Yes. I think so. The maximum limit of taccavi which is now five times the assessment should, in my opinion, be raised to enable agriculturists to meet their crop needs. In the tract where I live, to the extreme south of the Akola district, the rate of assessment ranges from eight annas to two rupees. But the land at two rupees is not very common. Therefore I am of opinion that the maximum of taccavi must be raised so that these poor agriculturists would get enough money to meet their cultivation expenses. In my opinion the cost of cultivation for soils on which the assessment is eight annas per acre would be Rs. 20 for four acres. In my tracts lands which are assessed at eight annas fetch generally fifteen to twenty rupees lease money for four acres. In my opinion agriculturists have time within which they can practise subsidiary industries, to supplement their income, and I should like facilities to be given to agriculturists to practise such industries. The facilities which I would require most from Government for the small industry is some amount of floating capital which these persons may require to practise the industries I have suggested. I should also suggest that Government should see to some

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facilities being organized for the disposal of products manufactured by agriculturists during their spare time. In my opinion to ensure thrift at the hands of agriculturists, it is very necessary that they should be educated to understand the benefit of thrift. I do not subscribe to the opinion that education unfits the sons of agriculturists for agriculture. On the contrary, I am in favour of spreading education as much as possible. I am in favour of having a law by which money-lenders would be licensed under conditions that they would keep accounts and supply accounts to the borrowers at reasonable times. So far as I can see, the class of persons who are illiterate and incapable of maintaining accounts and yet who want to do money-lending business is very small.

*In reply to Rao Bahadur M. G. Deshpande, the witness said:* I am a cultivator. I own 400 acres of land. The subletting value of good soils assessed to two rupees would be Rs. 30 per acre. If the cultivator cultivates the land himself, the net profit will be just the same. I do not know whether the rate of interest is going down on account of the opening of co-operative societies. The area under cotton is not also going down. For seed also people borrow loans from sowkars, who charge higher rates of interest than Government on such loans. The cultivators get spare time in the evening when they can take to subsidiary industries.

*In reply to Seth Narsingdas Daga, the witness said:* I do not cultivate all my land myself, but lease out some portion. For the arrears of rent, I get a pronote or bond at 1 to 2 per cent. I sublet my land and usually get written leases payable at harvest. Cultivators spend more than they get from their lands. It is not a bad thing to fix the maximum advance against crops on the price of the crops themselves.

MR. T. S. DIGHE, B.A., LL.B., Pleader, M.L.C., Akola.

Reply to the Questionnaire.

QUESTION 1.—(a) The agriculturists in the Akola district are financed mostly by the private money-lenders. Professional money-lenders belong to the following communities in this district:—

- (1) Marwaris.
- (2) Jains.
- (3) Agarwals.
- (4) Kachhis.
- (5) Rohillas.
- (6) Gujrathis.

There are money-lenders amongst the Brahmins, Marathas, Rajputs and Muhammedans. But the money-lending carried on by these communities is on a smaller scale compared to the money-lending carried on by the 6 communities above referred to. We come across with money-lenders from all communities. I know of one Mahar in the Basim taluq who carried on money-lending on an extensive scale. So it cannot be said that money-lending business is a monopoly of one community. These private money-lenders finance the agriculturists—

- (a) for cultivation expenses,
- (b) for capital expenditure and for improvements in land.
- (c) for land revenue in case of failure of crop and for social ceremonies and other domestic needs.

The co-operative credit societies in the Akola district also finance the agriculturists for cultivation expenses, for capital outlay and for improvements of land. I do not know if the societies finance the agriculturists for paying land revenue in days of scarcity or for social needs like marriage expenses, etc.

(b) In the Akola district the rate of interest varies from 8 annas per cent per month to 1 anna per rupee per month. I came across with a case where a Rohilla money-lender had taken a bond from a mahar at the rate of interest 4 annas per rupee per month. From the cases that come to me and from the general information that I get I can say that generally the rate of interest is from 2 to 3 per cent. The rate of interest is higher for unsecured debts, while it is lower for secured debts. In my opinion agriculture in this district with capricious monsoons and the rates of cotton dependant upon world conditions cannot afford to pay the high rate of interest that is prevailing in Berar. Agriculture is the national industry of Berar, and if capital is made available to this industry, say, at 8 annas per cent, then and then only agriculture as an industry can be followed without ruin. Various causes are responsible for the indebtedness of the agriculturists. I mention a few which, according to me, are important. They are—

- (1) ignorance of the agriculturist,
- (2) illiteracy prevailing amongst the agriculturist,
- (3) proportionately heavy taxation to which an agriculturist is subjected to,
- (4) capricious rainfall and eccentric monsoons and abnormal atmospheric conditions over which nobody has any control,
- (5) partially corrupt and loose administration,
- (6) *laissez faire* policy of Government in case of agriculturist,
- (7) Less sympathetic attitude of the judiciary towards the agriculturists,
- (8) rigidity of the law,
- (9) want of mortgage banks who would advance loans on the security of land,
- (10) social customs of the people,
- (11) crams for litigation in the absence of any entertainment in villages,
- (12) illeberal policy of Government in matters of land revenue suspension and remittances,
- (13) existence of an unscrupulous class of foreign money-lenders.

There is no sure and certain remedy for driving out indebtedness of the agriculturists. A civilized and benign Government ought to try as far as possible to lessen the evils catalogued above. The present-day heavy indebtedness of the Berar agriculturist is due to the causes described above and also due to successive failures of crop from 1925 and tremendous fall in the price of cotton. The

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prosperity of the Berar agriculturist depends upon normal monsoon and price of cotton. In my opinion the Berar agriculturist as a class is frugal in his habits and is accustomed to pay regularly his debts. He falls into arrears when he cannot get normal produce owing to famine or extremely low price fetched by the cotton and juar produce. Berar agriculturist had better credit in the market before 1925 A.D. Since that year, owing to failure, he is unable to pay his sowkar and his credit has immensely suffered. Today at least in the Akola district an agriculturist has no credit and is required to borrow at a very high rate of interest which again reacts on him and adds to his misery and indebtedness. Government has failed to come to the aid of the agriculturist in times of his distress and when his burden should have been lessened, they have increased his burden by enhancement of land revenue which action I would call even cruel under the present depressed condition of the agriculturist.

Generally, the period for loans is short. In case of bonds the period of payment is from 6 to 12 months and in case of mortgages the period is from 3 to 5 years. In exceptional cases the period of repayment is 12 years. I have not come across with a single case in which the period of repayment of debt went beyond 12 years.

At present for unsecured debts security is taken in 50 per cent cases. In secured debts, land is generally mortgaged. Nowadays in mortgages there is generally a recital that the land with standing crop is mortgaged for the debt advanced. To my knowledge no debt is advanced on the standing crop. In some places like Karanja the creditor advances money on taking an agreement from the debtor to give him cotton on a particular day at a particular rate per khandi which is generally lower than the rate that is expected. This rate is settled after thorough calculation by the creditor. In exceptional cases, the creditor loses in the bargain. The poor and needy man is always to suffer.

*Conditions of the debts.*—The conditions of the unsecured debts are that the rate of interest is increased by nearly 50 to 75 per cent after default and generally compound interest is charged. In cases of secured debts, the rate of interest is increased and compound interest on the increased rate of interest is charged. After a particular period say of 3 to 5 years there is generally a condition of foreclosure of the mortgaged property. In very few cases there is the condition of sale of the mortgaged property. This condition of foreclosure is working very harsh upon the agriculturists of Berar. They are fast losing their land, because of this harsh condition. After the preliminary decree is passed, it is in rare cases that the judgment-debtor gets a customer who is ready to purchase the property. Preliminary decree is enough to scare away the customers for the property with the result that very valuable property is in many cases foreclosed below the market price of the field. Amendment of the Transfer of Property Act is necessary to do away with the condition of foreclosure.

(c) The Imperial Bank of India, according to my information, does not advance any loan for agricultural purposes as such. In the Akola district there are no joint stock banks or indigenous banks. There is one co-operative Central Bank which deals mainly with the agriculturist and satisfies their needs. Private money-lenders take a prominent part in financing the cultivators. Merchants generally do not advance loans to cultivators. Cotton brokers do advance money to cultivators, but nowadays very few cotton brokers advance money to the agriculturists for cultivation expenses.

(d) It is very difficult to answer this question. I can approximately give an idea as to how much capital would be required for cultivation expenses. According to me, about Rs. 25 is the cost of cultivation per acre. You can fairly take it for granted that 30 per cent of the agriculturist do not require any outside loan for cultivation expenses. 20 per cent make a saving of their income for that head of expenditure. The remaining 50 per cent do require money for cultivation expenses. I have not got at hand any book to show how much area in the Akola district or in Berar is under cultivation. If one get it then, one half of the total area should be multiplied by 25 and then you will get the amount that will be required to finance the agriculturists of Berar or of Akola district for cultivation expenses alone. I am not in a position to state how much money would be required for other purposes by the agriculturists.

(e) Grain is generally not advanced for seeds. In very few cases wheat, gram, linseed and lakh are advanced. The rate of interest is generally *sauwai*.

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(f) This question is vague. I answer this question on the ~~supposition~~ that it refers to the present methods of financing agricultural industry and other minor industries.

In the first place there is no system devised by the State to finance agriculture. Want of a well thought out and workable system is a great defect which must be cured. Efforts of Government to advance taccavi loans to cultivation under the Agriculturists' Loans Act and the Land Improvement Loans Act are spasmodic. These loans reach only a small fraction of the needy population. Taccavi loans are more liberally advanced in the days of scarcity and famine, they are advanced in normal years but to a little extent. In my opinion the system of advancing loans under the Agriculturists' Loans Act requires improvement. Government should make provision of Rs. 5 lakhs every year for advances under the Agriculturists' Loans Act in each taluq in Berar. Government has got already a machinery for advancing these loans and collecting them. Taccavi loans are more popular, because they are advanced according to the needs of the cultivators after proper enquiry and the loans are also rigorously collected like land revenue. The cultivator gets the money under a very low rate of interest and he is compelled to repay it. In the days of scarcity also, the cultivator gets concession as the Government postpones recovery in a bad year. Other systems fail before this system, because banks and credit societies have not got the legal power and the machinery to collect the loans advanced as rigorously as the revenue authorities. Due to ignorance and illiteracy an agriculturist fears more the danda (rod) of the Tahsildar than any warrant through civil court. Bank and co-operative societies will have to go to the civil court to recover the amounts advanced; such is not the case of taccavi loans.

I shall be asked as to whence to get so much money. The answer is that about 250 crores of rupees of Government money remains idle in the coffers of the Imperial Bank of India from the month of May to September. The Imperial Bank of India does not pay any interest to Government. If sums are drawn from this huge balance and advanced to the cultivators at the time they need most, then the State will get interest on the sum which now does not get interest, and if the revenue authorities are empowered to collect the taccavi loans from the month of October, i.e., immediately after the commencement of the *hangam*, then the amounts recovered would also be available for the purpose of trade. In my opinion special staff and an additional Tahsildar would be required for this purpose if my scheme were to be brought into force. Another question is whether the State should undertake this business. My answer is that time has come when it is the duty of the Government to go to the help of the agriculturist who are economically hard hit. By the heavy interest charges on the sums borrowed by the agriculturists, nothing is left for self-improvement. The result has been that the masses are economically very bad. They remain illiterate and ignorant due to poverty and fall prey to anti-Government propaganda. The villager now feels that the State does not care for him. The only thing that the State does according to him is to screw out money from him. This impression would be wiped out when he is helped when he needs help most. Another argument is likely to be advanced against the scheme of financing the agriculturists by taccavi loans. It is this, that in case the village people combining like Bardoli, then there would be no recovery of the loans advanced and the State would suffer. In my opinion, the reply to this argument is that amongst the innumerable taluqs in India during the history of 150 years of British rule, it is only one solitary instance of people combining against Government. Exceptions do not prove the rule. In Bardoli the people had a legitimate grievance and therefore the people get support from the whole of India. If the people of a certain village refuse to pay the taccavi loan advanced to them by the State for their own benefit, then they would not get any sympathy from the rest of India. Number of people would go to the village to bring them to their senses. The instances of co-operative credit societies might also be advanced against my suggestion of taccavi loans. In the first place taccavi loan is a very small amount advanced. The loan advanced does not exceed the value of the property as is the case of loans advanced by the co-operative societies. No serious effort was made by the co-operative societies to recover their sums immediately. Borrowers were allowed to remain in arrears. No coercive processes were taken against them before the debts accumulated. After all the co-operative movement is in the hands of non-officials whom the ignorant village people fear the least.

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So, what I wish to point out to the critics of my scheme is that from all points my scheme is a workable scheme. Government has got enough data to go on this line. Taccavi loans both under the Agriculturists' Loans Act and the Land Improvement Loans Act will go a long way to solve the problem of financing agriculturist. I do not suppose that this is the only method but to me this appeals most.

(g) I do not think there is co-ordination between all the institutions that carry on money-lending. The co-operative credit societies that are financed by the Akola Co-operative Central Bank work on the lines approved by the bank. In my opinion the Co-operative Central Bank does not carry on banking in the real sense of the term. If the scope of the co-operative central bank is widened on the lines of the Imperial Bank, I think much good will come out of it.

QUESTION 3.—In the Akola district, owing to successive failures of crops, the value of land has gone down too low. I have collected some figure of court sales. They go to show that the price per acre now is nearly Rs. 150 per acre.

Bumper crop and the price of cotton affect the price of land.

Generally, the fields auctioned for arrears of land revenue and in execution of decrees passed by the civil courts fetch low price. And the reason is the purchaser is not sure of the title of the person remaining in arrears and of the judgment-debtor.

Many a time the land is encumbered which is not disclosed in the sale proclamation and the purchaser leaves a certain margin for his trouble of future litigation.

In private sales, the land generally gets better price than the auction price because of the certainty of the title in a private sale. If the land is near a village and is richly manured it gets a higher price. In the Akola district mali land, i.e., land situated on the banks of a river or riverlet or nala fetches a higher price.

The more a land is distant from a village the less is its price.

QUESTION 4.—In the Akola district there is no legal obstacle in the way of people desiring to mortgage their lands. The Co-operative Central Bank has advanced on mortgages some loans to the agriculturists. Excepting the co-operative Central Bank there is no other bank in the district which advances loans on the mortgages of lands.

There is absolute necessity of a mortgage bank for this district.

Share capital for such a mortgage bank could be raised locally. The bank must be registered under the Companies Act and it must have Government audit. If minimum rate of interest higher than 7½ per cent per annum is guaranteed to the shareholders then I think, there should be no difficulty in getting the required capital. The co-operative Central Bank does not pay higher dividend than 7½ per cent even in a prosperous year and that is why it does not get enough share capital. People go in for bank shares, provided there is chance of making more profit.

I shall be immediately confronted with my special pleading for a low rate of interest for agriculturist, viz., 6 per cent per annum. My submission is that the Government money which is handed over to the Imperial Bank without interest should be made available to the public at 6 per cent per annum. But when people are asked to subscribe to the share capital of a mortgage bank, then minimum rate of interest ought to be guaranteed by Government. In the case of mortgage bank there should be a stipulation that the bank should charge interest from 9 to 12 per cent per annum. The rate of interest should not go beyond 12 per cent under the present circumstances. Such a bank would be a boon to the people of Berar.

I do not think any improvement could be suggested over the present method. The record of rights in Berar are very carefully maintained and the search of the registrar's office and the record of rights are quite enough to ascertain the title of a person and the encumbrances, charges and liens over the land.

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## Oral Evidence.

*Akola, the 3rd February 1930.*

**Chairman:** You are, I understand, a member of the Legislative Council on behalf of West Berar urban. Is it not?—Yes. I was recently elected.

Have you any landed property?—Yes; about 40 acres of land; but my main profession is that of a pleader.

Have you any connection with the co-operative credit banks?—I am a shareholder; but I take no active part in the movement.

Do you think that on general principles there is no objection to Government taking a prominent part in the financing of agriculturists?—Government should take a prominent part.

In other countries the financing of industry and agriculture is usually left to private agencies and an objection might be made in some quarters that Government should not interfere in this business. I understand your view to be that the need is so urgent that Government should interfere. Is it not so?—Conditions may differ in other countries. I am of opinion that the need is so urgent at present that Government should come forward and do something to relieve the situation. Government is in a better position than anybody else to deal with the situation.

You have suggested that five lakhs of rupees should be provided for each taluq in Berar for agricultural loans annually. Would you limit these advances only to the more needy cultivators or would you have no such restrictions?—I would limit the advances only to needy persons. The officer granting the loans should use his discretion in meeting the requirements of the more needy agriculturists first and loans should not be granted indiscriminately to all persons unless they are really in need of relief.

Are you in favour of prompt recovery of these short term loans?—Yes. Suspensions and remissions should follow suspensions and remissions of land revenue.

This scheme, if feasible, might do much to provide the seasonal and short-term loans. But what about the long-term loans?—These loans should be dealt with by a land mortgage bank.

As regards the land mortgage banks, you have suggested that the rate of interest guaranteed by Government should be  $7\frac{1}{2}$  per cent. If it was found possible to obtain money at a lower rate of interest, you would not object to that. Is it not?—No. My meaning is that money should be obtained at the lowest market rate available. At present  $7\frac{1}{2}$  per cent is the interest granted to share holders in the Central Banks.

You would agree that, with a Government guarantee, the public would be likely to invest their money in the land mortgage bank and would have confidence in it and it might be possible to obtain money at a lower rate than  $7\frac{1}{2}$  per cent?—Yes. It follows necessarily that the lower the rate of interest paid for the money the lower would be the interest charged to borrowers, and our great aim should be to provide money as cheaply as possible to the cultivators.

You have stated that your Co-operative Central Bank deals mainly with the agriculturists and satisfies their needs. Do you mean to imply by that that the Central Bank satisfies all the needs of the agriculturists?—No. The co-operative credit movement in this district only touches a small fraction of the agriculturist population. It is for this reason that I advocate the extension of taccavi.

**Reo Bahadur K. V. Brahma, C.J.E.:** You have replied to the Chairman that you would like remissions even for taccavi loans when land revenue is remitted. Do you really mean to advocate that the taccavi loan should ever be remitted?—They should never be remitted but should be suspended in the years when land revenue is suspended or remitted.

Your scheme is that five lakhs of rupees are required for every taluq. You know that Berar has 22 taluqs and we would require at this rate about one crore of rupees for taccavi loans every year?—I would like to have a fund of one crore of rupees to start with.

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You are probably aware that the budget of the province is only for five crores and the income of the Government is sometimes even less than that. You advocate, I think, that Government should float a loan. Is it not?—Government funds remain idle and Government should draw upon the balance with the Imperial Bank though such balances are the property of the Government of India. The Central Provinces Government should pay interest to the Government of India and they should get interest on their loans to people. They can afford to pay 3 per cent to the Government of India.

Do you think that the Government of India gets loans at 3 per cent?—No.

Do you think that 3 per cent will be a fair rate when you are drawing upon a common chest?—If we cannot draw upon such balances, then I am in favour of a loan which the Government of India or of the Central Provinces should float at 5 per cent per annum or whatever the market rate may be. People from all provinces will subscribe if the loan is floated.

Would you recover advances made from such loans through revenue processes?—Yes.

Is it your considered opinion that there is no coercion, but somehow or other people are afraid?—The system that I advocate will not defeat the end I have in view.

We have been told that these taccavi loans are not advanced as promptly as the situation requires and that they are not advanced in full. Do you agree to this view?—I do not subscribe to that view. On the contrary I will say that in 1927 payments were promptly made and the people were satisfied. Some people who may not have got whatever they wanted and may have complained.

You will have a special agency created for all this. Will you? Yes. One additional Tahsildar and a clerical staff will be required. I have not calculated the cost of the scheme.

*Chairman:* Do you think that 1 per cent profit will suffice for the cost of working out this scheme?—Yes.

*Rao Bahadur K. V. Brahma, C.I.E.:* As regards the second complaint that there is some leakage, you do not believe in this at all. Is it not?—No. There is no truth in these complaints nowadays.

In one part of your reply you have stated that no serious effort was made by the co-operative societies to recover their sums immediately. That is to say sufficient pressure was not brought on the people. In this your meaning?—Yes.

Are you in favour of all pressure being brought on the borrowers to repay?—Yes. Unless they are pressed they would not repay. A debtor never intends to pay.

You are therefore in favour of resorting to whatever processes will be necessary for the co-operative banks or societies to obtain their money back. Is it not?—Yes.

You would not blame non-officials if they favoured recoveries even at the cost of being unpopular?—No.

I dare say that, as a share holder, you are aware that the management of the Central Banks and societies is in the hands of the agriculturists themselves to a great extent?—Yes.

Shall I take it that it is your opinion that it is not a sound policy that the determination of the time of payment and extent of it should be in the hands of borrowers and you are in favour of a rule being made that borrowers should have no hand in it?—Yes.

Are you aware that Akola Central Bank passed a resolution that such persons should not be allowed to sit on the directorate?—I am not aware.

If such a resolution has been passed and is being objected to by the borrowing class, do you think that it should be accepted and enforced by a rule framed under the Act by the Registrar?—Yes.

Do you admit that the co-operative movement is in the hands of non-officials whom the ignorant villager fears the least?—Yes.

Do you also admit that the only means at the disposal of a non-official worker is to persuade the ignorant villager and that he possesses no other authority or facility to expand the movement?—Yes.

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You state that you would like the mortgage banks to be registered under the Companies Act. Do you think they should be registered under the Companies Act or under the Co-operative Societies Act?—I would prefer them to be registered under the Companies Act.

You have stated in your reply that amongst other causes of indebtedness one of the causes is the unsympathetic attitude of the judiciary towards the debtors. May I know what do you mean by that?—I wanted to say less sympathetic instead of unsympathetic.

But would you agree that the judiciary should have no sympathy either for the creditor or for the debtor. Should they not be impartial?—Yes, they should be impartial indeed. But my experience is that more consideration is shown to creditors in courts and use is not made in favour of debtors of the existing provisions of the law. For instance, under the law as it stands, today courts can pass instalment decrees, but rare use is made of this provision of law. Also no concession is shown in the years of famines or scarcity.

Do you mean to say that courts do not use these provisions even after pleadings are made?—No pleadings are necessary for such things, because judges are aware of famines or scarcities in the locality. But my experience is that in many cases even after pleadings were made to apply the Usurious Loans Act no finding was given.

Chairman: You mean that they should temper justice with mercy.

Rao Bahadur K. V. Bramma, C.I.E.: Do you not think mercy is at times misplaced?—I only recommend mercy being shown in very bad years.

Are you of the opinion that legislative enactment is not a panacea for all ills of a debtor?—No.

You have stated that indebtedness is also due to the craze of litigation in the absence of any entertainment in villages. Is that so?—Yes. About 20 per cent of cases filed in court are like this.

Are not those people who come to the court either creditors or debtors?—People coming to court have certainly got some causes of action, but in many cases these people are set up by other men in the villages to go to the court.

Do you desire that these matters should be settled in villages only, to save expenditure involved and avoid the craze for entertainment?—Yes.

In your written statement at one place you have stated that the assistance of Tahsildar or some other officer should be taken to make recoveries and in another part of your memorandum you say that in your opinion the Berar agriculturist as a class is frugal and pays his debts in time. How do you reconcile these two statements?—What I have written is about Berar; agriculturist possessing the habit of paying his debt in time, etc., refers to the position obtaining before five or six years, while the other position relates to present days. This is the result of bad years.

You have also stated in your memorandum that agriculturists have been losing their land, because of the condition of foreclosure. Would you be able to tell us from your enquiry to what extent has it occurred in any particular village or taluq with which you are acquainted?—In Jalgaon and Akot taluqs 1/3th of the land has gone into the hands of non-agriculturists.

Has it taken place during the last six years?—No, during the last 30 years.

Mr. Greenfield in his report has estimated it at 1/3th. Do you think things have gone worse since then?—Yes.

What is the extent?—It must be 40 per cent.

Are you in favour of amending the Transfer of Property Act so as to do away with the condition of foreclosure?—Yes.

One of the conditions of these simple mortgages as you know under the Transfer of Property Act is that a creditor has the right to follow other property besides the land mortgaged and the advantage of a foreclosure mortgage is that only the land is responsible and not the person. Taking into consideration this distinction would you like the foreclosure condition to be abolished?—Yes, because there are advantages in both.

The advantages in the simple mortgage counterbalance the advantages in the foreclosure system.

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*Chairman:* Will it be correct to say that the application of the provisions of the Usurious Loans Act in order to reopen the whole transaction involves a greater amount of trouble and greater expenditure of time, and that this may be one of the reasons why the judges do not always apply the Act?—That may be a reason, but another reason would be that the High Court has not stressed the need in the past for applying this Act. I think it would be better if the High Court issued a circular of instructions as to the method of applying this Act and the rate of interest which should ordinarily be considered a fair rate.

*Vice-Chairman:* You have not got a thorough knowledge of the surplus money that remains with the Imperial Bank during the rains and the purpose for which and the principles on which this money is left in the hands of the Imperial Bank. Is it so?—I have not studied that question thoroughly.

Is not your knowledge of rural economy based on what you have been able to glean from your clients and agriculturists and is not based on any first-hand properly organized study of rural economy?—I have made some enquiries in villages, but certainly they could not be so thorough as were made by the Banking Enquiry Committee.

Do you maintain that it is the duty of the State to supplant the ordinary money market and to finance even such agriculturists as have got sufficient credit to raise loans?—I never said so.

Do you agree that all that is wanting in the co-operative movement is better management and the co-operative movement has a future as a financing agency?—I think so.

*Rao Bahadur M. G. Deshpande:* You have suggested that co-operative banks do not make any effort to recover their sums immediately. Do you think that in years of famine banks would be able to make recoveries?—I think even in good years they do not make any efforts.

Do you think that the Akola Central Bank advances money to societies recklessly without knowing their assets?—In my opinion valuation of debtors' assets is not always correctly made.

I want to know whether the money advanced by Central Banks to the societies when advanced on the valuation of land would be dangerous. Do you think so?—Conditions have changed since advances were made, because the prices of land have gone down. But if they would advance money according to the needs of men, this situation would not arise.

*Chairman:* Would you be prepared to agree that there is a great difference between the value of assets and the annual paying capacity of an individual?—Yes. His paying capacity would depend on many factors.

Would you go one step further and say whether you think that at the time when advances were originally made by the co-operative societies they paid enough attention to the paying capacity of individual borrowers or not?—They do not correctly estimate his annual paying capacity, because they do not anticipate abnormal times.

Is it not the case that very often advances were made up to 50 to 60 per cent of the total value of assets?—Yes, they have done so.

In how many instalments do you think an average agriculturist would be able to pay 60 per cent of his assets?—He would be able to do it in ten years.

*Rao Bahadur M. G. Deshpande:* Are you aware that the societies advance loans after ascertaining the paying capacities of members?—I have no direct knowledge of the working of societies. As far as I know, they only ascertain the value of the property owned by the members.

Are you in favour of giving high dividend for obtaining more share capital?—Yes. If the bank makes more profit.

Are you in favour of making a stipulation in the land mortgage bank that the rate of interest should be 9 to 12 per cent to big agriculturists? Do you not think it is a high rate?—In Berar they are paying a higher rate than this. 9 to 12 per cent will be a boon to them.

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*Seth Narsingdas Daga:* You have stated that in some places like Karanja the creditor advances money on taking an agreement from the debtor to give him cotton on a particular day at a particular rate per khandi which is generally lower than the rate that is accepted. Supposing the rate fixed is Rs. 90 per khandi and the market price of cotton is Rs. 80 per khandi on the contracted date of supplying who would be the gainer?—The debtor will be the gainer. But it seldom happens.

You have replied to Rao Bahadur Brahma that there is loss from agriculture. But you have stated in your memorandum that agriculturists are often losing their land to the sowkars. If the land is not paying, why should the sowkar care for the land? Is it not a fact that because there is no other way to realize their debts, they are obliged to take lands?—Yes.

You agree that when the supply of a certain crop gets less, its price goes up. Do you not?—This maxim is not applicable to Berar. Cotton supply is at present less and the price is also less. It is America that settles the price.

*Chairman:* Supposing no cotton was exported outside India what would happen?—I think Indian cotton would fetch good price. But there must be a prohibition of the import of cloths.

Is not the produce of cotton more than the internal demand?—I do not think.

**MR. D. V. PARANJPE, B.A., LL.B., Subordinate Judge,  
1st Class, Akola.**

**Note on the Usurious Loans Act, No. X of 1918 (as amended  
by Act No. XXVIII of 1920).**

1. *History of Usury—(a) In England.*—Usury was prohibited absolutely by the Laws of Edward the Confessor and under the Canon Law it was a sin. The following Acts made it legal :—

39 Henry VIII, c. 9	...	of 1545	at 10 per cent per annum.
21 James I, c. 17	...	.. 1620	.. 8 per cent per annum.
12 Charles II, c. 13	...	.. 1670	.. 6 per cent per annum.
12 Anne, c. 16	...	.. 1710	.. 5 per cent per annum.

Then came the Benthamite doctrine of Freedom of Contract and by 17 and 18 Vic. c. 90, the above laws were repealed by Usury Laws Repeal Act of 1854. The effect of the Act was to allow the rate agreed between the parties to a contract. Since then relief against unconscionable bargains could only be got in a Court of Equity in the Court of Chancery. But the English Money-lenders Acts, 63 and 64 Vic. c. 51 of 1900, modified that Act. The (Indian) Usurious Loans Act, No. X of 1918, almost follows that Act.

(b) *In India (under British Rule).*—The Charters establishing courts in the Presidency town introduced the English Common Law and the Statute Laws, so far as they were applicable to Indian circumstances. Thus out of the above the earliest English Law applicable was 12 Anne, c. 16. In the year 1774 the Regulating Act, 13 George III, c. 63, was passed, by which the maximum rate of interest against Europeans was fixed at 12 per cent per annum and in course of time this was extended to other subjects of the three Presidencies by suitable regulations. Almost simultaneously with the Act of 1854 in England the Usury Laws Repeal Act, XXVIII of 1855, was passed in India, by which, as in England, all restrictions in Usury were removed. The effect was that no relief could be given against unconscionable bargains in India for want of pure equity courts. The position became serious, and by Act No. VI of 1890, sections 16 and 74 of the Indian Contract Act (No. IX of 1872) were amended and section 19-A was added :—

Under section 16 (as amended) and section 19-A, where a contract was induced by undue influence, in case where one party is in a position to dominate the will of the other, the courts could give relief when a bargain was held unconscionable under section 74 relief could be given where the stipulation was by way of penalty.

But it was found that the above provisions of the Contract Act, relieving the rigors of the Usury Laws Repeal Act *pro tanto* could not relieve the debtor. And hence the Usurious Loans Act of 1918 was passed. Under this Act transactions up to six years back only could be re-opened to examine the fairness of interest. And further the Act applied only to the suit of the creditors. So Act No. XXVIII of 1926 had to be passed substituting 12 for 6 in section 3 (1-Proviso i) and adding (c) to section 2 (3) to cure the above defects.

(c) *The indigenous law in India.*—It would be sufficient to refer to the following "Smritis" for rules about interest :—

Manu (before the 2nd Century A.D.).  
Vyavahara Mayukh of Nilkanth Bhatta (17th Century A.D.).  
Mitakshara—Vijnayeshwar (latter part, 11th Century A.D.).  
Dayabag—Jimutvahan—(13th to 15th Century A.D.).

The Mitakshara and Mayukh should be construed so as to harmonise with each other (*Bai Kessar Bai Hansrajs*. I. L. R. 30, Bom. 431—42, approving *J. Telang* in 17 Bom., 114—18).

In Chapter V, section IV, rule 12, and also 17 Vyavaharmayukh (Colebrook) the following rule about the liability of descendants is laid down as ordained by Brihaspati :—Son is liable to pay with interest. Son's son without interest and his son not liable unless, like any other heir, he gets some property. But the Privy Council has held that liability extends with interest even to the son of a grandson *Masit ulla v. Damodhar Prasad*, (I. L. R. 48 All. 518). The pious obligation is, however, now limited to the family property and does not extend to the person of the son and his personal property.

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Under section 53 of the Civil Procedure Code, if a decree is passed against the father, the same could be executed against the family property, provided the property is legally liable for the debts of the ancestor.

(d) *Interest*.—Under the Hindu Law there was a definite limitation not only upon the total interest recoverable, but also upon the rate (Chapter III, Mitakshra, Chapter 5, section 1, Vyavaharmayukh). In the case of grain according to Yajnyavalka the return could rise to three times and in the case of precious metals to twice. The rule of *Damdupat* and five times on other things are given in Manu, Chapters 8—151. And in Shlokas 140 to 141 it is stated that, in case of mortgage, interest should be 1/80th and without security at 2 per cent per mensem. This is regarded as chaste interest and not usurious. The rules about limitations in rates do not, however, seem to control stipulated rates, but applied to transactions which were silent upon interest. (*vide* Chapter 8, section 151—153, Manu).

Under the Muhammadan Law interest is prohibited. But it is strange that the *Rohillas* are the heaviest usurers. The reason given by them is that the rule of Muhammadan Law does not apply in the country of the infidels and also that it is taken by way of "Nafa" (profit) and not interest as such.

2. Now as to the Usurious Loans Act (and sections 16 and 19-A and 74 of the Contract Act—*Nature of the Usurious Loans Act*)—In the first place the very preamble shows that the Act is half-hearted and passed more under public pressure than otherwise. It is not law by itself, but only supplements the existing law [*vide* preamble and section 3 (5)]. Which law it supplements is not clearly stated. If it was only meant to supplement sections 16, 19-A and 74 of the Contract Act, it should have been so clearly stated or it should have been put in as amendments to those sections. For, it is not a big Act. As it stands, it combines the adjective and substantive law, both. In a substantive law, which lays down the will of sovereign, less discretion is left to the judiciary and the public than in an adjective law which lays down procedure which has to be more elastic. Moreover, the former is intended to be preventive and must not be retrospective in matters which the law would not countenance. Hence I have to repeat that the Act is half-hearted. It had necessarily to be so when its object was to interfere with a made contract rather than with the making of a contract, where the contracting parties could gauge their limitations. The result is that the crook in law forearms himself at the time of making the contract, by dictating more unconscionable and extortionate terms to needy debtor. He appreciates that the very firmness of justice depends upon respect for contractual terms, and the courts must of necessity, be very reluctant to interfere too much. Also that it is not within the proper scope of the judiciary to reframe contracts for the parties. Thus if a rate of say 75 per cent is stipulated, for a court to reduce it below 37½ per cent would simply mean the reframing of a contract anew after the default in the performance of the original contract without the will of the contracting parties. As an incomplete Act by itself it is in the same position as the now repealed Hindu Wills Act, in which a number of the sections from the Indian Succession Act were bodily brought in without considering the effect of the break in context. So, either the Act should be complete in itself, dealing fully with unconscionable and extortionate usury, or it should be repealed and its substantive provisions should be incorporated with the substantive law which they are intended to supplement and the adjective provisions with the law which they are meant to supplement or interpret. The Royal Commission on Agriculture has clearly stated in Chapter X of the report that the Act is a dead letter, and has impressed upon the necessity of enquiring into the cause of its failure. In addition to the above reasons I have to add further that the application of the Act is impracticable in practice. In the first place, it is not possible to go back 12 years in a number of cases. Let us take the case of a bond. The debtor pleads that the bond is the result of previous debts due. The creditor admits this, but says he keeps no accounts and all previous bonds, notes or promissories were returned to the debtor. In such a case, which is not uncommon, how is it possible to reopen transactions of 12 years and take accounts? It is the debtor who must prove that they were unconscionable and brought about by undue influence. How is he to give cogent proof of this? Placing the burden of good faith upon the creditor would encourage every rogue among debtors to plead undue influence and extortion. It is a cry even in responsible quarters that the judiciary is negligent in exercising its discretion vested

in it by the Act. But the judges are only human beings with human minds, and opinions must necessarily differ about what is extortionate and what is unconscionable. The lower court may think that a particular rate is bad. The appellate court may take a different view and award higher rate. Thus the debtor instead of benefitting by the equity and mercy of the lower court would have to boot the costs of appeal also. After all it is the enforcement of an uncertain rule of equity. And as the slogan went in England, equity is like the chancellor's foot, which may be longer with one and shorter with the other. Then it is said that the Act is not known to debtors. The debtors nowadays get the help of astute lawyers. Moreover, they know the practical side of the law around the village hearth even better. When litigants know how to put forward the more complicated pleas about the claims of their sons against property on the grounds of immorality, minority and so forth, it passes my imagination to think that the Act is yet on its way to reach them. The Act may not be pleaded in so many words of its title, but relief is invariably asked in interest even when it is not unconscionable. The reason why I think the exact title of the Act is not put forward is that the debtor knows that it is a nebulous Act under which he would only draw more burden of proof upon himself, if he specifically pleads it, than by a general plea of extortion and unconscionableness under which the otherside may be drawn into details.

3. *The cause of rise in interest.*—The details about interest taken out in a number of cases from the Record Room, Akola, and as shown in Schedule F filed by me would show that the rise has been encouraged by a number of changes in law and in conditions. With the amalgamation of Berar with Central Provinces in 1905 a better-trained judiciary was flooded in by mass recruitment. The Bar also went on strengthening. The result was that niceties of law began to come in defence and hence the Bania became more wary and would not take risks without more attractive rates. "Nagpure-cha-Kaida" was the most common explanation for growing dishonesty among debtors. Then in 1908 came the 12-year rule for mortgages, which made the creditor look still more carefully, the rigid requirements of attestation being thrown in. Then followed the influenza of 1918, precipitating the successions of minors and widows, followed by a succession of transactions for and by them. The resulting litigation involved nice legal points and cast clouds upon security of debts. Lastly, the boom due to war, which doubled and redoubled prices of property and produce and sent up credit very high, was suddenly followed by slump in both, which has left the creditor as well as the debtor very low. Under the above causes, leading to quick and not sustained convulsions in daily life, is it any wonder that the Bania should insist upon better credit or more attractive interest to make him undertake the risks of lending his money?

4. *The present state of things—(a) The rule of Dandapat (at present applicable to Berar only when contracting parties are Hindus).*—It is not a rule of unmixed blessing. In the first place it would be noticed that, in spite of the limitations on alienations of agricultural land, usury in the Central Provinces is decidedly less stringent than in Berar. The reason is obvious. It is in the very nature of a usurer that money must not stop breeding. And he would reach the limit sooner than otherwise. Hence in Berar no sooner the limit is reached he files his suit without waiting further, for he sees that his money has stopped breeding. So, in Berar suits on mortgages are filed within five or six years of a mortgage contract, and even less now. In the Central Provinces, where the rule is not in force, the sowkar can abide more time as he sees his money multiplying all along and is even satisfied with lesser rate. So that in that part suits are filed after about 8 years. The rule could thus only be salutary, if along with it there is a definite restriction in the rate of interest. According to the rule of Manu, cited above, the maximum rate of interest should be fixed for unsecured loans in money at 2 per cent and for secured loans at 1½ per cent. It is a fact that if a creditor sees that a debtor has property enough he lends him further into debts to the fullest capacity, and the debtor also plunges recklessly. A fixation of the maximum would deter indiscriminate lending as not being very profitable and risky. And also the debtor would not be indiscriminately borrowing, for there would be no encouragement from the creditors. While it is desirable that a suit against a debtor for reasonable debt due should not be very much hastened, it is also not desirable that it should be prolonged beyond a certain limit, say, eight years. For, he who does not try to pay in about eight years would never pay at all. It is strange that in the Central Provinces the rule of Dandapat is not held good, though the Hindus there are governed by the

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Mitakshara Law. The reason is that it is the English rule of interest which had the upper hand and the rule of Damdupat could only get in in some places [vide paragraph 1 (b) above].

(b) There is much cry all round against rack-renting and usury. And it cannot be denied that from the debtor's point of view, and especially from the industrious and honest debtor's point of view, it calls for immediate attention. But at the same time it does not justify the destruction of the honest and accommodating Bania. For, either is interdependent upon the other; and I will show that the Bania is the mainstay of the "ryot". Legislations like the Act in question and the Deccan Agriculturists' Relief Act and the anti-Alienation Acts may do immediate good to the ryot, but it is the rogue among them who wants to get over his obligations and not the honest industrious man. And in the long run such laws do more harm to the man whom such Acts are intended to save, namely, the honest industrious kisan. They put the honest, accommodating Bania out of the field of Usury and introduce the Rohilla type who relies more upon his cudgel than the King's stamp to recover his extortionate dues. The debt conciliation done by Mr. Anantlal, soon after the big famines of 1900 and 1897, had this effect. I have known really good money-lenders go out and real Shylocks taking their place. Schedule B filed herewith shows statements of three big money-lenders. That of Baziram Rodmal was not taken down by me and does not give full details for our purpose. But the perusal of the other two itself would show the honesty in the statements. It would be seen from the two specific instances of mortgages given by them that seven years back they advanced 50 per cent of the value of the land, given as security, upon pretty reasonable interest. Now when they have foreclosed, the amount has doubled but the value of the land has gone down 50 per cent. Thus the debtor if he wants to redeem his land must pay Rs. 100 for land which is now worth less than Rs. 50, the principal. And the debtor is no fool. He knows that it is no use paying less than the amount due, as it would not save the land. It is useless to pay full, for land which is not worth half that. He also knows that it is no use paying what he has in part satisfaction, as that too would not save foreclosure. So he tries to delay the foreclosure or sale, in the hope of gathering as many crops as possible without paying a farthing towards the debt due. Is it not the Bania who deserves pity under the circumstances rather than the wily debtor? I don't believe that the present alarm and cry against the Bania is so much due to extortionate usury by him, but because he does not and cannot accommodate the ryot as freely now as he used to do before; and that is driving the ever needy ryot into the clutches of the more extortionate and unscrupulous usurer. During the last few years, not only there have been continuous lean years, but there has been an unprecedented depression in trade. The ordinary Bania not only practices money-lending, but also some business. In other years if the money-lending failed to give normal return in any year the shortage was adjusted by profits in business. But in these years he has been hit on both sides. He does not at all want the land which is being piled upon him in spite of his will. He wants the return of money, which is not returning. It is a daily occurrence in a civil court nowadays, for a mortgagee to offer to give a full discharge on the return of the principal only and a little more. But as I have explained above, it is not at all in the interests of the debtor to redeem his land. If he has got extra-money, he could easily buy more land than his holding for half the debt due.

(c) There is also the cry and the resolution of the Council that the sales of lands should not go back to the civil courts. With the Collector's powers vested in the civil court, I think more relief could be given in really honest cases than in the Collector's court. For the past acts of the debtor and his false pleas do not go before the Collector, and he necessarily weighs all in the same scale. Moreover, the Collector's cases, being extra work, is done where there is nothing else to do. That is the delay which the dishonest debtor wants, so as to take as much benefit out of the land, he does not really want to save, as he can. When, however, all is said it is undeniable that even the honest "Kunbi" is in a tight corner and must be saved. But as I have shown he is not really the victim of the Bania, but the machinations of the more dishonest men of his own class. Hence, before we consider the remedy, we have to analyse the subject to which we want to apply the contemplated remedy. The subjoined Schedule A would show the possible branches of banking and money-lending, which I could think, we have to take into consideration for the purpose. The note at the end of the tree shows what we have to eliminate for

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relief. But, for careful consideration, we could only omit numbers 1 and 2, only so far as these provinces go, as those have little direct effect on the agriculture of the province. The most important institution under the head A is the Imperial Bank, for the simple reason that it is the banker to Government and has the use of all Government money without the payment of any interest and thus controls the money market in India. It does not, however, to any appreciable extent, cater for the needs of the cultivator in the cultivating season, though it helps the man who purchases and exports his crop. That too is done upon strictly limited credit, and not usually without the assurance of an endorsing shroff on its list of persons with cash credits. In fact the rupee banks, except such as are working under the Co-operative Credit Societies Act, use the deposits they gather in the mofussil more for catering the large industries in cities than for catering the cultivator even indirectly. Even to the co-operative banks the Imperial Bank would only advance monies upon valuable securities and not, I believe, upon any personal cash credit, at least not to any considerable extent. And all the above is on short term loans, which is not to the benefit of the cultivator. The co-operative banks working under special statute are, if I am right, not helped by the Government to any appreciable extent even with short credits, not even in times of stringency as this. The most perfect development of co-operative societies has been in Germany and in Italy copied by France. Even in the worst days of the great war, France was so much impressed with the development of the Co-operative Banks in Italy that in 1917 it advanced 12 million marks for the purpose and later raised that to 50 millions. If our Government does something like that it would be able to control usury more effectively than by any number of hebulous Acts. In the crop raising season it could stand as an endorsing shroff to the co-operative banks. There is one defect in the working of the co-operative banks which occurs to me, though I must admit that I have no knowledge of the practical working of the system. The same bank, as I have pointed in the schedule, works as a land mortgage bank and otherwise. The normal working of a bank must be on short credits and not long ones. So these two functions must be entirely separated. The real banking side of co-operative system should only deal in short credit loans in money and seed, to be redeemed from the crops upon which it should have the first statutory charge. The other side, namely, the land mortgage side, should deal in long term loans on security. And in either case there should be individual and not society accommodation. As matters stand, the big banks, and especially the Imperial Bank, are of no use to the cultivator who forms 80 per cent population of the country. They may have got vast resources for financing. But as the old Hindi adage goes, what is the use of the greatness and vastness of the store of water in the sea when the thirsty cannot quench their thirst in it. For them it is the small ponds which are really more useful than the vast sea, as they quench their thirst. And these ponds are the Banias. On this point I cannot do better than cite Mr. Gubbay, the late Financial Secretary to the Government and the Manager of the P. & O. Banking Corporation. I see no reason to doubt the commonly accepted view that both because these private Bankers can afford to pay attractive rates of interest, as well as because their requirements as to security are less rigid, their participation in the financial life of the community as a whole must be on a very extensive scale. Further, they are in intimate daily touch with those with whom they transact business, and can follow the doings of their clients with the closeness which is denied to the banks. There must be accumulated with these private bankers a store of knowledge and experience of the standing, moral as well as financial, and capacity of individual Indian trading firms, their business connections and relations on which if fully organized and systematized might, possibly quite suitably, rest on expansion of credit facilities from the banks. As things are, however, at present, the only link which we find between the Indian banker and the banks is supplied by the endorsing shroffs. I hope the above very pregnant remarks would give much thought to the committee. As matters stand there is no appreciable help to the needy and honest ryot from the Government or the Imperial Bank. The co-operative credit banks could only finance to a limited extent and that too to societies. It is the much maligned Bania who really takes extensive risks and finances on an extensive scale, and it is the indigenous system which stands in need of development to help the ryot than the foreign graft which should be developed for the trade.

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5. *Suggestions*—(a) From what I have said above it would be clear that the present need is not only to save the honest industrious ryot, but also the honest Bania, lest the ryot may not more and more be driven into the clutches of the unscrupulous usurer. Sir William Vincent in proposing to refer the Usurious Loans Bill to a Select Committee on the 20th February 1918 recognized the above necessity in the Legislative Assembly. So we have not only to tighten our grip upon Usury, but also open facilities to the honest lenders. One-sided action has always been followed by a retrograde reflex action foiling the beneficent purpose of a restrictive Act. The following suggestions occur to me in order to achieve the above objects.

(b) *For the debtor*.—(1) The maximum rate of interest should be fixed. In unsecured debts the limit may be 2 per cent per mensem and in secured cash debts the limit may be 1½ per cent per mensem, following the rule of Manu in Chapter VIII, sections 140-141. In grain the *sawai* is not usurious and even *didhi* when the Bania or the malguzar undertakes to provide good seed from year to year. For it must be noted that he has not only to provide the seed and grain for maintenance, out of season and in season, but takes all risks of preservation of seed. In lieu of the above accommodation the lender should be given a first charge upon the produce of the year. To entitle the court to give relief in really bad cases it should be required by law that every renewal of transaction must state the amount originally advanced. And fraud should be heavily penalized even to the extent of declaring a transaction absolutely void and of no effect.

(2) The anti-alienation laws should be repealed to the extent that mortgages upon land could be created upon restricted simple interest, e.g., 1 per cent per mensem, for strictly cash advances. It is no use tying up lands so as to deprive credit. The landlord in such cases should be given the right of pre-emption.

(3) Facilities should be created for the Bania and the co-operative societies on a larger scale to finance the raising of crops and for improvement of land.

(4) The rule of *Damdapat*, as it was understood under the Hindu Law for cash advances and three times (*Kan-tippat*) for grain advances, should be legalized for all. The rule of *Damdapat* as it stands at present is a modified English version of the Hindu Law. A creditor may recover as much interest as he can before suit. But at suit he could still claim double of what principal may be due at the date of suit. This interpretation is not correct.

(5) Capitalization of the ancestral debts by a new bond imposing personal liability against the son should be prohibited. A son and even a grandson and a great grandson cannot get over the sins of their forefathers owing to this evil.

(6) In case of court-sales of lands the Collector's powers should be vested in civil courts.

(7) Except in cases of hundis for commerce, advance interest and capitalization of the same in the inception should be penalized.

(8) The Provincial Insolvency Act should be suitably amended so as not to give accommodation to dishonest and idolent debtors.

(c) *Facilities and accommodation to the Bania*.—(1) Advances from Government fixed funds or co-operative banks for financing the ryot to raise crops and improve lands.

(2) Special legal facilities for recovery of short credit loans, advanced on low rate of interest, for agricultural, horticultural or cottage industry, or other such auxiliary agricultural purposes.

(Not usury in the strict sense, but converted into it.)

(27) Leases of land.

D  
Credit sale.

(30) Service bond.

(28) Commercial.

(29) Purchases for private consumption.

Pledges.

Agriculture or its auxiliary industry (without security).

Partly for old debt and part advance.

(18) For part consideration of sale of property.

(19) Short credit.

(20) Long credit.

(21) Money-lenders of Rohils and other such class lending at extortionate rates to men deprived in character and having no credit.

Industry.

(14) Imports and sales.

(15)

(13) Small scale (silk saris or cloth or cotton cloth, biris and local artisans, contracts).

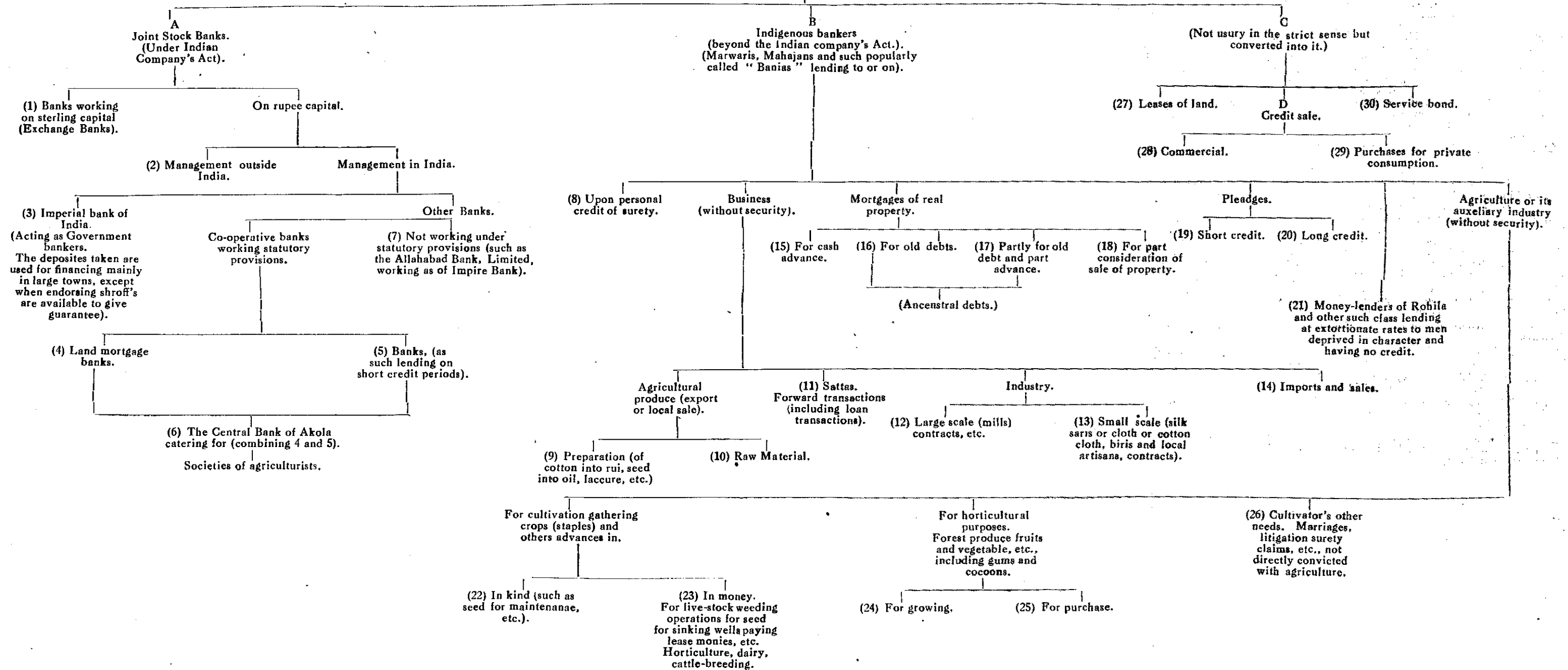
Natural  
uses.  
Use fruits  
oil, etc.,  
sums and  
uses.

(26) Cultivator's other needs. Marriages, litigation surety claims, etc., not directly connected with agriculture.

(25) For purchase.

SCHEDULE A.

INDIAN BANKING—(AND USURY).



NOTES.—(A) To be left out of account:—Nos. 1 and 2.  
(B) Require no present interference by law or courts as rate of interest depends on demand and supply and credit in market of borrower—3, 4, 5, 6, 7, 9, 10, 12, 14, 28.  
(C) Remaining requiring consideration. (out of these No. (C) is not usury in the strict literal sense of the term but in accounts is always converted into it).  
(D) Particularly No. 21, requires to be put down or controlled by some strict method, such as licenses, as being dangerous to society, No. (21).  
(E) Only that part of Nos. 15 to 20 need be taken into account which does not deal with limited liability industries (governed by the Indian Company's Act).

## SCHEDULE B.

*Statement of Seth Nathmal Banichand of Babhli, taluq Daryapur.*

Owns 150 tiffans of land, out of which 50 tiffans got within the last two years by foreclosure against his will. The 100 tiffans he had could be let for Rs. 6,000 about four years back. Now the letting value has gone down to Rs. 4,500. The assessment of the land is about Rs. 1,000. Five years back only about 1/10ths of the lease money used to be lost. Now it has risen to 25 per cent. Five years back hardly anybody went to the insolvency court. Now about 1/8th go. The prices of land have now come down to half. He has money-lending of about one lakh of rupees. Out of this, about Rs. 40,000 is advanced to men doing business at 10 to 12 annas per cent per mensem Rs. 60,000 lent out to cultivators at 1 per cent to 2 per cent. Five years back the yearly realizations used to be Rs. 20 to Rs. 25 thousand. Now they have gone down to Rs. 10 to Rs. 12 thousand. Five years back only about 20 per cent mortgagors had to be sued. Now that has risen to 60 to 65 per cent. Mortgage advances used to be 50 per cent of the value. In bond debts formerly about 20 per cent had to be sued. Now this is 40 per cent. The average interest realized is 1 per cent. 15 to 20 per cent debtors now seek the aid of insolvency courts. Has no other business, but the above. In admission cases full cost spent are got. And in contested cases on an average 75 per cent. An example in the fall of prices. Had advanced in 1923 Rs. 5,200 upon the mortgage of 15 acres of land. In 1928 the field was foreclosed for Rs. 9,800. The field is worth about Rs. 5,000 only now and is let for Rs. 275 only. Its assessment is Rs. 38. The revision survey has yet to be made. He used to pay Rs. 800 or so as income-tax two years back and now it has gone down to Rs. 380.

*Statement of Girdharil Jivansal of Hiwerbhed, Taluq Akot.*

Has Rs. 1½ lakhs invested in money-lending. Out of this, Rs. 15,000 are lent to men doing some business. Rates of interest charged is 1 per cent to 2 per cent per mensem.

Has Rs. 60,000 invested in mortgages or so.

Money-bonds Rs. 20,000 or so.

In ruzas Rs. 5,000 or so.

In pro-notes Rs. 30,000 or so.

Upon simple khata Rs. 10,000 or so.

Pays Rs. 500 income-tax now and formerly about Rs. 1,500 five years back. The mortgages are generally executed for previous unsecured debts due and some cash advance. Five years back the yearly realizations used to be about Rs. 50,000, now that has gone down to Rs. 4 to Rs. 10 thousand. For unsecured debts suits in about 10 per cent had to be filed previously, and now 30 to 40 per cent. For secured debts suits had to be filed up to 5 per cent formerly, but now up to 90 per cent. The abnormal rise in respect of the mortgage suits is due to the fact that generally 50 per cent of the value of land used to be advanced on mortgages of lands five years back. Since then the value has gone down by 50 per cent. So that now, while the mortgage amount doubles, and becomes equal to the value of the land which was at the time of the mortgage, the value of the land has now become actually less than the original amount of mortgage. Consequently, it is not worth while for debtors to redeem the land mortgaged, at double the current price. If the mortgagor has money he would rather purchase double the land independently than redeem half of it. Actually the debtors propose that they should be paid the costs of the prospective suits by the mortgagee and they would surrender the lands, if not they point out that the land would be foreclosed for the amount due and costs after a long time and in the mean time they would have the benefit of the land. So it is the creditor who is in a bad way no rather than the debtor in secured debts. Has 150 tiffans of land assessed to Rs. 1,800. The former letting value was about Rs. 25,000 out of which of the most about Rs. 5,000 failed. Now the lands could be let for Rs. 14,000 only and only about Rs. 10,000 are realized and that too because he is careful in selecting apparently reliable, lessees on low lease money. Formerly only about 1 to 2 per cent lessees sought the aid of the insolvency court. Now about 20 per cent seek that. Personally cultivates about 15 tiffans of land has ginning factories at Akot and Hiwerbhed, of which the former is now closed. The former is worth about Rs. 60,000.

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*An example of mortgage.*

Pendaram Patel of Saundad mortgaged 15 tiffans of land with him for Rs. 15,000, half the value, in 1922. In 1928 the dues on the mortgage were Rs. 21,600, and privately took 12½ tiffans in full satisfaction. The 12½ tiffans are now at the most worth about 12½ thousand and are let for Rs. 750 only.

*The condition of Hiwerkhed.*

There are about 550 kabjedars of lands, out of these 25 or so are without debt, 250 are indebted, but are solvent for that, about 75 are such who would not be able to pay at all. Says the condition in the surrounding villages is, however, not so good as that.

## SCHEDULE C.

*Proceedings in Insolvency under Act V of 1920.*

Class of Court.	Number dealt with.					Total.
	Year.	Presented during the year.			Received by transfer.	
		By debtors.		By creditors		
		Under arrest or imprisonment.	Not under arrest or imprisonment.			
1	2	3	4	5	6	7
Sub-Judge First Class, No. 3, Akola— (Jurisdiction—Akola, Mur-tizapur, Akot and Balapore taluqs.)	1925	10	269	14	...	293
	1926	12	323	66	...	401
	1927	10	307	118	...	435
	1928	90	444	110	4	648
	1929	134	341	94	...	569
Sub-Judge, First Class, Basim (Jurisdiction—Basim and Mangrul-Pir taluqs.)	1925	22	86	5	...	113
	1926	...	70	16	...	86
	1927	12	68	30	...	110
	1928	19	85	16	...	120
	1929	...	83	21	...	104
Total for Akola district.	1925	32	355	19	...	406
	1926	12	393	82	...	487
	1927	22	375	148	...	545
	1928	109	529	126	4	768
	1929	134	424	115	...	673

## SCHEDULE D.

## INSOLVENCY CASES IN 1929.

*Court of Sub-Judge, 1st Class, Akola (No. 3.)*

## Caste of Insolvents out of 569 applications.

Marathas	42	Carpenters	5
Kunbis	196	Kohti	1
Malis	35	Halwai	1
Telis	15	Kayastha	1
Mahars	57	Andh	3
Mange	4	Bhamtis	3
Rajputs	4	Chamhars	2
Deshmukhe	20	Boris	5
Barbers	8	Bhatias	5
Sonars	11	Labhanis	7
Lohar	1	Kumhars	3
Muslimans	48	Darnis	6
Rangeris	3	Marwaris	12
Dhangars	16	Bhawaars	3
Gowlis	4	Gosawis	4
Dhobis	4	Gondhalis	2
Bari	1	Takenkars	2
Brahmins	16	Kesar	2
Kalal	1	Wani	5

## SCHEDULE E.

*Table showing litigation in Akola district in 1929 in relation to population.*

Name of taluq.	Population 1921.	Suits instituted in 1929.	One suit for Persons.
Akola	163,708	3,309	49.5
Akot	139,904	2,268	61.7
Balapur	110,662	1,586	70.7
Basim	170,996	2,145	79.7
Mangrol	93,391	975	95.8
Murtizapur	119,883	1,802	66.5
<b>Total</b>	<b>798,544</b>	<b>12,065</b>	<b>66.2</b>



## SCHEDULE F.

Statistics about interest in some documents noted from disposed of cases from the Akola Civil Record Room.

Date of document.	Money-bond or mortgage. (B. or M.)	Amount.	Stipulated interest.	
			Original rate. (Simple—S.)	Default rate. (Compound—C.)
1	2	3	4	5
1901				
		Rs.	Rs. s. p.	Rs. s. p.
16-8-1893 ...	M.	1,000	1 0 0 per cent per mensem, S.	1 8 0 per cent per mensem, S.
12-6-1895 ...	M.	300	2 0 0 per cent per mensem, S.	None.
14-3-1890 ...	M.	200	2 0 0 per cent per mensem, S.	None.
24-6-1893 ...	M.	100	2 0 0 per cent per mensem, S.	None.
10-5-1894 ...	M.	1,000	1 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
9-4-1897 ...	M.	70	2 0 0 per cent per mensem, S.	None.
30-3-1889 ...	M.	1,300	2 0 0 per cent per mensem, S.	None.
25-6-1888 ...	M.	300	2 0 0 per cent per mensem, S.	None.
1902				
13-6-1895 ...	M.	200	2 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
24-1-1893 ...	M.	1,000	1 8 0 per cent per mensem, S.	1 8 0 per cent per mensem, S.
26-4-1894 ...	M.	2,800	1 0 0 per cent per mensem, S.	1 0 0 per cent per mensem, S.
26-7-1896 ...	M.	2,200	1 0 0 per cent per mensem, S.	1 0 0 per cent per mensem, S.
26-1-1890 ...	M.	1,750	1 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
27-12-1892 ...	M.	3,000	1 8 0 per cent per mensem, S.	1 8 0 per cent per mensem, S.
27-5-1895 ...	M.	835	1 8 0 per cent per mensem, S.	1 8 0 per cent per mensem, S.
16-3-1900 ...	M.	1,881	1 8 0 per cent per mensem, S.	1 8 0 per cent per mensem, S.
20-8-1893 ...	M.	299	2 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
17-8-1885 ...	M.	300	2 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.

## SCHEDULE F—contd.

Statistics about interest in some documents noted from disposed of cases from the Akola Civil Record Room—contd.

Date of document.	Money-bond or mortgage. (B. or M.)	Amount.	Stipulated interest.		
			Original rate. (Simple—S.)	Default rate. (Compound—C.)	
1	2	3	4	5	
1903					
		Rs.	Rs. a. p.		Rs. a. p.
9-3-1898 ...	M.	500	1 8 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.	
5-3-1897 ...	M.	1,000	1 0 0 per cent per mensem, S.	1 0 0 per cent per mensem, S.	
14-3-1888 ...	M.	186	2 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.	
26-5-1898 ...	M.	200	2 0 0 per cent per mensem, S.	3 0 0 per cent per mensem, S.	
8-6-1882 ...	M.	600	1 0 0 per cent per mensem, S.	1 0 0 per cent per mensem, S.	
1904.					
21-11-1899 ...	M.	600	1 4 0 per cent per mensem, S.	4 0 per cent per mensem, S.	
19-2-1900 ...	M.	500	1 0 0 per cent per mensem, S.	1 0 0 per cent per mensem, S.	
10-4-1900 ...	M.	33	0 0 6 per rupee.	None.	
21-5-1899 ...	M.	800	1 8 0 per cent per mensem, S.	None.	
18-8-1896 ...	M.	10	2 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.	
13-12-1901 ...	M.	48	1 8 0 per cent per mensem, S.	1 8 0 per cent per mensem, S.	
18-6-1902 ...	M.	30	2 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.	
8-5-1894 ...	M.	200	2 0 0 per cent per mensem, S.	3 0 0 per cent per mensem, S.	
11-2-1894 ...	M.	700	1 8 0 per cent per mensem, S.	1 8 0 per cent per mensem, S.	
10-8-1900 ...	M.	20	2 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.	
1905 and 1906.					
7-10-1893 ...	M.	500	2 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.	
4-9-1894 ...	M.	281	2 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.	
28-3-1901 ...	M.	500	1 4 0 per cent per mensem, S.	1 4 0 per cent per mensem, S.	
18-4-1899 ...	M.	375	2 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.	

## SCHEDULE F—contd.

Statistics about interest in some documents noted from disposed of cases from the Akola Civil Record Room—contd.

Date of document.	Money bond or, mortgage, (B. or M.).	Amount.	Stipulated interest.	
			Original rate. (Simple—S.)	Default rate. (Compound—C.)
1	2	3	4	5
<b>1905 and 1906—concl'd.</b>				
Rs. Rs. s. p.				
30-6-1902 ...	M.	315	1 8 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
14-10-1902 ...	M.	2,180	1 8 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
20-3-1901 ...	M.	575	2 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
4-2-1900 ...	M.	33	2 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
8-7-1902 ...	M.	50	2 0 0 per cent per mensem, S.	3 0 0 per cent per mensem, S.
3-4-1900 ...	M.	100	2 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
22-9-1904 ...	M.	1,500	1 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
<b>1907.</b>				
8-6-1903 ...	M.	300	2 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
26-4-1904 ...	M.	400	2 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
9-4-1904 ...	M.	1,150	0 12 0 per cent per mensem, S.	1 8 0 per cent per mensem, S.
26-2-1904 ...	M.	12	1 8 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
26-10-1903 ...	M.	2,500	1 0 0 per cent per mensem, S.	1 8 0 per cent per mensem, S.
<b>1908.</b>				
30-6-1906 ...	M.	381	2 0 0 per cent per mensem, S.	3 0 0 per cent per mensem, S.
10-1-1905 ...	M.	300	1 8 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
21-8-1894	M.	2,500	0 8 0 per cent per mensem, S.	1 0 0 per cent per mensem, S.
20-5-1903 ...	M.	2,100	2 0 0 per cent per mensem, S.	3 0 0 per cent per mensem, S.
20-5-1903 ...	M.	500	1 8 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
12-12-1903 ...	M.	1,435 decree.	7 kists default.	1 8 0 per cent per mensem, S.
20-11-1903 ...	M.	500	1 8 0 per cent per mensem, S.	None.

## SCHEDULE F—contd.

Statistics about interest in some documents noted from disposed of cases from the Akola Civil Record Room—contd.

Date of document.	Money bond or mortgage. (B. or M.)	Amount.	Stipulated interest.	
			Original rate (Simple—S.)	Default rate. (Compound—C.)
1	2	3	4	5
1908—concl'd.				
		Rs. Rs. a. p.		Rs. a. p.
16-1-1901 ...	M.	900	Instalment.	2 0 0 per cent per mensem, S.
3-6-1896 ...	M.	450	Instalment.	2 0 0 per cent per mensem, S.
21-6-1899 ...	M.	500	1 0 0 per cent per mensem, S.	None.
11-4-1896 ...	M.	4,750	Instalment.	1 2 0 per cent per mensem, S.
4-6-1901 ...	M.	10,000	1 0 0 per cent per mensem, S.	None.
30-4-1905 ...	M.	4,000	1 0 0 per cent per mensem, S.	None.
17-1-1900 ...	M.	8,481	Instalment.	1 0 0 per cent per mensem, S.
17-1-1894 ...	M.	3,000	1 0 0 per cent per mensem, S.	None.
20-12-1902 ...	M.	3,000	1 0 0 per cent per mensem, S.	None.
19-6-1902 ...	M.	3,975	1 0 0 per cent per mensem, S.	1 8 0 per cent per mensem, S.
21-11-1903 ...	M.	3,000	1 2 0 per cent per mensem, S.	None.
1909.				
19-6-1906 ...	M.	400	1 4 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
2-5-1907 ...	M.	750	1 4 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
31-1-1905 ...	M.	500	2 0 0 per cent per mensem, S.	3 0 0 per cent per mensem, S.
24-2-1906 ...	M.	500	1 12 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
13-3-1904 ...	M.	400	1 12 0 per cent per mensem, S.	3 0 0 per cent per mensem, S.
15-8-1907 ...	M.	1,500	1 4 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
21-5-1905 ...	M.	1,500	1 8 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
19-8-1907 ...	M.	200	2 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
20-1-1905 ...	M.	400	1 4 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
3-5-1907 ...	M.	1,500	2 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.

SCHEDULE F—*con.d.*

Statistics about interest in some documents noted from disposed of cases from the Akola Civil Record Room—*contd.*

Date of document.	Money-bond or mortgage. (B. or M.)	Amount.	Stipulated interest.	
			Original rate. (Simple—S.)	Default rate. (Compound—C.)
1	2	3	4	5
1910.				
		Rs.	Rs. a. p.	Rs a. p.
6-1-1890	M.	1,500	1 0 0 per cent per mensem, S.	None.
7-4-1904	M.	590	2 0 0 per cent per mensem, S.	None.
13-4-1899	M.	1,100	1 0 0 per cent per mensem, S.	None.
18-2-1905	M.	300	2 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
21-1-1901	M.	561	1 0 0 per cent per mensem, S.	1 0 0 per cent per mensem, S.
9-4-1908	M.	500	1 12 0 per cent per mensem, S.	3 0 0 per cent per mensem, S.
29-3-1907	M.	400	1 8 0 per cent per mensem, S.	1 0 0 per cent per mensem, S.
1-2-1808	M.	950	1 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
9-4-1897	M.	3,600	1 4 0 per cent per mensem, S.	1 4 0 per cent per mensem, S.
1-4-1889	M.	5,200	1 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
6-4-1906	M.	4,000	2 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, C.
1911.				
4-1-1906	M.	700	2 0 0 per cent per mensem, S.	None.
1-3-1907	M.	300	1 12 0 per cent per mensem, S.	None.
9-5-1904	M.	400	1 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
1-7-1885	M.	500	2 0 0 per cent per mensem, S.	None.
27-4-1906	M.	550	1 12 0 per cent per mensem, S.	None.
11-9-1896	M.	276	1 0 0 per cent per mensem, S.	None.
27-3-1906	M.	300	2 0 0 per cent per mensem, S.	None.
6-5-1908	M.	500	1 8 0 per cent per mensem, S.	1 8 0 per cent per mensem, S.
28-11-1900	M.	2,750	2 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.

SCHEDULE F—contd.

Statistics about interest in some documents noted from disposed of cases from the Akola Civil Record Room—contd.

Date of document,	Money-bond or mortgage. (R. or M.)	Amount.	Stipulated interest.	
			Original rate. (Simple—S.)	Default rate. (Compound—C.)
1	2	3	4	5
1911—concl'd.				
		Rs.	Rs. a. p.	Rs. a. p.
25-4-1906 ...	M.	3,500	1 0 0 per cent per mensem, S.	1 0 0 per cent per mensem, S.
13-1-1903 ...	M.	6,000	1 0 0 per cent per mensem, S.	1 4 0 per cent per mensem, S.
5-8-1907 ...	M.	6,000	1 0 0 per cent per mensem, S.	None.
1912.				
19-10-1904 ...	M.	200	2 0 0 per cent per mensem, S.	None.
17-2-1895 ...	M.	675	2 0 0 per cent per mensem, S.	None.
29-5-1909 ...	M.	150	3 0 0 per cent per mensem, S.	None.
27-5-1889 ...	M.	200	2 0 0 per cent per mensem, S.	None.
6-5-1905 ...	M.	29	2 0 0 per cent per mensem, S.	None.
19-1-1899 ...	M.	260	2 0 0 per cent per mensem, S.	None.
14-5-1910 ...	M.	195	2 0 0 per cent per mensem, S.	None.
5-10-1889 ...	M.	3,000	1 0 0 per cent per mensem, S.	None.
22-9-1899 ...	M.	2,500	0 12 0 per cent per mensem, S.	1 8 0 per cent per mensem, S.
9-4-1907 ...	M.	10,000	1 4 0 per cent per mensem, S.	1 8 0 per cent per mensem, S.
1913.				
23-7-1907 ...	M.	4,000	1 4 0 per cent per mensem, S.	1 4 0 per cent per mensem, S.
12-4-1910 ...	M.	400	1 8 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
29-4-1908 ...	M.	250	2 0 0 per cent per mensem, S.	3 0 0 per cent per mensem, S.
3-2-1908 ...	M.	400	1 12 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
8-6-1905 ...	M.	80	2 0 0 per cent per mensem, S.	None.
25-6-1907 ...	M.	50	2 0 0 per cent per mensem, S.	None.

Mr. D. V. PARANE.

## SCHEDULE F—contd.

Statistics about interest in some documents noted from disposed of cases from the Akola Civil Record Room—contd.

Date of document.	Money-bond or mortgage. (B. or M.)	Amount.	Stipulated interest.	
			Original rate. (Simple—S.)	Default rate. (Compound—C.)
1	2	3	4	5
1913—concl'd.				
		Rs.	Rs. s. p.	Rs. a p.
14-9-1910	M.	3,000	2 0 0 per cent per mensem, S.	None.
4-7-1912	M.	250	1 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
14-9-1909	M.	950	1 8 0 per cent per mensem, S.	1 8 0 per cent per mensem, S.
6-8-1896	M.	1,200	0 8 0 per cent per mensem, S.	1 0 0 per cent per mensem, S.
1914.				
6-8-1907	M.	475	1 8 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
9-10-1912	M.	100	3 0 0 per cent per mensem, S.	None.
17-7-1908	M.	371	2 0 0 per cent per mensem, S.	None.
12-1-1907	M.	30	2 0 0 per cent per mensem, S.	3 0 0 per cent per mensem, S.
2-5-1905	M.	60	2 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
15-3-1913	M.	200	2 0 0 per cent per mensem, S.	3 0 0 per cent per mensem, S.
25-4-1906	M.	125	1 8 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
13-2-1910	M.	1,000	1 8 0 per cent per mensem, S.	3 0 0 per cent per mensem, S.
1-3-1907	M.	1,000	1 0 0 per cent per mensem, S.	None.
16-3-1911	M.	3,000	1 8 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
1915.				
5-6-1912	M.	150	1 0 0 per cent per mensem, S.	None.
14-2-1910	M.	100	2 0 0 per cent per mensem, S.	3 0 0 per cent per mensem, S.
21-4-1913	M.	50	1 8 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
5-6-1909	M.	200	1 8 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.

## SCHEDULE F—contd.

Statistics about interest in some documents noted from disposed of cases from the Akola Civil Record Room—contd.

Date of document.	Money-bond or mortgage. (B. or M.)	Amount.	Stipulated interest.	
			Original rate. (Simple—S.)	Default rate. (Compound—C.)
1	2	3	4	5
1915—concl'd.				
			Rs.	Rs. a. p.
4-5-1903 ...	M.	300	2 0 0	per cent per mensem, S.
19-4-1911 ...	M.	200	1 8 0	per cent per mensem, C.
13-5-1913 ...	M.	600	1 0 0	per cent per mensem, S.
2-7-1909 ...	M.	1,000	1 0 0	per cent per mensem, S.
8-5-1912 ...	M.	1,500	1 0 0	per cent per mensem, S.
24-8-1901 ...	M.	1,400	1 0 0	per cent per mensem, S.
				Rs. a. p.
				None.
				2 0 0 per cent per mensem, S.
				3 0 0 per cent per mensem, S.
				1 0 0 per cent per mensem, C.
				2 0 0 per cent per mensem, S.
				2 0 0 per cent per mensem, S.
1916.				
3-4-1913 ...	M.	250	1 4 0	per cent per mensem, S.
3-4-1906 ...	M.	450	2 0 0	per cent per mensem, S.
10-11-1915 ...	M.	100	2 0 0	per cent per mensem, S.
5-2-1898 ...	M.	4,000	1 8 0	per cent per mensem, S.
				None.
1917.				
27-1-1906 ...	M.	95	1 0 0	per cent per mensem, S.
24-7-1916 ...	M.	235	1 0 0	per cent per mensem, S.
24-3-1914 ...	M.	215	1 12 0	per cent per mensem, S.
				2 0 0 per cent per mensem, S.
				2 0 0 per cent per mensem, S.
1918.				
15-12-1915 ...	M.	700	1 8 0	per cent per mensem, S.
20-2-1912 ...	M.	300	1 4 0	per cent per mensem, S.
5-5-1909 ...	M.	900	1 8 0	per cent per mensem, S.
16-8-1909 ...	M.	5,000	1 0 0	per cent per mensem, S.
				3 0 0 per cent per mensem, S.
				2 0 0 per cent per mensem, S.
				1 0 0 per cent per mensem, C.
				2 0 0 per cent per mensem, C.



## SCHEDULE F—contd.

Statistics about interest in some documents noted from disposed of cases from the Akola Civil Record Room—contd.

Date of document	Money-bond or mortgage (B. or M.)	Amount	Stipulated interest.	
			Original rate. (Simple—S.)	Default rate. (Compound—C.)
1	2	3	4	5
1919.				
19-7-1914 ...	M.	600	1 0 0 per cent per mensem, S.	1 0 0 per cent per mensem, S.
19-1-1914 ...	M.	200	1 4 0 per cent per mensem, S.	3 0 0 per cent per mensem, S.
11-3-1912 ...	M.	100	1 8 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
15-2-1916 ...	M.	6,700	2 0 0 per cent per mensem, C.	None.
1920.				
14-7-1917 ...	M.	1,500	1 4 0 per cent per mensem, C.	2 0 0 per cent per mensem, C.
14-4-1913 ...	M.	1,500	1 4 0 per cent per mensem, S.	1 8 0 per cent per mensem, S.
30-7-1913 ...	M.	1,300	1 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
6-4-1917 ...	M.	3,000	1 0 0 per cent per mensem, C.	3 0 0 per cent per mensem, C.
1921.				
8-5-1913 ...	M.	2,000	1 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
24-11-1917 ...	M.	1,100	2 8 0 per cent per mensem, S.	2 8 0 per cent per mensem, S.
11-5-1915 ...	M.	600	2 0 0 per cent per mensem, S.	2 8 0 per cent per mensem, C.
23-1-1915 ...	M.	5,000	1 0 0 per cent per mensem, C.	2 0 0 per cent per mensem, C.
1922.				
13-9-1918 ...	Ruju	2,000	0 12 0 per cent per mensem, S.	None.
27-2-1919 ...	Bond	2,400	0 12 0 per cent per mensem, S.	0 14 0 per cent per mensem, S.
30-1-1910 ...	M.	3,000	0 10 0 per cent per mensem, S.	0 12 0 per cent per mensem, S.
14-4-1915 ...	M.	2,600	1 0 0 per cent per mensem, S.	None.
28-4-1919 ...	M.	2,500	1 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, C.

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## SCHEDULE F—concl'd.

Statistics about interest in some documents noted from disposed of cases from the Akola Civil Record Room—concl'd.

Date of document.	Money-bond or mortgage (B. or M.)	Amount.	Stipulated interest.	
			Original rate, (Simple—S.)	Default rate (Compound—C.)
1	2	3	4	5
		Ra.	Ra. a. p.	Ra. a. p.
			1923.	
22-12-1919 ...	Ruju	3,247	1 4 0 per cent per mensem, S.	None.
14-8-1922 ...	Pro-note	20,000	0 10 0 per cent per mensem, S.	None.
31-7-1922 ...	Pro-note	5,000	1 8 0 per cent per mensem, S.	None.
22-3-1920 ...	Pro-note	1,300	1 4 0 per cent per mensem, S.	None.
			1924.	
21-2-1919 ...	M.	3,000	1 2 0 per cent per mensem, S.	None.
8-4-1914 ...	M.	4,950	1 4 0 per cent per mensem, S.	None.
6-4-1920 ...	M.	2,200	1 8 0 per cent per mensem, S.	None.
			1925.	
20-6-1922 ...	Bond	2,800	1 0 0 per cent per mensem, S.	None.
31-8-1924 ...	Pro-note	7,514	1 4 0 per cent per mensem, S.	None.
15-7-1912 ...	M.	2,500	1 0 0 per cent per mensem, S.	2 0 0 per cent per mensem, C.
10-7-1917 ...	M.	4,000	1 0 0 per cent per mensem, C.	1 8 0 per cent per mensem, C.
			1926.	
13-6-1924 ...	M.	4,000	1 4 0 per cent per mensem, S.	3 0 0 per cent per mensem, C.
15-5-1922 ...	M.	3,000	1 4 0 per cent per mensem, S.	2 0 0 per cent per mensem, S.
17-2-1921 ...	M.	2,000	3 0 0 per cent per mensem, S.	None.
			1927.	
5-5-1925 ...	M.	3,500	1 8 0 per cent per mensem, S.	3 0 0 per cent per mensem, S.
26-5-1924 ...	M.	3,500	1 6 0 per cent per mensem, S.	3 0 0 per cent per mensem, C.
16-10-1921 ...	M.	3,000	2 0 0 per cent per mensem, S.	1 0 0 per cent per mensem, S.

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## Oral Evidence.

*Akola, the 7th February 1930.*

*Chairman:* Could you tell us, in the first instance, what percentage of the population comes into the civil courts as a rule?—It is different in the different taluqs. The percentage for the Akola district, as is shown in the statement attached to my note, is less than 2 per cent.

How many of these suits, do you think, are suits for recovery of loans?—Probably 75 per cent, including mortgage transactions also, but not lease monies.

The conclusion to be drawn then is either one of two things; either only a very small percentage of the population are indebted or else only a small proportion of the persons who borrow money are brought to the courts for recovery?—I agree that the latter is the case.

You will also agree, I think, that the courts see only the worst cases of money-lending debts or cases in which debts cannot be recovered without resorting to law?—Yes, of course.

Therefore the members of the bench and the bar are likely to see the worst side of the business of money-lending?—Yes, it is correct.

It is quite possible that a legal practitioner, who collects his information from his clients, may obtain an exaggerated idea of the real nature of indebtedness in his district?—Yes.

He may also obtain an unfavourable idea with regard to the methods adopted by indigenous bankers and money-lenders?—Yes.

You will also agree that those money-lenders who only charge a low rate of interest and temper justice with mercy in their recoveries will not come to courts very often?—They will come to courts only as an extreme measure.

What would you recommend with regard to the Usurious Loans Act? A complaint is being made by many persons that full use of the Act is not being made. What is your opinion?—My opinion is that though the Act is very defective, fullest relief possible is now being given under it. Better relief cannot be given until the Act is recast on some definite lines, as suggested by me.

It has been stated before us by certain persons that there is a large number of persons who make fraudulent use of the Insolvency Act and who make applications in insolvency in order to defraud the creditors?—That is a fact. Because upon the application of a debtor there are practically no bars placed which could prevent a dishonest debtor from jumping his debts.

Do you not think that the law, as it exists, is sufficient to deter persons from committing these frauds?—I do not think so.

Have you suggested any amendment of the law whereby fraudulent applications could be avoided?—Yes.

Would you like to amplify this?—I do not know whether the attention of this committee has been drawn to the remarks of the Civil Justice Committee in Chapter XIV of their report upon the working of the Insolvency Act of 1920; but I should like to point out that this report was written so soon after the passing of the present Act, that the Civil Justice Committee had not the advantage of examining the working of the Act in practice. The Civil Justice Committee were unduly optimistic with regard to this Act. As a matter of fact, it is defective in many ways, as has been pointed out by the Chambers of Commerce. My suggestions for improvement are as follows:—

*Section 6 (c).*—It anticipates full enquiry before adjudication which should in fact be consequent on adjudication under section 54 of the Act. The following sub-clause should be inserted in its place:—“If, in British India or elsewhere he makes a transfer of his property giving undue preference to some creditor so as to leave not enough to meet the debts of other creditors appreciably—leaving negligible assets for other creditors” should be added at the end.

*Sections 9 and 10.*—It is complained that the provision in section 10 that the debtor must prove that he is unable to pay his debts must apply to a creditor also in section 9. The application of a creditor is much restricted by the provisions of section 6, while the very presentation of a petition is regarded

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as an act of insolvency for the debtor. In section 25 there is already the safeguard for the debtor, even in the case of petition by a creditor, to prove that he is able to pay his debts. A penalty against frivolous applications is provided in section 26.

The main trouble, in my opinion, is that this Act has been poorly drafted and its provisions have not been properly arranged. The Civil Justice Committee have admitted that this Act is hardly understood. This is not surprising, because the Act, as now drafted, is very difficult to understand.

**Section 10 (2).**—This should be made more strict. What the dishonest debtors, who want to get over their debts, do is to apply in insolvency and tide over the executions against them and let the application lapse for default. The section should prohibit fresh application in such cases. It is very common for debtors imprisoned in civil jail to make a petition, in order to get out and then go straight home without taking any further action to prosecute the same. Also stricter proof of inability to pay should be required. It should even be required to show that payment cannot be done by prolonged honest efforts and the debtor must show that he did make payments within his power and that he was forced into insolvency by adverse circumstances over which he had no control and that his misfortune is not the result of deception and debauchery. No quarter should be given to men who make it their business to borrow from unsuspecting creditors and then stand before the Insolvency Court. There are a number of instances in which moral wrecks and dishonest men deceive creditors and make successive applications for adjudication. As the Civil Justice Committee remarked the Act should not be used as a "debt-paying-made-easy" contrivance.

**Section 16.**—The words "other" and "in the case of petitioning creditors" should be omitted, so that the section would be applicable to petitions by debtors. This would stop the mischief stated by me in section 10 (2) above.

**Section 19 (3).**—Notice through registered post should be made good in default of first attempt in service, as is the case with creditors. This would save much delay in disposal owing to evasion of service by debtors.

**Section 28 (2).**—The principle of *lis pendens* (section 52, Transfer of Property Act) should apply upon the presentation of a petition and the provisions to the contrary under section 55 should be repealed. This is necessary as in a number of cases when a debtor scents the intention of creditors to file application he prepares a number of ante-dated pro-notes in favour of friends and relatives and transfers property to them in consideration of the bogus debts, and it goes very difficult to prove bogusness and avoid transfers under sections 53 and 54. The amendment would not prejudice a *bona fide* transferee for debts as upon annulment of his transfer he would be in the same position as other unsecured creditors.

**Section 28 (5).**—The prohibited property under section 60 of the Civil Procedure Code and also unalienable property under other laws should, however, be taken into account to determine for the purposes of section 25 whether from the normal income upon normal work the debtor can meet his debts to any extent or not. As matters stand at present a dishonest debtor has only to scatter his attachable property among his relations and stand before the court to get over his debts. He must be made to pay to the uttermost farthing of his capacity the actual advances taken by him with 6 per cent per annum interest, unless he can prove that he is the victim of circumstances beyond his control. Section 61 (6) should be suitably amended so as not to harbour men who want to get over their debts dishonestly without any payment and would take again to the same life of indolence and debauchery. It is ever noticed that in order to enable them to make applications such men swell their debts on paper to the required Rs. 500 under section 10 by executing bogus pro-notes to their relations or friends.

**Section 37.**—Where annulment is made owing to default of the insolvent in applying for discharge within time, the court should not stop gathering the assets for the benefit of the creditors.

**Section 47.**—This should be reframed. It is not fair that a man who secured his debt should be placed in a better position than the man who relied on personal credit and was all the more deceived. If the secured creditor wants to come in,

he should be allowed to come in for his balance after unsecured creditors are fully paid up. In fact, no secured creditor should be allowed to come in before the unsecured creditors have been fully satisfied, unless he can prove that his security has been destroyed otherwise than by a foreclosure or sale by a prior encumbrancer.

*Section 53.*—There has been a lot of correspondence between the Government of India and the High Courts. In this section the words "is adjudicated insolvent within two years" are construed by our High Court (*Bhagwant v. Manimkhan*, 6 N. L. R., 146) to mean from the date of petition. The Punjab High Court has construed this to mean from the date of order of adjudication. A petition may continue long enough to put a bogus transfer beyond two years of adjudication for no fault of the creditor, which is not fair to him.

*Section 54.*—This section is ambiguous. The receiver has to prove that there was no pressure brought upon the debtor before he gave preference to a particular creditor. It is beyond his means to do so. A transaction should, if so, be held void against the receiver if it is within three months of the application and a clear undue preference. So the words "fraudulent and" be eliminated.

*Sections 69 and 70.*—A copy of the Insolvency Act should be provided to each magistrate of the first class and penalty inflicted by the courts should be more strict.

*Section 74.*—Trial of summary cases may be given to Sub-Judges, second class, in the mofussil, so that there may not be much pressure of work upon the judge trying important cases. Moreover, indigent debtors should not be made to make long journeys and creditors to incur unnecessary expenses. Summary cases rarely involve intricate questions.

*Vice-Chairman:* We have been told that the Usurious Loans Act is not used sufficiently, because of the absence of an authoritative pronouncement as to the fair rate of interest?—That is so I think.

What prevents the judges from using their own discretion and arriving at such figures on the basis of local conditions?—It is not practicable. Please *vide* last portion of paragraph (2) of my note.

MR. V. K. SOMAN, Honorary Secretary, Central  
Co-operative Bank, Mehkar.

Reply to the Questionnaire.

QUESTION 1.—The agriculturists obtain finance for objects mentioned in (a), (b) and (c) on promissory notes, bonds, mortgages, by occasionally selling a portion of their property, or by becoming members of co-operative societies. In my district, the practice of advancing money on the security of standing crops does not exist. In rare cases, however, standing crops are sold and purchased; cotton crops for cash and grain crops for grain consideration. Agricultural finance is mostly restricted to co-operative banks and indigenous bankers. Government advances a small sum as *taccavi*, but the Imperial and joint stock banks do not finance the cultivator at all. It is difficult to give an approximate estimate of the total amount of capital required for the aforesaid purposes, but it will not be wrong to calculate the total capital required at Rs. 5 to Rs. 7 per acre of the cultivated land. Seed grain is advanced on the *sawai* or *dedhi* system. In bad years when prices of grain rise, this system proves ruinous to the cultivator. In good years, however, the cultivator gains under this system. Therefore all transactions should be in cash. The practice of mortgaging crops or the system of *lavani* has almost disappeared from the district and therefore the disposal of crops is not affected by the advances taken. The agriculturists have, however, to sell their crops for any price owing to demands of several sowkars at the time of harvest and thus they suffer loss.

QUESTION 2.—The following are the ways in which crops are disposed of. Crops are given to sowkars in repayment of their debts or are sold to merchants or are taken to the neighbouring cotton market or as a last resort, if favourable rates are not offered, they are taken to a place like Khamgaon where they are sold through a *dalal* or an *adatyas*. The agriculturists would be benefited if an effort is made for the sale of crops on co-operative basis. In several places such attempts have been made and these can be resorted to more extensively. How to obtain loans is explained in question 1. I have no personal experience in business, but have got bookish knowledge. In selling raw material purchaser, *dalal* and the agriculturists are the main factors. Bankers have little to do with it. But in cases in which cotton is ginned and baled before sale, bankers, *adatyas*, factory-owners and *dalals* come in. Internal remittances are done by money orders, *akdas*, *hundis*, cheques, telegraphic money orders, remittance transfer receipts, drafts and insured covers. Out of these, money orders and insurance system are usually adopted. Merchants get the advantage of other systems. The commission rates of money orders are excessive in the eyes of the public in general and they should be reduced. If it is feasible, cheques should be issued by village post offices for the convenience of the public, but care should be taken that there is no competition with the banks. Public in general cannot take as much advantage of insurance system as they should, owing to various difficulties. *Hundis* are of the following kinds:—

- (1) Akda hundi is discounted only in a place named in it, e.g., a man from Mehkar draws a hundi on a firm at Khamgaon and it cannot be discounted elsewhere;
- (2) Shahajog hundi is just like bearer cheque;
- (3) Dhanjog hundi is just like order cheque;
- (4) Nishani hundi is also one of the kind; and
- (5) Mudati hundi.

*Hundis* are generally drawn on Bombay firms only as the trade connections are with that place and it can be discounted at any place if it is sent through some *adatyas*. No difficulty is felt in hundi business as they can be sold. *Adatyas* sell the *hundis* in market or send them to Bombay for crediting them in their accounts. In big centres of business there are *dalals* who deal in hundi businesses only. The rates of *hundis* are always fluctuating. No difficulty is felt in such transactions. In this tract the sowkars give loans on goods (cotton) kept in their godowns after insuring them in the name of the sowkar. If the cotton is to be baled, the bill for the same is made in the name of the sowkar. The goods are sold by the *adatyas* of the sowkar. Money is raised on railway receipts only by merchants having dealings with Bombay firms. The principal crop of this tract is cotton and it is very essential in the interest of the agriculturists that the cotton is sold when the rates are high or when convenient to the cultivator.

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For this purpose it is absolutely necessary to advance loans on the security of goods at moderate rate of interest. This system cannot be adopted by the bankers or banks in their present condition, but as it is absolutely necessary the Government should see their way to give financial support or other facilities to make the scheme a success. This will not succeed without the help of the Government. The Egyptian Government is preparing a scheme which has been published in the *Times of India*. The very scheme or the like of it should be introduced by this Government. It is also desirable to know about American cotton cheque system.

QUESTION 3.—The rate of land per acre ranges from Rs. 50 to Rs. 300 and some of the lands are valued at the rate of Rs. 500 to Rs. 1,500 per acre. But these are exceptions.

The following regulate the prices of land:—

- Importance of the village.
- Situation of land.
- Prosperity of agriculturists.
- Mango trees and well in the fields.
- Market rates of the produce.

(a) It is not a fact that when fields are auctioned they fetch low prices. Price depends on the above mentioned points. If the auction is held in the village and the bidders are few, the bids are generally low.

(b) The price of the land depends on the above points when it is auctioned under attachments. If an auction is unseasonal, it does not fetch a good price.

(c) The prices of lands which are sold by private negotiations depend on the need of the purchaser, right of preemption and convenience of the purchaser.

QUESTION 4.—Ryotwari system being in force in this tract there arises no difficulty in mortgaging land. Only inam and jagir lands cannot be mortgaged. There are no banks in this province which advance loans on mortgages. It is absolutely necessary that land mortgage bank should be started in the province. If some facilities are given to sowkars who advance money on mortgages and if an attempt is made to organize them, Government can solve this problem without much risk and responsibility. For this purpose the Government should help sowkars in advancing loans.

QUESTION 5.—I examined the records in the year 1927 of loans given to members of co-operative societies with the following results:—

There were 1,100 members who owned 35,500 acres of land valued at Rs. 31½ lakhs. The land revenue for the same was Rs. 28,500. The total secured and unsecured debt was Rs. 11,20,000 out of which Rs. 4,70,000 was secured and rest unsecured. The inspection of records was for the years 1922 to 1927. The price of the land was estimated at the current rates. Figures for the debts given by members were accepted. Presuming these facts to be correct, the average debt per cultivator comes to Rs. 1,000. Taking the average family to consist of 5 persons, the debt would be 2½ to 3 crores of rupees in our taluq with a population of 15,000 persons. The calculation may be mistaken. Debt per acre comes to Rs. 32, and while the value of land comes to Rs. 90 per acre, the total debt can be estimated by inspection of civil suits, copies of mortgage bonds in registration offices and stamp papers up to Rs. 2 sold for mortgage bonds, etc. Agriculturists usually obtain loans from local sowkars. There is a very little proportion of Government loans. Debts on mortgages get doubled by rule of *Dam Dupat*. Extravagance, living beyond means, repeated failure of crops, tendency of not doing any work, vices, bad company, dishonesty, all these lead to indebtedness. Sowkars, amongst themselves, charge interest on *batmiti* system. In some places interest is charged in a lump sum. Stamped receipts are not passed, nor are the documents which have been satisfied returned. Day by day recovery of loans is becoming difficult as the practice of making bogus documents and the habit of defeating sowkars' claims are extensively increasing. Inclination to become insolvent is gaining ground. Civil courts are always against the sowkars. Litigation in civil courts is becoming costly. To obtain a decree against a person is an easy matter, but to execute it is very difficult. Unless the questionable practices prevailing in civil courts are stopped, recovery of loans would become more and more difficult. Many efficient farmers have turned

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to tenants due to old debts. In Berar there are frequent bad years, people hesitate to take land on lease or cultivate it in partnership. There is a general tendency to work on fields as labourers and this has adversely affected cultivation.

**QUESTION 6.**—In this tract there are no subsidiary industries allied or supplemental to agriculture. Gur-making and gardening are done by a few farmers on a small scale due to the scarcity of water. Formerly, the farmers used to prepare ropes for their own use. This has been given up. It is essential that spare time occupations with a view to supplement the income from agriculture should be devised, there being no demand for garden produce and for want of marketing facilities, gardening is not paying. People, therefore, do not do it on a large scale. Wild animals damage the garden crops and the cultivator has to suffer great loss. Spinning, rope-making, weaving and milk and ghee-selling are the industries which can be encouraged at the present time. Advantages of co-operative purchase and sale should be impressed on the minds of agriculturists and co-operative purchase and sale societies should be established. Unless sufficient facilities and loans are granted, no new experiment would be successful.

**QUESTION 7.**—The relations between the co-operative bank and the Imperial Bank are quite cordial. Co-operative societies can obtain sufficient short-term loans on low rate of interest, but long-term loans cannot similarly be obtained. For this reason these societies have not been able to make as much progress as they should have made. For the same reason they could not do as much good to the agriculturists as was expected. It is not possible to satisfy the demand of the co-operative societies for money owing to heavy indebtedness of the people. Whatever amount is given will fall short of their requirements. There is only one branch of the Imperial Bank in our district and therefore the question of compensation between Co-operative and Imperial Bank does not arise. Co-operative movement must get financial support. If Government recognizes well established co-operative banks, they can demand, as of right, all the funds of local bodies as deposits. It is very essential that land mortgage banks should be established. Therefore the debenture issued by the Provincial co-operative banks should be recognized. In our district co-operative movement has helped the agriculturists only. It could not help artisans. If this movement can obtain long-term loans on moderate rate of interest, it will facilitate granting loans to industrial workers as well. We cannot say anything about Usurious Loans Act as it is not in force in our tract.

## Part II—Indigenous Banking.

**QUESTION 1.**—In my district there are no indigenous banks, but there are bankers. These bankers lend money on promissory notes, current accounts, mortgage bonds, security of ornaments, etc. Adayas deal in keeping current accounts and exchange of hundis.

**QUESTION 2.**—Local bankers give advances to grain and cotton merchants on the security of grain or cotton and thus help the trade as far as possible. They advance loan for seeds or purchase of land also. Their principal business is of lending money to the agriculturists. There is no industry in this tract and thus it is not possible to write anything on the subject.

**QUESTION 3.**—(a) It is not possible to estimate the invested capital.

(b) Money-lending business has considerably increased as the agriculturists, due to their indebtednesses, have to borrow for several things other than agriculture.

(c) The expenses of a money-lender are as follows:—

Pay and travelling and daily allowances of clerks and peons; stationery and lighting charges, court expenses, bad debts, etc.

(d) There are no banks in the tract and hence their relations with money-lenders cannot be described.

(e) No information.

**QUESTION 4.**—*Mudati* hundis and *darbhani* hundis are in vogue in this tract. The transactions of personal credit depends on individual credit. Business in general is carried on credit, viz., of purchase of cloth, grocery and other things of daily use. At times gold and silver business is done on credit. Interest is charged on such transactions after a certain period. The rate of interest ranges

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from 1 to 2 per cent, occasionally *sawai* is charged. The cloth merchant is considered to be *sowkar* in this tract. The system of taking money on personal security for the purpose of business is decreasing. Money for business is borrowed on *pro-notes*. But only the sums which are given to *adatyas* are brought on *khata*s and the accounts are settled at each *Diwali*. But the Bombay merchants have introduced a system of making accounts by affixing a stamp on the outstanding balances.

QUESTION 5.—Loans are advanced on the following conditions:—Miscellaneous loans are advanced on stamp paper and *pro-notes*, but chiefly it depends on personal credit. Miscellaneous debts are repayable after the harvest, *i.e.*, on the 1st January or the 1st of March. Big loans are given only on mortgages and the rate of interest depends on the credit of a person and the urgency of loan and varies between 1 to  $1\frac{1}{2}$  per cent. In mortgage bonds, instalments of payments are stated or the date of repayment is mentioned. It is also stated in it that interest would be paid every year failing which compound interest would be charged. If the sums are not paid in time according to terms, penalty interest is charged. Condition of foreclosure is rarely inserted. Ordinarily, mortgaged property is sold and if the claim is not satisfied, the balance is recovered from the mortgagor.

The expenses for the purchase of stamp paper and other charges such as writing and registering are taken from the debtor. If the debtor is in great need of money, certain percentage from Re. 1 to Rs. 5 is deducted as *kasar* from the loan. Indigenous bankers while fixing limits of cash credits to traders settle the rate of interest and advance only up to that limit. For extra *suma hundis* have to be drawn. Cash credit limits can be varied according to circumstances and requirements. Agriculturists are not allowed cash credits. Interest is charged on *katmiti* system. The *sowkars* depend on their own capital for advancing loans. People doing money-lending on borrowed capital are very few. Some *adatyas* do such business for a short period. For deposits *sowkars* allow 6 to 9 per cent interest. Some deposits are received without interest. Only the co-operative banks receive money on fixed deposits. Local *sowkars* do not. At times the *sowkars* pay the advances partly in cash and partly in kind. In the same way the *adatyas*, who are *sowkars* also, advance money to their clients only with the object that the clients should sell their goods through them. In case of refusal to do so, the *adatyas* recover the advance at once.

QUESTION 6.—The agriculturists have to pay ordinarily 1 to 2 per cent interest and at times 25 per cent. If the *sowkars* are given some facilities and if the co-operative banks are increased, the rate of interest would go down appreciably. It is an undisputed fact that if the rates of interest are moderate, the agriculturists would necessarily be benefitted, and if these savings are properly spent, the condition of the agriculturists would surely improve.

QUESTION 7.—There is a prejudice against the money-lender (specially a *Marwari* money-lender) in the minds of agriculturists. The tendency of the civil court is not to favour the *sowkars* and the insolvency courts adjudged good many insolvents. The executive branch attachment clerk, process-servers, etc., of the civil court must be improved as these functionaries have become corrupt and the *sowkars* are tired of them. If strict measures are taken in this respect *sowkars* would be much benefitted. The decisions of the civil courts should also be prompt. The *sowkars* have now begun to treat their customers cordially. Mass education is the only remedy to stop the cupidity of *sowkars*. To minimize frauds, the following measures are suggested:—

- (1) Interest should be simple.
- (2) Copies of accounts should be given on demand.
- (3) Receipts should be raised for each transaction.

In the same way the corrupt practice in the Registration offices should also be stopped. The remedy for this is to place the Sub-Registrar under the *Tahildar* or Sub-Judge. Transactions on *pro-notes* having become nominal, dishonesty has increased. If this system were abolished, there would be much improvement.

QUESTION 8.—In the absence of banks *sowkars* are a convenience. If these *sowkars* are advanced loans by the banks, they would be in a position to give the same to the agriculturists on moderate rate of interest. If these *sowkars* start joint stock banks under the Companies Act and if Government gives them the concessions they give to co-operative banks, the business would be carried

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on more satisfactorily. For the present the sowkars do not get loans on personal security from banks and this difficulty affects their business. For the last three or four years no recoveries could be made owing to failure of crops and thus their money has been locked up and they cannot advance any loans to agriculturists. The result is that the agriculturists and their cultivation suffer. The rate of interest has also gone up. If the sowkars can get cash credit from the banks on their personal security, there would be a surprising change in their business. Big zamindars are at present in a pitiable state as they cannot obtain loans on moderate terms as the land has depreciated in value. Some help must be given to these people by banks. The sowkars who have got mortgages, promotes etc., with lakhs cannot raise any amount on them from the banks. These sowkars should be able to get money on the security of such documents, so also big zamindars who have got big landed estates. The Imperial Bank at present has arranged to advance some loan to co-operative banks by getting transferred to itself the pro-notes of the credit societies and taking a note from the co-operative banks. If this arrangement is extended to sowkars also much inconvenience will be removed and the agriculturists will get funds when they require. This is the way in which the Government will have to move to promote the interest of sowkars and the agriculturists without much risk. If such advantages are given to sowkars and cash credit is given to them, they would also in return agree to bind themselves to regulate their business. This will popularize loans on pawns. Accounts are kept in the Mahajani style. Marwari sowkars keep *Nahal-Bahis*. If a debtor desires to inspect his accounts, a straightforward sowkar does not object to it. If these facilities are given, Mahajans will agree to be controlled.

QUESTION 9.—Making allowance for all expenses (losses through default) of shop-keepers they earn 9 to 12 per cent interest on their capital.

QUESTION 10.—Sowkars could not fulfil all the demands for loans due to failure of crops during the last three or four years.

QUESTION 11.—It is possible to link indigenous bankers with joint stock banks by opening branches of joint stock banks in central places, e.g., headquarters of a district or busiest place in a district. If the scheme is extended to taluq places, the sowkars would get the benefit of it in the ordinary course. Such institutions will become popular only if they deal with local bankers in the ordinary Mahajani way without insisting on unnecessary formalities. They will win the confidence of the people who will gladly help them with their experience and advice. But this will depend on the behaviour and tact of the managers. Things leading to jealousy and competition should be avoided, because the clientele of these banks will be mostly sowkars.

QUESTION 12.—Large sums of money will be found in the hands of local sowkars in places like Khamgaon where seasonal business, e.g., cotton and grain trade, is carried on large scale. At other places the situation is quite the reverse. In rainy season both the sowkar and the agriculturists require money. It seems that after the business season is over some money does find its way to places like Bombay. If this money is not allowed to go out of the district, it may become useful to the merchants as well as to the agriculturists. If such amounts are deposited with the co-operative banks, they will earn interest and will be available at the time of cotton and grain season.

### Part III—Investment habit and attraction of capital.

QUESTION 1.—I can give my personal experience about co-operative banks. These banks are started with the aid of deposits and loans from Provincial Bank. The agricultural indebtedness in Berar is estimated to be Rs. 15 to 20 crores. Deducting the working capital of the co-operative banks the balance will have to be raised some how. Co-operative banks and agricultural societies act as saving and do the functions of investment agencies. All facilities are given by the banks for the investment of savings. If the investment habit is to be created in the general public, fixed deposits in postal savings banks, especially in village post offices, should be encouraged. In the present circumstances of the country, exception cannot be taken to the investment in gold and silver, for, in times of need, these savings stand people in good stead. In my opinion this method of investment should continue so long as banks having the confidence of the people are not started. Looking to the condition of people, such savings could not be considerable as poverty is increasing every day.

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**QUESTION 2.**—Postal cash certificates are not popular in this tract. If these certificates are to be popularized the rate of interest should be revised and the conditions should also be altered to some extent. Educated people invest their money in savings banks. If savings banks are to be popularized, their utility must be impressed on the people. Agriculturists spend their money in the following ways :—

- (1) Repayment of debt.
- (2) Towards expenses of cultivation.
- (3) Marriage and ceremonials.
- (4) Current expenses.
- (5) Purchase of land.

The balance, if any, is invested in ornaments. The tendency to hoard cash to some extent is noticeable in cultivators. But these days it has become impossible to save. Cultivators borrow very little among themselves. Whatever they borrow, they do so on sowkari system.

**QUESTION 4.**—The cheque system is very recent in this tract. It was introduced by the co-operative banks only six months back. Only people in service use cheques. Unless banks which will accept cheques are started and unless cheques become current in trade, it will be improper to disburse the pay of Government servants by cheques. It is, however, necessary to encourage cheque habit. For this cheque should be bilingual, i.e., English and vernacular. Investment habit is difficult to form, the reason is that people have suffered enormous losses in such investments. People invest their money in concerns about the stability of which they are satisfied. To create confidence, it is necessary to devise some measures such as Government guarantee, audit of accounts, etc. In this district a branch (of Imperial Bank) has been started in Khamgaon. The local traders have thus been convinced. As loans are advanced on the security of gold, needy people can easily obtain finance from the bank.

### Supplementary questionnaire.

**QUESTION 1 (a) (i) and (ii).**—Merchants advance loans on railway receipts for goods in transit from mandi to the exporting port and thus help the export trade. Similar help is given by keeping balances with the traders.

**QUESTION 2.**—The sowkar who finances regulates the purchase, sale and the rate of interest.

**QUESTION 3.**—It is necessary that arrangement should be made whereby the cultivator may be able to sell his produce on terms favourable to him. This is possible only if the cultivator can obtain loan on the security of his produce. Traders purchase and sell whenever the market is favourable to them. This causes loss to the cultivator. This will be evident by comparing the rates of cotton, grain and cotton seed in the season and after it is over.

### Oral Evidence.

*Ahola, the 3rd February 1930.*

**Vice-Chairman:** You have been associated with the co-operative movement for many years?—Yes.

The Co-operative Department every year in its reports records an appreciation of your services. Is it not?—Yes. The last year's report recorded so.

You have said that the total capital required is at Ra. 5 and Ra. 7 per acre. Is that based on your experience?—Yes.

How much land have you got under your own cultivation?—I have about six to seven hundred acres. I keep rough accounts of my expenses. These cultivation expenses only include the expenses from weeding to harvesting. They do not include ploughing and manuring.

You have said that if some facilities are given to sowkars who advance money on mortgages and if an attempt is made to organize them without much risk and expense it would be a good thing. Supposing Government agrees to organize them, would you have that done by legislation or on a voluntary basis?—Some part by legislation and some part on voluntary basis.

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Do you suggest that Government should enact a law compelling money-lenders to form an association?—No. They should be given some concessions and these will serve as an inducement for them to organize.

Talking of subsidiary industries, the local demand for the products of such industries is being met by the village artisans. Have you got to import such products from outside for fully meeting the local demand?—Tons of coir rope were imported. Very few people prepare them now with hemp. Vegetable ghee is capturing the market.

You say that the co-operative societies cannot fully satisfy the demands of people, because they are heavily indebted. If the co-operative societies do not advance money to these people, how else will they find money?—Co-operative finance does not fully meet the requirements of the agriculturals for we cannot look up capital for long-term loans.

Is co-operative finance meeting in full, short-term requirements?—In some cases it is meeting fully. For those who are heavily indebted, the organizers are not willing to advance money.

You say that the co-operative movement must get financial support. If Government recognises well established co-operative banks, they can demand all the funds of local bodies. Do you mean the financial support of the Government or of the public?—There are certain deposits held by public bodies. As these banks are not recognized banks under the law, we cannot get the deposits of the district councils and municipalities. We want support from the Government for long-term loans.

Do you know that the Local Government now grants permission to local bodies to deposit their money in such co-operative banks, as are working properly?—I do not know that many co-operative banks have been recognized by Government for purposes of depositing the funds of local bodies.

You have said that the co-operative movement has not helped artisans. I take it that it is due to propaganda having been concentrated so far only on rural credit. Is it not?—Yes.

Why have not the honorary workers organized societies of artisans?—Some experiments were made and they were not encouraging. We then concentrated on the agricultural side.

I suggest that at present there are no obstacles in the way of establishing artisan societies and it is not necessary to provide special facilities for starting such societies?—No special legislation is required.

You have said that the condition of foreclosure is rarely resorted to. If it is said that *lakshgahan* is the rule rather than an exception with the *sawkars* would you agree to it?—At least on my side I will not agree.

Is the system of *bazar* universal?—Though it is not universal, it depends on the market conditions of money.

You have said that *sawkars* depend on their own capital for financing loans. People doing money-lending on borrowed capital are very few. You have again said that if *sawkars* are given some facilities, the rate of interest will go down appreciably. I understand that your view is that the insufficient capital of the *sawkars* is one of the causes of the high rate of interest. Is it not?—It may be one of the causes.

You have said that there is a prejudice against the money-lenders and especially the Marwari money-lenders. Is that prejudice often justified?—It is not always justified.

You have said the people are indulging in luxuries and are extravagant. Does extravagance or the high rate of interest account for a larger percentage of indebtedness?—This extravagance and living beyond means have launched people in financial trouble. It is one of the causes of a larger percentage of indebtedness.

You have said that to minimise frauds three measures should be followed:—

- (i) Interest should be simple.
- (ii) Copies of accounts should be given on demand.
- (iii) Receipts should be passed for each transaction.

Do you advocate legislation for this?—I would advocate the insistence of passing receipts to the parties either by law or by rules.

You have suggested that Sub-Registrars should be placed under the Tahsildar or Sub-Judge. Your idea is that you will bring them under close supervision and minimise frauds. Is it not?—Yes. People will get direct redress from an immediate superior.

It has been suggested that the desire for earning high rate of interest is so deep rooted that even if you supply cheap money to the money-lenders, they will not reduce the rate of interest?—I do not agree. High rate of interest is in some cases due to instability of recovery.

You have said that the Imperial Bank at present does not lend money to sowkars on their mortgaged pro-notes. Can you suggest any reason?—I do not know much about the working of the Imperial Bank.

I suggest that the reason why the Imperial Bank hesitates to advance loans is that the amount covered by these pro-notes is not so easily realizable?—The real position is that men with very solvent means are so handicapped for liquid assets that they cannot get money. This comes in our way of rural finance. We want some device by which these people can get money from the sound security of their property.

Does the Mehkar Bank get advance on their pro-notes from the Imperial Bank?—We do not require any money from the Imperial Bank. The Provincial Bank meets our requirements.

You know that special facilities have been given to the co-operative movement, because it is expected that co-operative banks will not advance loans recklessly as the Mahajans do. Is that so?—Yes.

If we extend the concessions to Mahajans, do you think they will abuse them?—Their subsistence is practically on the interest earned and they have to run different sorts of risks. I therefore do not think that the extension of special facilities will be misused.

You say that making allowances for all expenses, loss from default, etc., the Mahajan earns from 9 to 12 per cent on his capital. Is this based on personal experience?—Yes.

You have said that much of the money after the busy season finds its way to places like Bombay and this should be stopped. How?—By persuasion.

Vice-Chairman: What percentage do you think of the indigenous money-lenders are honest?—About 70 per cent.

Have you got share societies in the Mehkar Bank?—We have got seven in villages.

Do you think we should try to extend them?—Yes.

What, according to you, would be a fair rate of interest if we have to fix up a maximum rate of interest in your part of the province?—A fair rate of interest without the least danger of losing money would be 9 to 12 per cent.

If I say that the co-operative movement has failed to solve the problem of agricultural finance, what would you say to that?—I cannot say that we have failed completely.

What is the position briefly?—The position briefly is that we meet the current need of people to a very great extent. From that point of view we have succeeded. From the point of view of long-term loans we are unsuccessful.

Chairman: In your reply to the Vice-Chairman you just now stated that the co-operative credit movement has failed to solve the problem of long-term loans. You would agree after your long experience in these banks that a long-term loan is an entirely different thing from a short-term loan. Do you think that the same agency should carry out both businesses of long and short-term loans?—If the scheme of land mortgage banks cannot be made universal, I think the business can be managed by us. I do not see any special difficulty in that.

You are, I dare say, fully aware that all banks, not only the co-operative banks but also the commercial bank, have a large proportion of fluid resources and money readily available. Is it not so?—Yes.

The granting of long-term loans involves the locking up of a considerable amount of capital for a long period. Is it not?—Yes.

Do you not think then that there is a difficulty in carrying on this long-term loan business upon capital which is raised on short-term deposits?—If we can take deposits on long-terms, then there would be no difficulty.

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Your proposal then would be, I understand,—that the land mortgage banks should be a separate department of the existing co-operative credit bank. Is that your idea? Or would you be in favour of the creation of an entirely different bank?—I have no objection to start a different bank.

Is there any mistake about the figures "15,000" quoted in your written statement?—It should be 1,50,000.

You estimate that there are 30,000 families of cultivators in your taluq. Is it not?—Yes.

I understand from your statement that there are 1,100 members of co-operative societies, i.e., about 3 per cent of the whole are members of societies. Is it not?—Yes.

I am suggesting to you, therefore, that having regard to the small number of members up to now enrolled, the co-operative credit movement cannot be said to have solved the problem of agricultural finance to any large extent?—There are about 350 villages in our taluq. About 50 of these are desolate, leaving about 300 villages. We have got 90 societies, i.e., in about 1/3rd.

Does it not mean that only about 1/30th of the cultivators have joined your movement?—In some villages more than 50 per cent have joined and at other places at various percentages. The present position is that we enrol only solvent people in the societies.

You have worked out here some interesting figures and you have found 1,100 members are indebted?—Yes.

Could you tell me whether these debts are equitably distributed or whether some particular individuals are more heavily indebted?—We have not heavily indebted members. The debt is practically equitably distributed.

What is the longest period for repayment which you allow?—We have up to now allowed repayment up to seven instalments.

In the case of long-term loans up to what proportion of assets do you advance money?—40 per cent.

Do you think that the profits of agriculture are such as to make it possible for an agriculturist to repay with interest 40 per cent of the total value of his assets in seven instalments?—If they get ordinary years they should be able to; but in cases of bad years it is not possible.

Are you aware that in the land mortgage banks in England the period of repayment is sometimes as long as 40 years?—Yes.

Do you think that would be too long a period?—I think 16 years would be a reasonable period taking into consideration bad years also.

You have spoken about the facilities of sowkars and the linking up of sowkars to banks. Have you any concrete proposal to make?—I have not yet drafted such a proposal, but I have talked to local sowkars about it. In the absence of any branch of a commercial bank at Mehtar, I have not spoken to any one in that line.

Would you be prepared to welcome an extension of your bank's activities whereby you would be able to make advances to men of substance on their personal security on a promote if that could then be discounted by the Imperial Bank?—I am in favour of that.

Some co-operative workers have suggested to us that if this facility is granted, the co-operative movement would suffer and that if solvent persons are able to get money on their personal credit, they would not join the co-operative movement. Do you think it would injure the co-operative movement?—It would to a certain extent. But I see no harm in it.

The rate of interest charged depends very largely on the amount of credit and security which a borrower can provide and you have stated that solvent borrowers can get money at 9 to 12 per cent. Is it not?—Yes.

If an individual can borrow on personal security at 9 per cent do you not think that the rate charged by the co-operative societies is rather high?—I do not think so. We are also not charging high rates now.

What is the rate of interest you pay on deposits?—We pay from 5½ to 6½ being the maximum.

Do you attract deposits from outside Berar, say, from certain gentlemen in Nuggur?—Yes. But not from outside the province.

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Do you not think it could be possible for the Central Bank to reduce the rate of interest on deposits?—I think this is the business of the Central Bank.

How far have you lowered the rate of interest?—We charge 11 per cent and at times lower than this also. To deserving societies the rate has been lowered to 9 per cent.

Are you aware that the joint stock banks, excluding the Imperial Bank of India which pays only 3½ per cent, do not pay more than 4 and 4½ per cent on deposits?—I am not aware.

Do you agree that the rate of interest upon which money can be obtained depends upon the credit and public confidence which any particular institution enjoys?—Yes.

Do you agree that the credit of the co-operative banks should be increased by all possible business methods?—Yes.

Do you think that the improvements now and recently introduced, if worked out in full will improve your credit?—They will.

Will it result in enabling the members of societies to borrow at a lower rate of interest?—It will result in that.

I believe you will agree that this is one of the most important objects that your bank should have in view?—Yes.

Do you admit that your first aim should not be to pay depositors a high rate of interest, but rather to obtain deposits at the lowest rate of interest possible?—Yes.

Have you got ample funds or not?—We have got ample funds for current needs.

*Vice-Chairman:* Are you aware that your rates of interest on deposits is the highest in Berar?—Yes. We are now coming on a par with other banks.

*Rao Bahadur M. G. Deshpande:* Do you cultivate the whole of your land?—Most of it; about 100 acres are leased. On our side lease money is not charged per acre, but it is on the equality of the fields. We get 100 acres from five to six times the land revenue. On 100 acres I get from Rs. 600 to Rs. 700. On my cultivation I get from Rs. 10 to Rs. 12 per acre net profit.

It is said that cultivation, if done at home, is not a paying concern. Do you subscribe to this?—To absentee proprietors it is not a paying concern.

You said that some banks are recognized for depositing money by public bodies. Do you think that you are getting money from local bodies?—My bank at least is not getting any money. This question was raised in the district council and it was suggested that the present rules do not allow them to invest money in co-operative institutions as they are not recognized.

*Here the Vice-Chairman explained the real situation:* Only the Provincial Banks are authorized to take advance and for Central Banks, the Registrar of Co-operative Societies has to certify that it is safe to deposit money in a particular bank.

*Rao Bahadur M. G. Deshpande:* Are you in favour of direct financing of societies by the Provincial Banks?—Where there are Central Banks, I am not in favour of this.

Have you got a society in Mehkar, which is financed by the Provincial Bank direct?—Yes.

Then why do you object to direct financing of societies by the Provincial Bank in places where there are no Central Banks?—If the members of the society are literate, this can be done, but if members are illiterate, it will be difficult for the Provincial Bank to deal with them.

Do you think that by the present agency you will be in a position to reduce the rate of interest?—By now funds are accumulating and in some cases the Reserve Fund Scheme is applied. We have to borrow from the Provincial Bank and we have to keep a certain percentage for the up-keep of the working.

Supposing all the Central Banks keep the same rate of interest on fixed deposits as the Provincial Bank, do you think the money will go elsewhere?—The money will be in the movement. I agree to keeping a uniform rate of interest.

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On page 359, you have stated that agriculturists will be benefited if an effort is made for the sale of crops on co-operative basis. Can you explain this?—Yes, with one direct instance. The Mehkar Agriculturists' Association is doing the sale business of verum cotton. Last year we sold about 195 bales and this year about 950 bales. By pooling all this cotton of about 250 constituents, we are giving them a return of about Rs. 50,000 in excess of the amount which they would have obtained had they sold their products individually in the market.

Are you in favour of this warehousing system?—Yes.

It is stated that the value of land in Berar is decreasing every year. In some places it is said that the value of the land is from Rs. 300 to Rs. 400 per acre. Do you get purchasers?—In our taluq we are finding that people are not coming forth even to bid at the auctions.

You say that the crop of the agriculturist is damaged by wild animals. Have you discussed this question in your agricultural associations?—There was a proposal that pig killing clubs should be formed. This could not be successful. I think that individual licences would do more good.

*Chairman:* In the Harda tahsil of the Hoshangabad district, we found in existence a custom whereby a pig-killer was maintained by the villagers who paid him. Is there any such system in Berar?—There is no such general organization.

Would it be capable of organization?—Only pig-killing would not save the people. Jackals and others have to be frightened at times.

*Rao Bahadur M. G. Deshpande:* Has the general rate of interest gone down appreciably?—Yes, in some areas. Formerly there was the rate of one rupee or one rupee eight annas for mortgages. Now it has come to 9 per cent.

Do you get any advantage from the Agricultural Department?—Yes. For the present we are getting advantage. After very great protest, we got an Agricultural Assistant.

*Seth Narsinghdas Daga:* You say that the sowkars do not give accounts and documents to the debtors. Will you explain this?—I say that whenever demanded receipts and statements of account should be supplied, if the borrower wants it. At present it is not done by some.

*Chairman:* In the earlier portion you have stated that your enquiries show that the average debt per member of the co-operative society came to Rs. 1,000 which worked out at Rs. 32 per acre. Are you of the opinion that the average member of the co-operative society is more heavily indebted than the ordinary man?—It cannot be said that the member of the co-operative society is particularly heavily indebted.

If detailed enquiries show the reverse, would you be prepared to accept it?—Yes.

You have very rightly and correctly stressed the great need of thrift. Would you approve of the issuing of savings cash certificates by a Co-operative Central Bank or by the Provincial Bank, similar to the post office cash certificates and agree that these should be kept with the local societies for purchase by any persons?—That will be a good scheme. But where there are no literate members in a society account-keeping will be difficult.

*Professor A. C. Sen Gupta:* You say that it is not possible to satisfy the demand of the co-operative societies on account of the pre-existing heavy debts of members. Do you mean that the societies want loans beyond the paying capacities of members?—No. I mean that we cannot satisfy the full credit requirement of societies on that account.

On page 6 you have said something about interest? You say something about 25 per cent being rate of interest. Do you mean per mensem or per annum?—I mean 25 per cent *sewa* sometimes payable after three months and sometimes after six months.

You say something about the high rate of interest as a result of sowkars not getting back their money, on account of the bad harvests of the last three or four years. I want to analyse your thought. Does it mean that on account of these bad years in some cases the capital has been actually destroyed? And in

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other cases the profit from capital invested in cultivation has been so inadequate that cultivators had to borrow capital for consumption? Is it your point that as a result there is a shortage of capital and this is responsible for the high rate of interest?—Yes.

Can you tell us whether the rate of interest was lower five years before?—Yes, it was.

Do you make any grievance of the fact that the Imperial Bank does not accept your papers?—I cannot charge the Imperial Bank with harsh treatment.

Is it from your own experience that you say that indigenous bankers make from 9 to 12 per cent?—Yes. Even if a sowkar charged interest at 25 per cent, in effect he gets only 9 to 12 per cent.

*Chairman:* What is the rate of interest you charge?—I do not do money-lending. I have got a cloth shop and I charge 15 to 18 per cent to people who do not make regular payments.

*Professor A. C. Sen Gupta:* I have not quite understood what you have said about the money going out of the district. Will you please explain?—What I mean is that the local sowkars do not want their money from April to September and hence lock it up in the form of hundis or in commercial banks and thus allow it to lie idle. This money, if it could be available during the period it is lying idle would be most useful to agriculture as it is the period when agriculturists require money. The local sowkars could be paid by about November after harvest. Thus the money would be used to the best advantage of the cultivator.

*Chairman:* What period do you refer to?—From June to November.

Thank you very much, indeed.

MR. K. B. GUPTE, Agent, Imperial Bank of India, Khamgaon.

### Part I—Agricultural credit and credit facilities for small Industries.

#### Reply to the Questionnaire.

QUESTION 1.—The chief sources from which the agriculturists obtain funds are:—

(i) From Government as taccavi loans for improvement of land or purchase of seeds during the famine period.

(ii) From the co-operative banks for purchase of seeds or other agricultural operations.

(iii) From the sowkar or the professional money-lender.

Most important source is the last one from which the agriculturist gets the necessary accommodation on every occasion whether it be for land improvement, an agricultural operation or a marriage or a religious ceremony in the family. Sources (i) and (ii) have their limitations and are not much favoured in preference to the sowkar who does not insist on many of the formalities that are experienced in obtaining finance from the Government or a co-operative bank.

The usual rate of interest is between 18 per cent to 24 per cent. Loans are generally granted till harvesting of the crops and are repaid by the sale of produce through the sowkar who is also an adatya. It is not the practice to accept the standing crops as security, but generally it is a condition of the loan that the produce be sold through the lender who charges his adat at 1 per cent. Very often the agriculturist does not get the full amount of the loan; for it is also customary with some money-lenders to charge what is called "Hundawan" at rate between 2 per cent to 5 per cent on the amount of the loan, e.g., Rs. 475 are actually paid in cash for a loan document of Rs. 500. The expenses for marketing the produce is about 2 per cent which includes the adat, market duties, weighing charges and charity fund subscriptions.

*Part played by various agencies in agricultural finance.*—(1) The activities of Government are restricted to granting of taccavi loans.

(2) The co-operative banks deal with individuals forming societies only and have nothing to do with an individual agriculturist.

(3) The Imperial Bank of India, the joint stock banks and the indigenous banks play a very important part in the finance of agricultural activities, such as advances for preliminary agricultural operations from indigenous bankers who get the accommodation from the Imperial Bank and the joint stock banks and in the movement of crops for internal trade.

In this province (Berar) there are no joint stock banks. According to my information there are only two branches of the Allahabad Bank, Limited, at Nagpur and Jubbulpore.

Short-term advances are granted on the security of the produce and it is estimated that Rs. 15 to Rs. 20 lakhs are advanced in this town in this way. The produce is ultimately sold through the lender who gives about 75 per cent value of the produce as advance. He charges his adat and godown rent plus interest at 9 per cent to 12 per cent. There is no practice to keep the grain or produce for sufficiently long period, say, four to six months to obtain a better price after the goods have all been marketed. However, on account of comparatively low rates of interest many merchants are taking advantage of the facilities offered by the branches of the Imperial Bank of India in several towns. Not only a borrower is enabled to obtain a better price by this accommodation, but he is able to put up a stock for his trade purposes which it would have been impossible for him to obtain otherwise, e.g., an owner of an oil crushing mill can purchase the groundnuts and keep up the stock for his trade. It is possible to obtain a better yield on agricultural produce through a co-operative effort by the arrangement of lower rates of interest and adat.

QUESTION 2.—The principal crops of this district are cotton, groundnuts and juar. The produce is brought to the principal town markets for disposal through adatyas. Cotton is largely exported to Bombay. Groundnuts are sold and kept for consumption in the oil mills of this district and Khandesh district. Juar is

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generally sold for local consumption. Co-operative effort in marketing the produce would prove very beneficial to the agriculturist.

Before the produce is sold, the agriculturist obtains credit for his adatya who exports the produce and usually obtains the necessary accommodation by discounting a demand hundi drawn on the importer in respect of the goods through the Imperial Bank or any other joint stock bank established in the town. Practically speaking, there are no facilities for financing the foreign trade from the Mofussil which is all done through big centres like Bombay and Calcutta.

Co-operative banks have scarcely anything to do with the financing of the movement of the crops in this district which is done by the Imperial Bank and the indigenous bankers.

Cheques and demand bills are chiefly employed for settlement of internal trade. In few cases Usance Bills are also employed, but their use is not so general as it ought to be; its use will be generally encouraged by reduction of stamp duties and it would then be largely employed for giving credit facilities to the importer who will obtain goods on the condition to pay for the goods after certain period.

There are two kinds of hundis called (1) "Dhanjog" and (2) "Shahjog". The first is payable to the bearer and the second to a particular person. Second class of the hundi is more current in the market. Sample wording of each kind is given in the enclosed forms. All the hundis are discounted locally. Advances are obtained and given on clean hundis as well as hundis accompanied by railway receipts. (1)

As regards warehousing facilities, godowns are available locally.

QUESTION 3.—The value of land does not depend upon the kind of crop grown but on the situation, nature of previous season and the need of the seller or the buyer. Value of land is always higher in private negotiation than that of land in the event of sale by court decree. The average price for best land is between Rs. 200 to Rs. 250 per acre.

QUESTION 4.—There are no legal bars to the mortgages of land and agricultural holdings and there are no institutions for giving long-term credit facilities. Small agriculturists are generally in debt owing to various reasons and long-term credit facilities with low rates of interest would certainly improve their position. A well managed land mortgage bank would seem to meet the demand for long-term credit and such a bank would work well if the process of foreclosure and sale through default is made more simple.

QUESTION 6.—The agriculturist in this province is inclined to be lazy, and apart from his farming activities takes no interest in other industries. If he took up any subsidiary industry, such as basket-making, weaving, etc. (which industries are carried on by an entirely separate class of people), he could considerably supplement his income and raise his standard of living. He could be given training education and encouragement through a trained industrialist who would move from village to village in order to give the necessary training. These industries carried on on a small scale, can be maintained with a small capital and do not require any great credit facilities. The produce would in the ordinary course be brought into the town markets and disposed of.

QUESTION 7.—The co-operative banks get all the necessary usual banking facilities from the Imperial Bank and they also get preferential treatment in the matter of transfers of funds. This is a very great convenience to them. Co-operative banks have no dealings with joint stock banks and there is a keen competition between the co-operative banks and the indigenous bankers in the matter of agricultural loans.

There does not seem to be any competition between joint stock banks and the co-operative banks as they have different spheres for working. So far the co-operative banks have given accommodation to agriculturists only and have done nothing to finance the small traders and industries. In order to encourage the smaller industries, the helping hand of the co-operative banks might be extended to them.

It would be more advantageous to finance the primary societies from a local district centre rather than from a provincial centre. A local centre with a board of local workers can exercise better supervision on the working of primary societies whom they will be financing.

MR. K. B. GUPTA.

## Part II—Indigenous Banking.

The functions of an indigenous banker are manifold and are enumerated below:—

- (1) Lending on the security of promissory notes, usance bills, pledge of ornaments and produce, on the mortgage of agricultural lands and houses.
- (2) Receiving deposits with or without interest.
- (3) Dealing in gold and silver ornaments.
- (4) Dealing in credit instruments such as cheques, hundis, etc.
- (5) Carrying on exchange business in currency notes and coin.
- (6) Very often he is himself an agriculturist and small business man too. He becomes an agriculturist as a consequence of his money-lending activities. He comes to possess land by foreclosure of the mortgages.
- (7) Acts as commission agent in the sale and purchase of imported goods and agricultural produce.

He plays an extremely important part in the financing of agriculture, trade and industry.

There is absolutely no organization of indigenous bankers who are working as so many self-contained units and their profession is handed down from generation to generation. It is difficult to form an idea of the capital invested by them or the volume of business done by them, but it can be safely said that their expenses of working are extremely low as they manage their business with very low paid *mathas* or *moonims*.

Indigenous bankers accommodate one another and they have some arrangement for discounting the demand drafts between two centres. They get the usual banking facilities and accommodation from the Imperial Bank and other joint stock banks, but have nothing to do with the co-operative banks who are their competitors in the matter of agricultural loans.

Demand hundis, usance hundis, deposit receipts and pronotes are the chief credit instruments used by them. A sample copy of each is given at the end of the statement.

Loans are usually granted in the form of usance bills or on the security of a promissory note payable on demand, or on mortgage of houses and lands.

Ordinarily, the period of a loan is one year, but the period for mortgages is three years with rights to foreclose after this period. Strictly speaking, no cash credit system is found with indigenous bankers. They supplement their own capital by means of loans from other established bankers and deposits from the public. Rates of deposit vary according to the demands of the season. The usual rate is between 4½ per cent to 6 per cent.

Advances are generally granted in cash and not in commodities, but it is a very general custom with the creditor to insist on the produce being sold through him so that he can get his adat and repayment of his advance.

The rates of interest on loans are between 18 per cent and 25 per cent.

## Part III—Investment habit and attraction of capital.

QUESTION 1.—Usually, the banking deposits come from middle class people, pleaders and other professional men and rich agriculturists. Saving and investment habits are encouraged by the following agencies:—

- (1) Government loans.
- (2) Imperial Bank and other joint stock banks.
- (3) Investment in shares of Joint Stock Companies.
- (4) Post office savings bank and postal cash certificates.
- (5) Co-operative banks.
- (6) Life Insurance Companies.

Owing to very attractive rates co-operative banks are able to obtain deposits from other district centres.

MR. K. B. GUPTA.

There are enough facilities existing for savings for a properly educated man. Ignorance and indiscreet habits of living are the chief impediments to the growth of thrift which will only be developed with more education and understanding of the spirit of the present times.

QUESTION 2.—Postal cash certificates are popular, but their popularity has decreased owing to the reduction in the rate of interest. There are enough facilities for saving for the public.

Government, by virtue of its credit, obtains an easy success in the matter of obtaining deposits over banking institutions and a fair amount of capital is invested in postal cash certificates and to a smaller extent in Government loans.

QUESTION 3.—The Imperial Bank of India offers all possible facilities for the purchase and sale of Government securities.

When new loans are issued by the Government special facilities are usually offered by the Imperial Bank for their purchase under an instalment system of payment.

The tendency towards hoarding actual cash has fast disappeared, but it has presented itself in another form with the ignorant and the less educated people.

Savings are generally invested in gold or silver ornaments by the rich and the poor alike.

Few agriculturists have enough money to lend to others. They generally invest their surplus money in the purchase of land. The major portion of the wealth in the province is with the shroffs or the sowkars.

QUESTION 4.— Since the abolition of stamp duties on the cheques and extension of branch banking by the Imperial Bank, there has been a large growth of cheque habit. Nowadays all classes of the population use cheques. A very great use of cheques is made by the mercantile community for remittance purposes.

QUESTION 5.—The banking and investment habit in India is of a very slow growth. The chief causes for this are want of education and certain old habits of the people. Propaganda work is necessary for giving the people education.

१॥ माई नाथुरामजी खगनलाल मुंबईवाले से लीखा मुंबई से खगन लाल सिताराम का जैगोपाल उपरंच रु. ५,००० अक्षरी (रूपये पांच हजार) दलाल मुरामल हस्ते भेजा सो आपका जमा करा वे. मीती कार्तिक सुदी १५ स. १९८४.

सही

सही.

टिकीट	टिकीट	टिकीट	टिकीट
१ आना.	१ आना.	१ आना.	१ आना.

## प्राचीसरी नोट.

प्राचीसरी नोट लीहून घेणार हरीराम रामरतन मु. शेगांव ता. स्वामगांव जिल्हा बुळडाना यांस प्राचीसरी नोट लिहून देणार मारोती रावजी, रा. जानोरी ता. स्वामगांव जिल्हा बुळडाना जात माळी, घंदा शेती, वय २० प्राचीसरी नोट लिहून देतो. ऐसाजे की आजरोजी तुमचे जबळून रुपये ५०० (अक्षरी रुपये पांचशे) रोख नगद घेऊन मरून पावलो. यासी व्याज दरमाही दरसेकडा रुपये १॥ अक्षरी (दीड) प्रमाणे रुपये तुम्ही मागाल तेव्हा चक्रव्याद व्याजासह देईन. ही प्राचीसरी नोट मी आपले राजीखुषीने लिहून दिली. संवत् १९८४ मिति वैशाख शुद्ध १५, ता. १३ माहे जून सन १९२७.

दस्तुर नामदेव राहणार जानोरी.

सही मारोती रावजी, दा. सुद.

एक आणा.

एक आणा.

स्टाम्प ४ रु. द आणा.

सही मोतीलाल किसनलाल दा. मोतीलाल.

सिद्धभी मुंबई बंदर शुभसुधानेक आई राधाकिसन बंसीलाल जोग लिखी पातुई से मोतीलाला किसनलाल का जयगोपाल. उपरंच हुंडी किया १ (एक) रुपया १,००० अक्षरी (रुपये पांच हजार) का निमे रुपिया पचिस्सौ का दुया पूरा अठे राख्या मोहनलाल बंसीलाल मीती आषाढ शु. १५ से दिन ६१ (एकसठ) पीवे नावे शाहाजोम रुपये हुंडी चलनका देना. मीती आषाढ शु. १५ साल १९८४.

दस्तखत मोतीराम सिवनारायण द. खु. सिवनारायण.

नंबर १

॥ श्रीगणेशजी ॥

१॥ सिद्धश्री मुंबई बंदर महाशुभस्थाने भाई नागरमल सिताराम जोग श्री सेगाव सू लिखी मोतीराम सिवनारायण का श्री जैगोपाल बंचिजो अपरंच हुंडी १ रु. ५,००० अत्तरी-रुपीया (पांचहजार) का निमे रुपीया पचीससो का दूणा पुरा अठे राख्या कनराम उकारदास पास मिती वैशाख सुदः ११ सु पुण्या तुरत पोखे नावे (साहाजोग) रुपीया हुंडी चलन का दिजो. संमत् १९८४ मिती वैशाख सुदः ११.

(On reverse.)

Rs. 5,000.

निम्मे का निमा सः पाचसो का चौगुणा पुरा रु. पाचहजार कर दीजो.

भाई नागरमल सिताराम, मुंबई.

Oral Evidence.

Akola, the 6th February 1930.

*Chairman:* What in your opinion should be the determining factor in the fixation of the rate of interest on deposits?—The rate depends upon the supply and demand of capital combined with the financial strength and the public confidence enjoyed by the borrower.

Could you tell me what effects the rates of interest granted by co-operative banks on deposits have on the money market?—Other competitors have to fix their deposit rates which are in accordance with those allowed by the co-operative bank.

You state in your written reply that there is a keen competition between the co-operative credit banks and joint stock banks?—Yes. The rates of joint stock banks on deposits are affected by the rates allowed by co-operative banks.

How is it that the Imperial Bank can get deposits at 3½ per cent?—It all depends on the relative credit, financial strength and the public confidence enjoyed by this institution.

Could you state what methods the Central Bank should adopt in order to bring their deposit rate down to say 4 per cent?—The first thing is to raise the financial stability and credit through efficient management. This could be done by keeping trained men in service and by more prompt recoveries. As far as possible they should be very strict over recoveries. In order to create public confidence a more frequent publication of balance sheets is desirable.

Do you consider promptness in recoveries to be one of the essential features of good banking?—Yes, by all means. If a banker is not able to realize his advances, there is an error of judgment of constituent's position and this would not be good banking at all.

MR. K. B. GUPTA.

With regard to the maintenance of better trained staff, could you explain to me where you received your own training?—I am a graduate of the University of Bombay and was employed as a probationer for three years in the bank. I had to undergo practical training at two or three branches and had to pass the examinations of the English Institute of Bankers for theoretical knowledge of banking business. At present there are good facilities for Indian bank employees to study the important subjects relating to the banking science as the Indian Institute of Bankers has recently been established for holding these examinations.

Do you think it would be advantageous to open institution of this kind at the headquarters of each province?—I would suggest the opening of such institutions even at each district headquarters.

Do you think the business of banking can be carried out by amateurs satisfactorily?—No. Efficiency in any business depends on knowledge and practical training.

Are you in favour of reduction or abolition of stamp duty on usance bills?—I am in favour of reduction only.

How much reduction do you recommend?—I recommend reduction by half.

Do you think that it would encourage the use of these bills?—Yes.

It has been suggested by several witnesses that Government should induce the Imperial Bank of India to make large balance available for agricultural finance. What would you reply. The Imperial Bank of India will always advance money wherever it finds sufficiently good security for prompt repayment and wherever the advance could be granted in accordance with the provisions of the Imperial Bank of India Act 1920.

Do you advance money to private people for agricultural purposes?—Yes. Directly or indirectly through agriculturist of some standing. We also advance money to agriculturists to enable them to market their crops at any convenient time.

Does this enable them to hold up their produce for sometime?—Yes.

Is the majority of cotton brought to market sold outright by the agriculturists or is it held up?—The majority is sold outright.

Could you give some idea of the difficulties with which a commercial bank will be faced in financing agriculturists?—The income of an agriculturist is most uncertain, depending as it is on the monsoon, and he more often requires long-term loans which are not favoured by a commercial bank, which must always meet liabilities on demand and it would be most unwise to lock up funds in the long-term loans.

Could you suggest any changes whereby the Imperial Bank of India could be able to grant greater facilities to co-operative credit banks?—The Imperial Bank would always be glad to do business on sound security.

Is it a fact that you give money to private persons on two signatures only?—This is in accordance with the provision of the Imperial Bank of India Act. One of the provisions authorizes the bank to advance and lend money upon the security of "Accepted bills of exchange and promissory notes endorsed by the payees and joint and several promissory notes of two or more persons or firms unconnected with each other in general partnership".

Do you mean to say that the security of two signatures is better than a co-operative society?—There can be no comparison like this. The question is only about the solvency of the borrower who may as well be an individual or a corporate body. The Imperial Bank would not refuse any business which it considered to be sound.

Vice-Chairman: You must have read in all these proceedings of various Provincial Banking Enquiry Committees the general criticism that the present activities of the Imperial Bank do not benefit the agriculturists?—Yes, I have read it.

Do you think you could briefly tell us what the real position is in this respect and why it is so?—This is a very general criticism involving questions of policy and I will not answer this question as I think a better reply would be given by the Managing Governors before the Central Committee.

MR. K. B. GUPTA.



In the course of your daily business you deal with a large number of indigenous bankers, is it not?—Yes.

Do you think these money-lenders will sufficiently realize the advantages to form an organization or union in order to get better credit from joint stock banks?—Yes, I should think so.

Do you think there is any scope for joint stock banks if any were started?—Yes, for small banks. There is ample scope at places even where there is also a branch of the Imperial Bank.

It has been suggested to us that there are many agriculturists and money-lenders of unquestionable solvency who at present find it difficult to get credit from the Imperial Bank?—I would like to refute this absolutely false suggestion. There is no reason why the bank should refuse accommodation to a man of unquestionable solvency.

Do you know that some co-operative banks have got promissory notes executed by their societies?—Yes.

Do you think the Imperial Bank would advance money on these bonds?—I have not received any proposal of this nature. A proposal of this kind will have to be referred to our head office at Bombay for instructions.

If we decide to set up large number of organizations for providing credit facilities and if we suggest that the Imperial Bank should make advances to these organizations on a much larger scale, would you require any Government guarantee behind these organizations?—If these organizations have got sufficient financial stability, there is no necessity, in my opinion, of a Government guarantee.

What is this notion of financial stability?—Financial stability depends on the proportion of assets to liabilities. For example, a man worth about a lakh of rupees having no debts is a better party than a man who is worth that much, but has debts of, say, Rs. 50,000.

Have you seen the balance sheet of any societies in Berar?—No.

Has it come to your notice that as a result of the opening of co-operative banks and societies that the rate of interest charged by indigenous money-lenders has been reduced?—Yes in some cases.

*Chairman:* In the written statement forwarded by the Amraoti Branch it is said:—"The cotton market system of selling cotton appears to be the best that can be devised, and so far as the Amraoti market is concerned, there can be no doubt that the cultivators get a fair price of their kapas."

Do you think the same remarks apply to Khamgaon market or would you propose some change?—I think Khamgaon is also well managed like Amraoti.

Do you make advances on bales of cotton?—Yes.

Have you made any large advances?—Yes.

Is there a lot of accommodation for storing grain and cotton at Khamgaon or do you think more warehouses should be provided?—I think there is no necessity for increasing the accommodation.

It is also said in the written statement:—

"The shroffs play a very important part in the credit system of the country. They have been carrying on banking for hundreds of years and many of the present proprietors of firms are extremely shrewd and keen business men who do fairly safe business. In Amraoti there are several good firms and it is difficult to see how this city could get on without them as owing to their intimate knowledge of the inhabitants they can transact business on safe lines that no joint stock bank dare touch." Further on it is said:—"A great deal is said about the high rate of interest charged by the shroffs, but considering the risks they run and the amount of trouble they have to take in getting decrees against debtors from the court and executing them I do not consider their rates exorbitant, etc., etc." Do you accept this?—I accept every word of it except that I think that in some cases shroffs charge a very high rate of interest. Otherwise there is no doubt that they are doing a great service to the country.

*Rao Bahadur K. V. Brahma:* To what extent does your branch at Khamgaon finance trade?—We finance approximately 80 per cent of the requirements of the trade.

*Mr. K. B. Gurril.*

I gather from what you have stated so far that you are not at present discounting co-operative paper. Do I understand there is no legal impediment in the matter?—There is no legal impediment.

You have told us that there are good facilities in Khamgaon and other places in Berar where people can store cotton bales. You are probably aware that there are no licensed ware-houses. I might tell you that in Western countries there are licensed warehouses and receipts are given to owners for any goods stored in the warehouses and these receipts are treated as negotiable instruments. Would you favour such a system if started in India?—No such system is current in India at present, but it would be better if it were started. It would be good thing for commercial purposes.

You say short-term advances are granted on the security of stock. Is it?—These are advanced to cultivators or to traders?—Advances are granted to both.

Do the cultivators withdraw their cotton from the market and then again present it at the market when it is beneficial to them on the strength of advances made to them by your bank?—Yes.

*Seth Narsinghadas Daga:* You have stated that often the agriculturists do not get full amount of the loan for it is customary for some money-lenders to charge *hundawan*. Is this *hundawan* charged only by the money-lenders?—My information is that money-lenders only charge this so-called *hundawan* upon loans and that no joint stock banks do so.

*Rao Bahadur M. G. Deshpande:* May I know how the agriculturists are directly benefited by the money of the Imperial Bank?—If the agriculturist is a man of substance and credit, it is not difficult for him to obtain the accommodation from the Imperial Bank.

The small cultivator will never be financed?—Not directly. Accommodation is purely a question of credit. No banker would advance money without sufficient security. I may mention here that the system of granting loans against gold ornaments by the Imperial Bank of India is becoming increasingly popular with the small agriculturists and small tradesmen. The lowest advance that is granted is Rs. 200 and the bank's rate of interest of 8 to 10 annas is very attractive and compares favourably with the rate of 1½ to 2 rupees per month charged by the *sowkar* and *shroffs* on loans against such good security.

Will you suggest that the cultivator should keep their stock for four or six months?—Those who could afford to do so should take the chance of a better price when the market is not glutted.

Do you know that during last four years prices are higher in the beginning and lower in the end of the season?—Not generally.

You have stated that it is possible to obtain a better price through co-operative efforts by the arrangement of lower rates of interest. Will you kindly explain what you mean?—If the producers form into a co-operative society they can lend money among themselves at a low rate of interest and after harvest and marketing of produce the money can be recovered.

You have stated that a well managed land mortgage bank will seem to meet the demand for long-term credit and such a bank would work well if the process of foreclosure and sale through default is made more simple. What do you mean by simplification?—Supposing the period fixed for repayment is five years and supposing the loan is not paid off within this period and land mortgage bank should not be made to go to the court, but should get the possession of the land at once.

How can you say that the agriculturists are lazy?—They are reported to be so.

You have said that the co-operative banks get all the necessary usual banking facilities from the Imperial Bank and they also get preferential treatment in the matter of transfers of funds. This is a great convenience to them. What special facilities are given to co-operative banks except remittance transfer receipts?—In addition to remittance transfer receipts they have got the facilities of transfer of funds, getting drafts at par and in most cases getting loans and cash credits from the Imperial Bank. Special preferential treatment also means low rate of interest than what we would charge to Marwaris. On Government securities, the rate of interest is the same for all people.

—Mr. K. B. GERR.

You have said that it would be more advantageous to finance the primary societies from a local district centre rather than from a provincial centre. A local centre with a board of local workers can exercise better supervision on the working of primary societies whom it will be financing. Do you know that at present there are two intermediaries between the Provincial Bank and the societies? They both keep 2 per cent margin for their management. Supposing the financing is made by the Provincial Bank direct to the societies do you not think that they will get money at a cheaper rate?—I think it is advantageous for the societies to be financed by the district bank. The district bank has always better control over primary societies and the Provincial Bank is more remote. The rate of interest will depend on the district in which it is situated and upon the state of money market.

*Chairman:* You have just stated that you think that the district banks have more control and more local knowledge and therefore you would prefer to see the societies financed by the district bank than by the Provincial Bank. Would not the same results be achieved if the Provincial Bank and its branches in each district are financed through the branches?—Yes; but I prefer the separate district banks. Could you tell us what the rate of interest of the Imperial Bank is on fixed deposits?—3½ per cent for six months or more.

*Professor A. C. Sen Gupta:* You say that as the result of the low rate of interest offered by the branches of the Imperial Bank, a borrower is enabled to obtain a better price and he is able to put up a stock for his trade purpose which it would have been impossible for him to obtain otherwise. That does not necessarily follow?—It is only a question of supply and demand. It is not necessary that there should be a profit always. My reply requires some modification.

Then you talk of Usance Bills and say that they will be largely employed for giving credit facilities to the importer by reduction of stamp duties. By importers you mean the Indian buyer. Is it not?—Yes, I mean the Indian buyer.

You say that the value of land does not depend upon the kind of the crop but on the situation, etc. Does it not depend to some extent on the kind of land?—Because a land grows cotton only it would not fetch more value than a land growing another kind of crop.

You say that the agriculturist can supplement his income by subsidiary industries. Do you know that the handloom weavers in the province are now in a bad plight and that hundreds of them are out of employment?—Would you recommend this industry as a subsidiary industry?—I have not got any particular industry in mind. Any subsidiary industry may be developed.

You say that these small cottage industries would not require much financial credit facilities. For instance, the handloom weaver has to buy yarn and a few days will pass before this yarn is turned into a finished product and brought to the market. For this they require credit facilities. Is it not?—I agree that the small industries will also require credit facilities.

You say that it is very general custom with the creditor to insist on the produce being sold through him so that he can get his adat and repayment of his advance. Is this mentioned in the bond?—It is not mentioned in the bond. It is an understanding.

You say that there are enough facilities for saving for the public. You mean for people in towns and not in villages?—Yes. I mean in bigger centres wherever there are post offices.

You say that agriculturists get advances for preliminary agricultural operations from indigenous bankers who get accommodation from the Imperial Bank and that indirectly the Imperial Bank gives money for private agricultural operations. Would you explain the system to some extent?—A man who is a big agriculturist and has got too much of land, which he cannot cultivate himself, will lease out some portion to smaller agriculturists and he finances that small agriculturist. The big man gets an advance from the Imperial Bank. When the crops are out he takes back his loan. Similarly the indigenous bankers borrow money from the Imperial Bank and advance to the agriculturists. Unless he states the purpose for which the money would be utilized we would not give him any money. Even though he is a first rate man and if he wants an advance for the marriage of his son or for some building purposes, the bank would not accommodate him.

*Mr. K. B. Gupta.*

What credit do you demand in such cases?—Guarantee by any other person of standing.

When you think that both these men are quite sufficient security you make advances. Then why do you enquire into the purpose of the advance?—The policy of the Imperial Bank is to advance money for business and trade purposes.

*Mr. P. D. Pandik:* Will you tell me the system of advancing loans to the indigenous bankers?—The accommodation is granted in the form of a demand interest loan or cash credit for genuine business purposes for a maximum period of six months according to the requirements of the borrowers against the security of a demand promissory note bearing two signatures. The rate of interest is half or one per cent over the bank's rate of interest on loans against Government securities. This rate is higher in the busy season and lower in the slack season.

Is interest calculated at quarterly or half-yearly rests?—In the matter of fixed loans the interest is calculated at half-yearly rests and in cash credits or running accounts with quarterly rests.

MR. M. K. CHANDE, B.A., LL.B., Advocate, Chairman,  
Co-operative Central Bank, Khamgaon.

Reply to the Questionnaire.

QUESTION 1.—*Agricultural credit and credit facilities for small industries.*—  
(a) For expenses during cultivations. The main sources of finance to the agriculturists are—

- (a) Taccavi loan for seeds by Government advanced under the Agriculturists' Loans Act.
- (b) Money-lenders.
- (c) Co-operative societies.
- (b) For capital—
  - (a) Money-lenders.
  - (b) Co-operative societies to a certain extent.
- (c) Permanent improvement—
  - (a) Taccavi loan under the Land Improvement Loans Act.
  - (b) Money-lenders.
  - (c) Co-operative societies.
  - (d) For special needs. Money-lenders.

*Co-operative banks to a certain extent.*—For land revenue generally no loans are required as it becomes due in season time when the agriculturists have their crops ready for sale. In case of total failure of crops they get loans for land revenue from money-lenders and from co-operative societies. For special needs and ceremonials they borrow loans from money-lenders to a limited extent. They are advanced loans by co-operative societies.

*Rate of interest.*—Government 6 per cent compound, subject to its being raised to 12 per cent by way of penalty. Co-operative societies 12 per cent compound. Money-lenders, anything ranging between 15 per cent to 37 per cent and generally compound.

In some places Rohillas do carry on petty money-lending business. Their rates of interest are not high, but they are extortionate and fearfully exorbitant. In some cases they charge 100 per cent per mensem. Their means of recovery are very often accompanied by use of physical force and intimidation.

*Period.*—Government, six to eight months for loans advanced for seed, etc., and for improvement generally four years. Co-operative societies loan for cultivation, etc., six to eight months and for improvement, etc., from 2 to 4 years. Money-lenders, from six months to three years.

*Nature of security.*—Government, sureties and mortgage of land; co-operative societies, personal security, joint liability of other members and mortgage of lands.

Money-lenders, personal security, surety in some cases, mortgage of land in general pledging of ornaments, etc., standing crops in rare cases.

*Other conditions.*—(a) Contract for *sawsi*.

(b) In debts payable by instalments, the whole debt to become due in default of one or more instalments.

(c) Money-lenders discount a certain percentage by way of *kundanawal* and *butta*. The percentage ranges from 5 to 10 per cent.

2. *Parts played by Government, etc., in agricultural finances.*—(1) Government pays for seed and for permanent improvement of land.

(2) The Imperial Bank of India plays some part by advancing loans against gold, corn, ground-nut, cotton bales, etc., to approved constituents; but an agriculturist as such being generally a petty-holder derives practically no benefit from the bank. Big agriculturists who have got activities, *i.e.*, money-lending or other business do get benefit from the bank.

(3) *Joint stock banks.*—There are none.

(4) *Co-operative banks.*—They finance through the societies, agriculturists who are their members for all cultivation expenses and for all genuine needs.

MR. M. K. CHANDE.

(5) Indigenous bankers and professional money-lenders are the mainstay for agricultural finance.

(6) *Dealers*.—Some adatyas do finance agriculturists, but only with a view to ensure that agricultural produce being sold through them. Conditions of the loan being similar to those of money-lenders.

(7) *Other organizations*.—Nil.

*Expenses of cultivation*.—From Rs. 20 to Rs. 25 per acre.

*Improvements*.—The conditions governing various holdings being indeterminate no general estimate can possibly be given for the expenses required for capital and permanent improvement of land.

*Grain advances*.—Roughly speaking about  $\frac{1}{3}$ th of the agriculturists have to take grain advances for seeds and maintenance. The conditions being that in many cases *sawai* (25 per cent) and *didhi* (50 per cent) contracts for delivery of the corn in the next *hangam* are entered into. In default interest is charged on the price of the quantity agreed to be delivered in *hangam* (i.e., *sawai* and *didhi*) on the price calculated according to rates fixed at the time of the contract.

*Defects in the system*.—(1) *Government*.—Finance by Government is necessarily inadequate and dilatory owing to red tapism. It depends solely on the personal ideas and prejudices of the village official and of Government officials also. In many cases this help is not necessarily available to the really needy person. Other sorts of influences have also some scope. Recoveries are in many cases unduly and even ruthlessly harsh.

(2) *Co-operative banks and societies*.—As the agriculturists have to organize themselves into societies and submit themselves to joint liability before they can be financed by co-operative banks and societies, there is natural limitation to their utility. In many cases a feeling of aversion towards the co-operative way of working has been discernible due to the enforcement of, or liability for, joint responsibility. The extent of the co-operative activities is practically insignificant as compared to the needs of the people.

(3) *Money-lenders*.—(1) The aim of the money-lender is admittedly fortune-making at the cost of the debtor. He therefore tries to fleece the debtor and his conditions are therefore extremely harsh and rates virtually usurious. A debtor is in fact entirely at his mercy.

(2) Generally receipts are rarely passed by the money-lenders and the debtor who is generally illiterate does not know the state of his account with the money-lender. This gives rise to various disputes regarding appropriation of the sum when the debtor owes money on different security.

(3) In the case of advances by adatyas the cultivator has necessarily to take his produce to the adatya for sale and have to submit to the rate given by the adatya. This in many cases affects him adversely.

*Remedies*.—(1) Legal obligations on the creditors to pass receipts for amounts received.

(2) Legal provision for securing memos of account to the debtors.

(3) Compulsory maintenance of accounts by the creditors in some cases. All literate creditors must maintain account book and for illiterate creditors a certain limit of business should be fixed, preferably Rs. 5,000, over which, if his business extends, he has to maintain accounts.

(4) Reciprocal pass books should be maintained and every transaction should be entered therein.

(5) In *taoavi* loans preference should be given to petty landholders.

*Co-ordination in various agencies*.—There is no co-ordination among the various credit agencies. Government agency and the co-operative banks can co-ordinate by laying down certain principles, advancing loans for various purposes and providing equal facilities to the co-ordination agencies. All loans given by Government should be advanced through co-operative banks.

**QUESTION 2.—Marketing**.—The present method of disposing of the agricultural produce is twofold—

(a) In the market through adatyas.

(b) Direct sales to the purchaser in villages.

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In method (a) the chief defect is that the owners of the goods have absolutely no voice in settling the rate. In almost all the cases the seller does not even know what rate has been settled for his goods and what rate has been received by the *adatyas* for them. It is almost a general practice for the *adatyas* to sell a number of carts containing cotton of varying qualities in a lot and paying the owners of the various goods at what is called a general and an average or a flat rate. The owner of the inferior goods by this system gains some undue advantage at the cost of the owner of the superior goods. There are other defects also in the system of weighing the goods. With a view to remove these defects it is absolutely necessary to start sale and purchase societies. There is a sufficient scope for such societies, but the experiment is not yet seriously tried in Berar. If such societies are started and worked on systematic lines, there is no reason why they should not be a success in the near future. Co-operative *adat* shops are at present working in some places in Berar. But for various reasons they have not yet come up to the expectations. There is, however, no reason for despair. With the progress of education in the principles of co-operation, co-operative *adat* shops can expect prosperity in future.

4. Since the last year the Agricultural Department collects *verum* cotton No. 262, gins it and makes advances against such cotton to those who are in need of it. All this cotton is afterwards sold at favourable rates and the owners are given the price. This has been found a very convenient way of marketing *verum* cotton. Virtually Government at present works as a sale and purchase society in respect of *verum* cotton. But it is clear that Government will not continue doing this work next year. Some agency therefore ought to be brought into existence to do what the Government is doing.

In case of big cultivators advances are obtained on the security of cotton bales. Against grain also big cultivators can secure advances. Imperial Bank of India and the bankers do this business. But for petty cultivator there are no such facilities. He has either to sell his produce at the rate then prevailing or has to incur debt from money-lenders on usual terms. In Berar there is no difference between foreign and inland trade. Banks and bankers advance money against the goods pending their sale. But merchants and traders generally play no part in this business. Money is transmitted in this country by means of cheques, *hundis* and *ahadas*.

The business will be much facilitated by reduction in duty. *Hundis* are—

- (1) *Darshani hundi*—Sight bills.
- (2) *Mudati hundi*—Payable at a specified period.

All the *hundis* are cashed at the place of destination which is generally Bombay. Some are cashed at *Khamgaon*; *adatyas*, merchants and commission agents also purchase a few here.

Railway receipts are the only documents of title.

No difficulty is experienced in the use of these bills.

It is possible for the banks and the Government to have licenced warehouses; and if the system can be made easy of work for even petty agriculturists, it can work with great advantage. Government however, must take the initiative in this matter.

QUESTION 3.—The district divides itself into *ghat* portion and *Purna* valley land, the land above the *ghat* is generally inferior to the land below the *ghat*. The prices for dry land above the *ghat* ranges from Rs. 50 to Rs. 200 an acre, and the prices for wet land above the *ghat* vary from Rs. 150 to Rs. 300. Below the *ghats* dry land can ordinarily be available from Rs. 100 to Rs. 300 an acre, whereas wet, i.e., *malla* land, can normally fetch from Rs. 300 to Rs. 500 an acre.

Prices, however, do not depend upon the crops that are raised or which can be raised from the land, but they depend upon the quality of soil. The quality of land, the general demand for it, the economic condition of the neighbourhood and proximity to a town or market are the determining factors for the prices of land. Other causes affecting prices of land are—(1) margin of profit in agriculture, (2) rise or fall in the prices of cotton and grains, (3) charges for labour which are generally rising thus reducing the margin of profit in agriculture and this keeping down the prices of land, (4) bad financial conditions of agriculturist who has to cultivate land, and (5) the general economic condition.

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In auction sales for arrears of land revenue and for sales through civil courts abnormally low prices are recovered. The prices depend more upon the whims of the purchaser than upon the quality of soil or any other determining factor. Civil court auctions are regarded more or less as a speculative affair. In private sales fair prices are obtained, variations being slight depending upon whether the seller is needy or not.

**QUESTION 4.**—Ryotwari tenure being prevalent in Berar there are no impediments to the mortgage of land except jagir lands, inam lands and some holdings given recently by Government.

There are no land mortgage banks or other banks giving long-term loans. Land mortgage banks on co-operative basis should be organized for giving long-term loans to the landholders and tenants.

(a) There is no need of any improvement in the system of record of rights except that the execution and redemption of mortgages should be immediately recorded. Of late the authorities do not record the dates of the various transactions, etc. They should be immediately reinstated.

The land mortgage banks should raise their capital from the following sources:—

- (1) Debenture bonds.
- (2) Funds from central institutions.
- (3) Deposits.
- (4) Share money.

Yes. Debentures should carry Government guarantee for principal and interest.

There should be a provision in the byelaws of such banks to keep aside certain per cent of the profits of the bank as a security against any loss to the Government and it should be invested in the Government securities. Government should be given representation on the Board of Directors of such banks.

Debentures must be made trustee securities. If this is done, commercial banks like the Imperial Bank and other joint stock banks would not have any objection to invest their surplus in these debentures. This would also attract the monied class to subscribe to these debentures.

**Deposits.**—This is a minor source of finance to the land mortgage bank. They are sure to be very small as the person who wants to deposit money for long-term would like to go in for debentures, than lock it up in the long deposits. If deposits were to be encouraged, the rate of interest should not be less than the current rates of all the banks in the province.

(b) **Funds from central institutions.**—The question of borrowing money from central institutions arises only if mortgage banks raise capital by issue of debentures. In their initial stages they will not be successful in collecting capital by issuing debentures and therefore they will have to borrow money from other institutions. If, however, the debentures are floated by central institutions like the Provincial Bank, which is a bigger body and is well known in the money market, it will command public confidence and necessary money will be forthcoming. Thus this will obviate any necessity of borrowing money by the land mortgage bank for its business. Once land mortgage banks establish themselves and the investing public is convinced of their stability there will be no difficulty in getting loans from other institutions. Rate of interest on borrowings should not exceed 6 per cent in any case.

Rate of interest on loans to members should not exceed 9 per cent.

(c) **Debenture bonds.**—As given above, mortgage banks should not undertake the work of issuing debentures individually unless they are well established. The responsibility of issuing these bonds should be undertaken by the Provincial Co-operative Bank at a small charge to cover the cost of floating debentures. Interest on these bonds should be necessarily guaranteed by Government and principal also to some extent by subscribing to these debentures. The redemption of the debentures should be automatically secured on the expiry of the period. For this a separate fund should be arranged. Agriculture in India depends upon the vagaries of the monsoon. Hence defaults in repayment are bound to



take place. To provide against this loans should be spread over, say, 15 to 16 years if the bond issued is made payable by 20 years. There should be thus a clear margin to accommodate defaults in times of famine, etc.

As a State bank, Imperial Bank of India should be asked to make advances against mortgages taken by mortgage banks and endorsed in favour of Imperial Bank. All existing concessions enjoyed by co-operative societies should be extended in favour of mortgage banks.

QUESTION 5.—The indebtedness of the agriculturists cannot correctly be estimated unless there is an intensive economic survey.

*Village Kherda in Khamgaon tahsil.*—(a) The village has a total area of 1,495 acres of culturable land. Out of it 610 acres are encumbered to the extent of Rs. 40,000. The amount of interest on this sum is not taken into consideration.

(b) Does not arise as the Deccan Agriculturists' Relief Act is not applicable in Berar.

(c) Correct information not still available.

6. *Takli Viro*—

Area of land—865 acres 13 gunthas.

Revenue—Rs. 1,919-12-0.

Number of debtor cultivators—36.

Number of non-debtor cultivators—29.

Total indebtedness of the village—Rs. 43,749.

	Rs.
Against mortgages of land	23,853
Against gold	500
On personal security	19,396
<i>Purposes.</i>	
Re-payment of old debts	5,126
Marriages and re-marriages	11,865
Land revenue	300
Landlord's rent	450
Seed, manure, implements	...
Cultivation expenses, etc.	15,822
Sinking wells	1,075
Purchase of land	3,736
Purchase of bullocks	435
Household expenditure	3,510
Litigation	50
Loss in trade	480
House building	850
Money-lending	750
<i>Analysis of the creditors.</i>	
(i) Professional money-lenders	37,960
(ii) Co-operative societies	5,599
(iii) Government	200
Total	43,749

Average rate of interest on mortgage debt Rs. 1½ per cent per mensem compound.

Average rate of interest on personal debts Rs. 2 per cent per mensem compound.

The growth of debt is also due to non-payment of interest which is capitalized annually. Farmers are being turned into tenants and the property is passing into hands of non-agricultural classes.

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Following figures will give some idea:—

*Kherda village.*

No.	Caste.	Families.	Members.	Area of land	Agricultural or non-agricultural class.
1	Kunbi ...	75	310	A. 517 27	Agricultural class.
2	Kunbis from Deccan.	18	65	39 7	Do.
3	Mali ...	38	167	160 26	Do.
4	Brahmins ...	4	15	490 30	Non-agricultural.
5	Marwari ...	5	32	136 22	Do.
6	Gosai ...	1	2	95 4	Do.
7	Goldsmith ...	3	13	8 31	Do.
8	Teli ...	3	10	10 3	Do.
9	Other castes. ...	40	149	36 3	Do.
10	Absentee landlords.	...	...	213 1	Do.
	Total ...	...	...	1,494 30	

Only 717 acres and 20 guntas of land is held by real agriculturists. Nearly 50 per cent is owned by non-agricultural classes. The ever-tightening grip of the money-lender, his way of dealings, conditions of loans, the process of recoveries, etc., and his sordid motive for earning interest alone take away all incentive to produce more and in an efficient and better manner.

All kinds of needs of the clients are satisfied by the money-lenders. Money-lender does the work of a sale and purchase society. The ryot finds in him an ancestral shroff, the only place of shelter when he gets accommodation at any time. Hence he has to submit to any kind of conditions imposed by his shroff in order to keep himself and his family alive. The situation has been relieved to some extent by the organization of co-operative societies. It will take a lot of time to these societies to replace the money-lenders.

The chief causes of indebtedness are—

- (a) Land revenue system.
- (b) Costly living.
- (c) High rate of interest.
- (d) Lavish expenditure.
- (e) High cultivation expenses.
- (f) Low prices of cotton recently prevailing.

The remedies are chiefly—

- (a) Cheap credit; rate of interest should not be over 6 per cent in any case.
- (b) Long-term loans.

QUESTION 6.—From the survey of the villages it is clear that the agriculturists do not like to undertake supplementary industries in spare time. In old times the village was a self-sufficient economic unit. This tradition is now completely broken. Being ground down under the burden of all consuming debt

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life has no charm for them. They have become so lethargic and careless that even for the ropes of their cattle they go to market. What was a common feature of village life has become a rare thing to be seen.

Following industries can be encouraged on co-operative basis:—

- (1) Hand-spinning and weaving.
- (2) Cotton ginneries.
- (3) Dairy farming.
- (4) Hosiery works.
- (5) Oil presses.
- (6) Orchards.
- (7) Cane works.
- (8) Matting.
- (9) Basketing.
- (10) Tile works.
- (11) Brick works.

They require credit facilities in any case. Co-operative banks should supply capital. (1) Duty on agricultural implements be remitted. (2) Factories in India should be exempt from duty.

QUESTION 7.—There is no direct business connection between co-operative banks and other banks. At times Imperial Bank grants cash credits to Central Banks against some kind of recognized securities such as Government promissory notes, etc.

But Central Banks rarely resort to this system as the methods of recovery by the Imperial Bank are not suitable to the nature of business of Central Banks.

There are no difficulties in respect of short-term loan. Long-term loans for 10 years and above are not within the scope of the business of the Central Banks and societies. If, however, the surplus amounts of local bodies are invested in these banks there is a possibility of the banks undertaking the long-term business.

It is difficult to speak of a district or taluq. To finance the present societies up to their full needs 5 lakhs of rupees extra are required. For current needs of agriculturists not less than 10 lakhs of rupees will be sufficient for each taluq.

I.—Grants by Government to societies so that their rate of interest will be reduced—

- (a) Grants should be equal to reserve fund.
- (b) Exemption from process, etc., in awards in civil courts.

II.—Long-term loans be introduced and Government should make advances for it.

III.—Ordinary banking business on the pledge of gold be undertaken. For such business societies having ten members be not insisted on.

Existing concessions are sufficient. Debentures issued by Provincial Banks and any mortgage bank should be included in trustee securities. Co-operative movement has mostly succeeded in meeting the financial needs of agriculturists within its fold for current agricultural operations. It has influenced the rates of interest by lowering them.

### Usurious Loans Act.

QUESTION 1.—Provisions of Usurious Loans Act are rarely made use of by civil courts. Its application should be strictly enforced when the rate of interest exceeds 2 per cent and more especially in case of bonds charging *sawai* and *didhi*.

QUESTION 2.—The six years bar contemplated by section 3, proviso 1, should be removed and the same deleted, so as to enable the courts to re-open any agreement purporting to close previous dealings within 12 years.

QUESTION 3.—As at present, the Usurious Loans Act applies only when a suit to recover loan is filed in civil courts. The Act should be so amended as to enable any debtor to apply to the court for relief against excessive interest even where a suit is not filed. Cases have occurred when money-lenders take sale of the property from mortgages or other prior bonds in which excessive interest is charged and the matter is never taken to the civil courts.

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There should be no provision for licensing money-lenders, but it should be made obligatory upon the money-lenders to supply their debtors with copies of accounts in all cases.

Financing of co-operative societies should be done by Central Banks. If possible there should be a Central Bank for each taluq. In order to ensure uniformity of business in the province, the Provincial Co-operative Bank should act as a clearing house of all Central Banks in the province in all matters.

## II—Indigenous Banking.

QUESTION 1.—Indigenous banker transacts following business:—

(1) He combines business with trade or holds land, or does commission business and very often to get rich quick he speculates in all kinds of produce.

(2) In villages he plays a threefold part—

(a) Purchases rural produce.

(b) Is a village shopkeeper.

(c) Is a money-lender.

(d) Almost invariably holds lands as a necessary consequence of his money-lending activities.

(3) He supplies finances to the following:—

(a) Petty shopkeepers.

(b) Cotton merchants.

(c) Agriculturists (in money and kind).

(4) Facilitates transmission of money by means of hundis, etc.

(5) Finances cottage industries or local industries such as—

(a) Carpet-making.

(b) Tanning.

(c) Matting.

(d) Supplies thread to weavers.

(e) Deals in gold and silver, gives advances to goldsmith for finished articles and sells them as producer.

QUESTION 2.—Indigenous banker is the main agency supplying capital for agriculture, trade and industry in the mofussil. On account of the spread of co-operative societies his predominance in these parts is decaying.

QUESTION 3.—There is no organisation of indigenous banking in these parts. His business is a purely family concern. Some of the bankers have their agencies at all important trade centres of the country. He is in close touch of the money market all over the country.

Imperial Bank finances the individual banker to the extent of his stability and general business reputation. Indigenous bankers' expenses are very little.

QUESTIONS 4 AND 5.—Already dealt with before. All demands are met by indigenous banker from his own capital. Sometimes he borrows from bigger money-lenders. He also receives advances from the Imperial Bank by pledging gold and silver or by pledging goods or cotton bales repayable at a stipulated period of time. Thus he meets the demands of his clients by contracting temporary loans.

QUESTION 6.—Generally he pays interest from 6 per cent to 9 per cent on deposits. Agriculturists have to pay interest from 15 per cent to 36 per cent per annum. The average rate of interest works at 2 per cent per mensem on loans for six to eight months. Sometimes *sumai* is recovered. These rates can be reduced by popularising co-operative credit. Some reduction in the rates has been effected since the advent of the co-operative movement. But there are possibilities of further reduction if the agricultural associations and co-operative societies meet in full the current needs of their constituents. Only cheap finance cannot raise the standard of living. Education and propaganda will go a great way to effect a change in the general outlook of the agriculturists. What is required is the change in the mentality of the cultivators.

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**QUESTION 7.**—Yes, there are prejudices against indigenous bankers. They are sufficiently protected in law. The ignorant debtor is not sufficiently protected in law. His personal account is not open to him and he cannot ask for receipts for payments made with the fear that he would incur his displeasure.

**QUESTION 8.**—Indigenous bankers may be organized and their business be regulated on principles of banking. In a corporate capacity he will be better able to secure finances from banks at lower rate and will consequently be able to supply finance to agriculturists at a cheaper rate. The indigenous banking system can be improved and consolidated by following means:—

(1) They should devise scientific means to stimulate thrift and encourage saving habits among the public.

(2) They should act as middlemen between those who have got saving and those entrepreneur who want capital.

(3) They should take up the development of cottage industries.

(4) They should charge fair return on their capital.

(5) They should standardize the various forms of negotiable instruments.

(6) They should realize the higher duty of the bank. They are not fired with zeal and enthusiasm to realize the higher ideal.

(7) They should advance loans more for productive purposes.

(8) They should standardize the system of accounts and supply certified copies of accounts to clients when demanded.

The balance sheet of the indigenous bankers should be got audited by chartered auditors and published so as to make soundness or otherwise of the banker a matter of public knowledge.

Any attempt, however, to regulate their operations and to give full publicity to the same would be strongly opposed by them.

**QUESTION 9.**—Not less than 15 per cent per annum.

**QUESTION 10.**—They are generally able to meet all demands in a good year. When the money market is tight they have to refuse demands. In such cases they have to refuse more on account of insufficiency of capital than for the unacceptability of security.

**QUESTION 11.**—Organization of the bankers into local associations would be advantageous to all. Local bank with local directors would be useful in supplying capital to individual bankers through their associations. This would control the rates of interest. To inspire confidence among the bankers their associations may be given representatives on the directorate of local banks. Indigenous bankers' societies on co-operative basis be introduced in all big villages or groups of villages. They should advance money on cheaper rates of interest and lending of money even to non-member agriculturists.

**QUESTION 12.**—No.

No.

No.

### III.—Investment habit and attraction of capital.

Deposits, borrowings and savings of individuals are the banking resources. It is difficult to give any idea of the additional capital required. Imperial Bank, joint stock banks, co-operative banks and societies of various types, postal savings bank and Government securities are the means of encouraging saving and investment habit.

Co-operative banks and societies have encouraged saving among the intelligent and educated classes in towns. Co-operative societies have attracted deposits from rural areas, but the success is not so marked. There are no spontaneous attempts on the part of the agriculturists to invest their savings in societies.

There are full facilities for the public to invest their savings. But the advantage is only taken by towns people.

The existing facilities can be extended in the interior if the procedure is more simplified. Masses are practically illiterate and ignorant and are unable to grasp the significance of improved methods and current progress. They keep aloof from banking institutions and similar facilities.

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On account of extreme poverty of masses they can hardly afford to keep any saving; whatever scanty savings they can make is invested in gold and silver ornaments. When they are pressed under hard circumstances they make use of such ornaments to raise money. This cannot be rightly called hoarding as this is not surplus money. However large amounts of money are lying idle in the form of ornaments.

Postal cash certificates are no doubt an inducement to small people to invest their savings. Illiterate and uneducated masses are not accustomed to such form of saving.

Cash certificates can be more popularized if the rates of interest are still higher and facilities for their issue are fully understood by the public at large and interest thereon is made payable every year.

Savings bank do afford sufficient facilities, but they are resorted to by middle class people only. Whatever scanty savings the masses have they invest them in gold and silver ornaments. It is difficult to induce them to earn interest on these petty sums by investing in savings banks. In case gold standard and gold currency were introduced masses would be assured of sufficient supply of these valuable metals at any time. This very confidence will induce the people to invest their little savings in interest-bearing securities. Investment by masses in postal cash certificates affects indigenous bankers, banks and money-lenders adversely. Large amounts are taken away by Government in this way. This creates unfair competition between Government and other institutions. As a consequence trade and cottage industries do not get any assistance from the indigenous bankers which they would have been able to render had the money been deposited with them at cheaper rates.

There are sufficient facilities for purchase and sale of all kinds of securities. It is only the appalling ignorance of the masses and their general backwardness that come in the way.

The sale-proceeds of the agricultural produce are spent in payment of debts, land revenue, current family and agricultural needs. It will be seen from the figures of the indebtedness of the village given above that the agriculturists have to contract debt even for domestic purposes and marriages. Large portion of the indebtedness is due to the expenditure on ceremonials. There is practically no hoarding among the agricultural class. In a year of boom the surplus income is improvidently spent, some time it is spent liquidating old debts.

Since the abolition of the stamp duty cheques are increasingly used in towns. Middle classes in towns are usually trained in the system of cheques, but some measures may be adopted to popularize them in the villages. The use of vernacular script in banking would be of much assistance to the village population.

The slow growth in the investment habit and banking in India is mostly due to the illiteracy, absence of industrial development on modern lines. Absence of banking facilities to the masses, paucity of agriculturists' resources and last but not the least to the current currency policy of the Government but the most important matter is that there is no saving as such which can be invested.

Opening of branches by the Imperial Bank has facilitated prompt financing of trade and commerce on reasonable terms. Use of cheques is much popularized. Transmission of money is facilitated. Shroffs and bankers get financial help in times of need against security. They have tended to make the money market less tight.

Agriculturists as such, however, could not get any benefit out of it. With a little care on the part of the Government agency and others responsible for it wide publicity could have been given to the facilities afforded by the Imperial Bank. Middlemen, however, got full benefit out of it, and made their own profit from the agriculturists in their turn. The remedy is intensive propaganda by the Imperial Bank, Government, Central Banks and private co-operators in giving wide publicity to the facilities afforded by Imperial Bank.

Hundis and cheques are not and cannot for a long time to come be in vogue in the villages. Money-orders and insurance rates for them should be reduced. Cheques for encashment are charged higher than the hundia. The rates should therefore be uniform.

The following figures will give an idea as to the amounts advanced to these 52 societies which consist of 712 members in all during the past three years:—

Years.	Loan advanced.
	Rs.
1926-27	78,818
1927-28	71,544
1928-29	55,755

The total area of land belonging to these 712 persons for which they were financed amounts to about 12,612 acres of land and the total debt due from these members amounts to Rs. 4,51,981 to the societies on the 30th June 1929.

The figures of Government financing during the past three years are given below:—

Year.	Amount advanced under Land Improvement Act.
	Rs.
1926-27	13,000
1927-28	16,200
1928-29	4,850

This will give you an idea as to how much amount for cultivation expenses are required by the cultivators and how much out of it is supplied by co-operative banks and Government agency; the rest of the financing is done by money-lenders. Therefore I maintain that the main financing for agricultural expenses is done by money-lenders, indigenous bankers, sowkars and Government and co-operative societies play a very negligible part. This estimate relates only to cultivation expenses and expenses on other heads are taken into consideration, but if such expenses are added to the above figure the figure would go up to more than a crore.

In the present state of things there are no possibilities in my opinion of operating licenced warehouses in India. I have carefully gone through the note sent to my bank relating to Egyptian warehouse system for the purpose of consolidating and regulating the cotton sale of the agriculturists in their interest. It is difficult to pass any opinion on the operations of licensed warehouses if they are opened in India on similar lines. With the growth and development of banking system in this province and with a legislative sanction for the operation of licensed ware houses the cotton and grain trade in this province may be regulated in the course of some years apparently to the advantage of cultivators in the beginning; but ultimately it will destroy the indigenous banking system in India and also destroy cultivators' credit with local bankers and money-lenders to their great disadvantage. In my opinion the Government or the co-operative movement, Imperial Bank or even a State bank will not be good substitutes for indigenous bankers, sowkars and money-lenders at all times. Besides, the system when worked out will not secure full or best prices to the producers as is intended thereby.

The price of lands cannot be stated at any fixed rate. With the fluctuations in the markets in India or outside, the prices of the produce of grain, cotton, etc., are greatly changing every day and consequently during the last ten years the prices of all sorts of land have gone down considerably. The main factors affecting their values are as stated below:—

- (a) The reduction of prices of cotton, grain, etc., in the local and foreign market.
- (b) Increase in the rate of agricultural labour and the increase in the Government assessment. The combined effects of these two main factors leave no good margin of profit between the cost of production and the value fetched by the produce.
- (c) The third factor which determines the value of the land is its nearness to the *basti* or nearness to any market where the produce can be taken easily for sale.
- (d) The fourth factor is the quality of the soil whether inferior or otherwise, but these latter factors are controlled by the first two.

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- (e) The absence of their own funds with the cultivators with which to buy or cultivate lands or to bring under cultivation new lands and necessity to raise loans at high rate of interest.
- (f) The vagaries of monsoon have also added considerably to the reduction of the quantity of produce and consequently have also affected the prices of land adversely. The prices have gradually fallen to half of what they were ten years ago; and if one were to go to the root cause of this evil I think the Government policy of currency and exchange will ultimately be found responsible for the reduction of the prices of lands.

It is difficult to arrive at estimate of the indebtedness of village agriculturists much less of a district or of the whole province. Any attempt of any ordinary man in that direction would be fruitless labour without any authority to him to force a villager to supply information on the heads required for the survey without any Government record at his disposal with any reasonable accuracy. And the calculations made and the conclusions arrived at on the basis of such inaccurate survey would be greatly misleading for the purpose for which they are required. I have, therefore, left the first six paragraphs in this section unanswered. However Malkapur Bank is going to make economic survey of two or three villages in the taluq to arrive at existing indebtedness of the agriculturists. The result of the survey when prepared will be submitted as supplement to these replies. The causes of indebtedness in general of the agriculturists may be, however, summarised as follows:—

- (a) (1) Undue increase of land revenue assessment. I shall only quote figures of Malkapur taluq for illustration. In the year 1865 at the first survey the land revenue was Rs. 3,17,342 exclusive of cesses.  
 (2) In the year 1895 at the revision survey it rose to Rs. 5,27,279.  
 (3) In the last survey of 1925 the land revenue again rose to Rs. 7,99,209. Thus the increase in the land revenue of this taluq has gone up to 24 times more than what it was in 1865.
- (b) Increase in the forest income.  
 (c) Increase in the excise income.  
 (d) Increase in the income derived from general and court-fee stamps, and such other increase of revenue in almost every department of administration which directly or indirectly touches the pockets of the agriculturists.  
 (e) Exploitation due to the steady growth of foreign trade without any counterbalancing earnings supplementing the agricultural income by means of any sort of home industry.

The accumulated effect of this is that the living of an average agriculturist has become more costly than before. In short the entire economic situation due to the above causes or causes similar to them into which the agriculturist is thrown, voluntarily or involuntarily, is mainly responsible for his indebtedness. The payment of high interest to the sowkars even at compound rate, his lavish expenditure on social or religious occasions, want of primary or agricultural education according to the present standard and such other defects in his living, if any, may contribute to his indebtedness to a certain extent, but they are not its primary causes.

The primary cause lies in the enormous growth of foreign trade which drain away the agricultural wealth of the country into foreign lands unarrested by corresponding establishment and development of home industries.

The top-heavy administrative cost to defray which direct and indirect taxation is resorted to is also responsible for agricultural indebtedness. As long as these drains are going on unhampered no amount of measures in the nature of reducing a rate of interest on or disallowing compound interest or opening of banking facilities or land mortgage banks, etc., will relieve the agriculturists from bad economic conditions into which they are thrown. All these are attempts to treat the symptoms and not the disease.

In my opinion an indigenous banker or money-lender does not realize, by way of interest on his capital invested in money-lending, more than one per cent per annum after making allowances for all his charges, losses and expenses whether legal or otherwise, notwithstanding his agreement to charge higher rate



of interest or compound interest. It is difficult to answer this question satisfactorily as the charges and losses are different with different sowkars and under different circumstances.

It is not possible to state whether indigenous banks or bankers are or not able to meet the demands of their customers for want of capital or insufficient security, as none is willing to disclose the state of things of his business.

12. I do not think that indigenous bankers or money-lenders have got spare funds at their disposal, so as to find employment for them throughout the year or to flow in provincial capital for long or short periods. In the course of last 10 years money-lenders or sowkars are complaining that the money market is gradually becoming tighter and they have no money to make advances to the agriculturists so freely as before.

I think the banking investment habits in India are of very slow growth. Especially the cultivators have no banking habits at all. This is due to the want of funds to deposit with them. From the deposits made by several persons in Malkapur Central Bank I find that Government servants, pleaders and some well-to-do persons are the only depositors. No sowkar or money-lender is a depositor in the bank. On account of the competition no body will find it profitable to invest his savings in any productive undertaking. In the first place there is no spare money in the country to invest and in the second place there are no productive industries on account of the foreign competition.

### Supplementary.

QUESTION 3.—I agree in the suggestion that growers of the produce in India do not get full value of their produce on account of speculative nature of the transactions with which the export trade is carried on. No suggestions can be offered in this matter as Indian trade in cotton and other commodities is entirely dependent upon the foreign markets. The foreign firms dealing in export trade or indigenous banks in Bombay or up-country have to enter into speculative transactions and the cultivators who have to deal with such firms directly or indirectly are naturally affected by the ups and downs in the rates of the commodities and no remedy can be suggested for this evil.

### Oral Evidence.

*Akola, the 6th February 1930.*

*Chairman:* Are you the Chairman of the Khamgaon Central Bank?—Yes. I am also a pleader. I have got 25 acres of land.

Have you ever had an opportunity to study the science of banking on the technical side?—I regret I have had no opportunity.

Could you tell us the total share capital of your bank? What is the amount of the present deposits?—The share capital is Rs. 22,000 or Rs. 23,000. The deposits amount at present to Rs. 5,64,000 in fixed deposits and Rs. 79,000 in savings deposit.

What is the rate of interest usually paid on deposits?—It depends upon the period. For one year we pay Rs. 5-12-0; for two years, Rs. 6; for three years, Rs. 6-4-0; for four years, Rs. 6-8-0; for five years, Rs. 7.

In discussing the condition of the cultivators and particularly with regard to two villages, you have alluded to the indebtedness of the cultivators. I think you will agree that indebtedness is purely a relative term. Is it not?—Yes.

Your bank owes over Rs. 5 lakhs upon rates of interest varying between 5½ to 7 per cent. I might in one sense be correct in stating that your bank is very heavily indebted. Is it not?—Yes.

But actually, I believe, your bank is perfectly solvent and in a satisfactory state, because it borrows money solely for the purpose of carrying on its business and derives benefit therefrom. Is that not correct?—Yes.

At first sight if we were to say that your bank owed Rs. 5 lakhs it might seem a serious matter. You are perfectly solvent, you are able to meet your liabilities and you derive benefit from having borrowed that money. Carrying the same argument a bit further, it is possible that many cultivators may owe money and may be in an equally solvent condition?—Provided they have invested that money on better terms.

MR. M. K. CHANDR.

That is to say provided they have made use of that money for productive purposes and have been able to obtain that money at a rate of interest at which it is possible for them to obtain a profit from using the money. If we come down to the root of the matter, one of the main questions is really the rate of interest which these people have to pay. Is it not?—Yes.

The mere fact of indebtedness does not prove anything at all until we know what the debtor's assets are, what he has done with the money and what is the interest which these people have to pay. Is it not?—Yes.

As regards the rate of interest, the position would appear to be that after you have met all your overhead charges in the co-operative bank and paid interest on your borrowed money, it has not been possible for you to provide money to the actual members of societies on the joint responsibility of ten or more persons at a rate usually lower than 12 per cent?—I am afraid we cannot do so.

You will admit that your money is safe and you hope to recover it all. Is it not?—There may be some bad debts. Generally speaking, I take it that our investments are safe. I cannot give you any percentage of bad debts. About half a lakh of rupees in round figures may be bad debts.

At least you will admit that money advanced on joint security ordinarily should be on good security and on better security than the personal security of one person?—Yes.

Going one step further in the argument, I think we ought to agree that under present circumstances we can hardly say that the indigenous money-lender is charging an unduly high rate of interest, having regard to the less security and the greater risk, if he in some cases charges from 15 to 18 per cent?—The word "high" is relative and of course bad security requires high interest. But whether 15 to 18 per cent is high or not will depend upon many circumstances, viz., the paying capacity of the borrower, etc. If you take this into consideration, then 15 to 18 per cent will certainly be a high rate of interest.

You mean to say that the rate of interest, apart from the question of the amount of money available, depends almost entirely upon the personal credit and security which the individual borrower has. Is it not?—Yes.

My point was that, if the co-operative bank at present is not able to provide money at less than 12 per cent for the members, it would perhaps be unreasonable to hope that the indigenous money-lender, having regard to the very much greater risks which he has to face, should give at rates below 15 per cent. Is it not?—The first proposition is based upon certain premises which you enunciated at the beginning, namely, the overhead charges, etc. These charges remaining the same, the co-operative banks cannot afford to charge less. This premise does not apply to an individual banker or money-lender. His overhead charges are less and he can carry on his business of money-lending much more cheaply than the co-operative bank can do.

*Chairman:* Do you think his overhead charges are less?—I should think so.

Does it not follow then that he could carry on the business of money-lending more cheaply than the co-operative credit movement?—Yes.

Would you be prepared to go one step further and to say that provided we can make certain improvements in the indigenous banker, having regard to the fact that he can carry on the business of lending much more cheaply, he would be a more suitable agency for lending money than co-operative credit banks?—If you concentrate yourself only on the individual banker, the educative element in the co-operative institutions would not find a place with the banker. The object of the co-operative movement, as I understand, is not only carrying on good money-lending business, but there is an educative element which I would not like to sacrifice to easy credit. From this point of view I would like to extend the operations of the co-operative movement rather than to lay more stress upon regularising the sowkar.

You will agree further that having regard to the indebtedness of the agriculturist of Berar it is necessary for us to find some remedy for relieving the present indebtedness. Do you agree?—Yes.

MR. M. K. GRANDH.

How long do you think it would take to extend the co-operative credit movement on a satisfactory basis to all the villages in the Buldana district?—That would depend on the methods that are used for expanding the movement. For example, just as Government makes it a point to have a working Patel in every village, so if they insist that there should be a co-operative society in every village, it could be done within a couple of years also. This is an extreme in every I myself admit, but what I mean to say is that it will all depend on circumstances.

What methods would you recommend Government should take for expanding the co-operative movement?—It is a difficult problem.

Therefore the wiser line to take would be to attempt to expand the co-operative movement as much as possible and at the same time to endeavour to improve the indigenous banker if we can do so. Is it not?—The second proposition seems to be too general.

Do you agree that our aim should be to improve the indigenous banker and make use of him as a financing agency?—If the faults in an indigenous banker, such as keeping proper accounts, charging reasonable rate of interest, etc., are cured I have no objection to make use of him as a financing agency.

As regards subsidiary industries do you think we can put back the hands of clock and go back to these hand power industries?—They would be only subsidiary industries.

When you say that the methods and nature of business of the Central Banks are not suited to the Imperial Bank do you mean to say that the Imperial Bank does not like to deal with that kind of business?—Yes, that is what I mean.

Do you mean to say that the Imperial Bank does not help to finance agriculture?—Except in rare cases they do not.

Are you aware of the fact that big commercial banks do not finance agriculture?—I do not know.

In paragraph 12 writing about co-operative societies some word seems to be required. Could you tell me what word should there be?—The word "saving" is missing there.

Do you agree that co-operative societies have not succeeded in developing the thrift habit in rural areas? Do you admit that very few deposits are made with the societies by its members?—Yes.

Do you not think it is very important to encourage deposits in societies?—Yes.

Would it not be cheaper method of financing the societies, if non-members were also encouraged to deposit their money with societies direct?—Yes. It would be a cheaper method.

Do you agree that the society is the really important part of the co-operative movement and that the Central Bank is merely a financing agency?—Yes.

Which of the two do you consider to be more important: the society or the Central Bank?—Both have got their own importance.

Do you think that without a Central Bank a society could be financed?—Unless the Provincial Bank tried to finance it, I do not think it could be financed.

Would you agree if I say that the essence of the co-operative movement is in societies and not in Central Banks—I think Central Banks are as important as societies as I think the educative work which the Central Banks do is of much value, because societies without the guidance of Central Banks would be practically useless.

Would you agree that the Imperial Bank takes part indirectly in the financing of agriculturists?—Yes, for the matter of that any agency which deals in finance takes an indirect part.

You say that agriculturists get very little benefit out of the Imperial Bank. You also say that with a little more effort at publicity this agency should be of much use. Would you suggest any remedy for this?—At present the Imperial Bank advances loans on the security of gold at cheaper rates, but, so far as I know, none of the agriculturists know of this facility. If they were to know of it, they might derive some advantage out of it. What I want is that the facilities ought to be made better known to the rural population.

MR. M. K. CHANDE.

Are you in favour of warehouses?—I am to a certain extent. The whole scheme will have to be worked out in detail.

Do you think that the product of home industries can compete with the machine-made articles?—I do not think it can.

Further you have said that the total area under cultivation is about 70 lakhs of acres. The average amount of money spent on agriculture every year in Berar is at least Rs. 10 crores, if not more, of which we can assume at least half is borrowed every year. The interest on that at 24 per cent alone would come to Rs. 1 crore per annum. Suppose we could reduce the rate of interest by half, we should reduce the annual interest charges by Rs. 50 lakhs. Is it not?—What I had in view at that time was that the cultivating charges per acre would be at least Rs. 20 then about Rs. 2 would have to be paid as land revenue, thus amounting to Rs. 22, and if we take the average return, it will be about Rs. 24 to Rs. 25 per acre. The net result would be the saving of Rs. 2 to Rs. 3 per acre. I do not think it to be sufficient for a man.

What will a man holding 10 acres in a village get as profit?—He will get about Rs. 20 in a normal year.

What would you consider to be the ordinary expenses of food and clothing of a family of 5 people in a village?—According to my estimate the expenses should come to Rs. 200 at least.

Then does it not follow that he would have to borrow Rs. 170 per year?—Yes.

How long do you think this process has been going on?—I think it goes for the last five years.

I understand there are about 5 lakhs of cultivators in Berar. If they had been borrowing Rs. 170 each per year, what would the total be now? Will it not be enormous?—It would be enormous, but I am of opinion that there are many cultivators who borrow only when it is absolutely necessary. These people prefer to remain half-starved but refrain from borrowing.

*Vice-Chairman:* When you say that by multiplying co-operative banks and societies the Government can bring to the door of every cultivator the benefits of the co-operative finance, do you mean that you want it to be purely Government finance?—Very far from it. It will not be very difficult to get non-official workers for carrying on the benefits into villages.

The products of subsidiary industries are now available in Berar. Do you agree with this view?—No. Major portion of carpets are coming from outside. *Gher* is coming from outside. In the same way all other subsidiary products are being imported.

You know that the chief cause of the decline of these cottage industries is that the public now want finer products and the coarse products of cottage industries do not appeal to the people so much?—I do not agree that the generality of the masses require fine textures or finer goods.

To the extent to which the demand for coarse products still survives, the artisans are still plying their trade. Is it not?—To a very small extent.

Do you not think that, if the general body of lay cultivators takes to these cottage industries, the artisans who are at present engaged in these crafts will be thrown out of employment?—There is sufficient market for any amount of additional output.

If I tell you that in the course of our enquiries into the present condition of these industries, we have found that the demand for such products is getting less every day, would you be prepared to accept it?—The reason may be something else. It may be due to the higher prices. It may not be necessarily due to a lack of demand for these things.

Do you agree that provision for cheap credit on a larger scale without a mental revolution on the part of agriculturists will, if at all, be a disaster?—Cheaper credit, by itself, will not solve the problem. It may lead the cultivator to incur more and more debts.

Are you aware that there are many malpractices prevailing in the cotton market of Khamgaon as a result of which agriculturists are robbed of part of the fair price of their products?—There were. I am not, of course, in a position to say whether they exist now.

MR. M. K. CHANDR.

Do you think that these malpractices deprive them of a substantial percentage of the fair price?—I cannot say whether it is a substantial percentage or not; but they are at a loss. I am not connected with this and cannot say to what extent they lose.

**Rao Bahadur K. V. Brahma, C.I.E.:** In your memorandum you have talked about the Egyptian cotton warehouse system for consolidating and regulating the sale of cotton. I admit that there are some facilities for storing bales and storing cotton. But when we talk of the warehouse system, we do not talk of storing facilities, but about creating financial facilities on the strength of documents of title. Have you an idea of the warehouse system that is prevalent in America?—No. I agree that if the warehouse system as is prevalent in America and Germany is extended to Berar, it would result in good to trading community.

You said that Rs. 2 is the net outturn of an acre. Probably you meant to say that, after deducting his cost of family expenses, his income is Rs. 2. Is that so?—Exclusive of his cost of maintenance.

In such cases probably that family has got other sources of income such as wages, etc.?—Yes. At times when their labour is not required on their own fields, they labour outside and earn and that is the cause why indebtedness is smaller than it would otherwise be.

I think you value co-operative finance, because it is a system of controlled finance. In that system you control the expenditure of the borrower to a certain extent?—Yes. This controlling is nowadays done. I am actively connected with the movement since 1922.

Would you agree that the present difficulty in the system of money-lenders is that it is too individualistic in its tendencies, that is, each man advances according to his own view of the situation and that the indigenous banker is not subject to the control of the whole community?—Yes.

You will therefore agree that if by any measure the control of the society as a whole were brought to bear upon indigenous banking, it will be altogether good. For instance, if the bankers were organized into joint stock banks and made to respond to the needs of the community as a whole, that would be a better thing. Is it not?—This will entirely be a better thing than the present state of affairs.

You will therefore welcome any measure which would encourage the association of these indigenous bankers?—Of course. I would welcome them in preference to the present system.

**Rao Bahadur M. G. Deshpande:** You say that for ceremonial purposes the co-operative banks advance loans. Could you tell me to what extent co-operative societies advance such loans?—Almost negligible.

As regards the rate of interest, you say that Government charge 6 per cent compound subject to its being raised to 12 per cent by way of penalty. Would you explain this?—If the amount is not paid within time, Government subsequently charge 12 per cent by way of penalty. I think this is the practice. But I am not sure.

As regards the rates of Rohillas, you say that their rates are not high?—That is a misprint. It should be "not only high".

In reply to the Chairman, you stated that there is no possibility of reducing the rate of interest to societies below 12 per cent?—Under the present circumstances. Taking all expenses of management into consideration I do not think we shall be in a position to do so.

Can you suggest any remedy by which societies may get money at cheaper rates?—If the Provincial Bank will reduce their rate of interest, the Central Bank also will reduce its rate of interest on societies.

You have given your figures of bad debts. Do you think that if you enforce joint liability, you would still have had bad debt of Rs. 50,000?—Yes.

**Seth Narsingdas Daga:** You have said that money-lenders demand a certain percentage in the way of *hundwan* or *batta*, which ranges from 5 to 10 per cent. Are you familiar with the hundi business?—There are several deductions at the time of advance and these deductions are justified on the pretext of *hundwan*, when strictly speaking it is not *hundwan*.

MR. M. K. CHANDE.

You have said that sowkars do not give receipts. Have you personal experience of this?—I know it from the facts disclosed in courts and I have also heard it from debtors. Though moral convictions justify this view, there is no legal proof. This statement, of course, does not refer to money-lenders wholesale, but to bad money-lenders. I would not be able to give you the exact number of sowkars who have resorted to this; but the number is fearfully large.

You have suggested that the accounts of sowkars should be audited and their balance sheets should be published. Are these public institutions?—When I have recommended that they should be audited, etc., my idea is that they receive deposits from the public and so such some control from the public is necessary. I have got two or three instances and, of course, it would not be proper for me to mention names. There was a firm which went on accepting hundis till 2 o'clock and suspended payment at 3 o'clock. Had people known their financial position they would have had no transactions with them.

What percentage of the sowkars go bankrupt in a year?—The percentage is low.

*Chairman:* I understand you to mean that some legislation is necessary to compel all money-lenders to publish their balance sheets?—Yes.

*Seth Narsingdas Daga:* On page 387 you have said on an average an indigenous banker gets only one per cent per mensem interest on his capital. Do you still stick to it?—Yes.

*Chairman:* In another place you have stated that the profit is 15 per cent?—This is not an exact statement, but the profit comes to about that.

*Seth Narsingdas Daga:* Do you know that compound interest is charged by all who are creditors?—Yes, it is more or less general.

*Chairman:* Do not the co-operative banks charge compound interest?—Yes, they do.

You say on page 387 that the rate of interest varies from 15 per cent to 36 per cent. Do you mean to say they never charge less than 15 per cent? What is the minimum rate of interest?—The minimum rate of interest in money-lending is 15 per cent per annum and in shroff business recently it has risen to 12 per cent.

What is the rate of interest on deposits?—It is between 6 to 9 per cent.

*Chairman:* You discussed the question of taccavi here. Mr. Dighe, the new M.L.C., who appeared as a witness today, has advocated a very widespread extension of taccavi loans and has put forward a scheme for the distribution of Rs. 5 lakhs in each taluq in Berar and when he was examined by us he was of the opinion that there was no unnecessary delay in the distribution of taccavi and that there was no leakage of any material amount nowadays. From your written statement it appears you hold different views. Is it not?—I do hold different views. It all depends upon the personal equation. My experience is based upon those instances which I know.

Would you support Mr. Dighe's proposal for more widespread distribution of taccavi?—I would. That is one way. My view is that the more taccavi is distributed the better.

Regarding land mortgage banks and long and short-term loans I would like to ask you if you are in favour of establishment of land mortgage banks, and whether you agree that short-term loan business and the long-term loan should be kept entirely separate?—Yes.

For the requirements of agriculturists in India annual short-term loans which are known as seasonal loans are required from year to year to finance agricultural operations and are repaid at harvest, and apart from that they also require money on long-term loans occasionally for the repayment of old debts and other non-recurring charges. Do you think that the co-operative credit banks should advance long-term loans?—No.

Are you of the opinion that land mortgage bank should be established for this purpose?—Yes.

Would you tell me whether you prefer to have a land mortgage bank in each district or one Provincial Bank for the whole province?—My view is that the Provincial Co-operative Bank should also manage the land mortgage bank as one of its departments.

*Witness:* I want to say something about agricultural education. I think one of the reasons of the bad condition of the agriculturists is that they have no knowledge about agriculture as such, and if a boy of a Patel reads in 4th standard probably owing to the system of education he thinks that it is below his dignity or below his status to go into the fields and work there. I have, therefore, to suggest that some system of education should be devised whereby there will be an agricultural bias in the education given to boys in rural areas.

*Chairman:* Thank you very much.

**RAO SAHIB B. Y. KHOLKUTE, Retired Deputy Commissioner  
and Vice-Chairman, Central Bank, Ltd., Buldana.**

Reply to the Questionnaire.

Part I.

**QUESTION 1.**—It may be presumed that the term agriculturist used in this statement is confined to actual farmer who tills the soil for his maintenance as his hereditary profession. It does not include people of other class who have acquired landed property in large quantity by money-lending or other means and who now depend either wholly or principally on agricultural income for their maintenance and continue their old business or trade by way of supplementing the agricultural income.

2. The main source from which the agriculturists obtain finances for expenses during cultivation are by contracting loans on personal credit from local money-lenders. Such transactions are generally effected by the debtor executing a promote or a bond or signing an acknowledgement in the account books of his creditor known as "Ticket Wahi". (टिकीट वाही). In very few cases no record about the loan is kept by the debtor, but the creditor notes it down in his own account book against the debtor as a debit. In a few cases the debtor pawns his petty ornaments and gets a loan on their security.

3. For capital or permanent improvement where larger amounts are generally required the land of the agriculturists is generally mortgaged to the creditor with an agreement to repay the loan any time within three to five years generally. For special needs, e.g., failure of monsoons, money is generally secured from sowkars on higher rates of interest. For payment of land revenue in ordinary years the agriculturists in Berar generally reserve the necessary portion of their sale-proceeds of the crop as the first charge. For ceremonial purposes loans are taken on terms stated above from local sowkars.

4. Co-operative societies obtain loan from the Central Banks in the area and advance money to the members for agricultural expenses during cultivation without any security except the joint credit. Such loans are generally repayable at the next harvest. For larger amount required for capital or permanent improvements or other ceremonial purposes the land of the members is mortgaged to the society. Such amounts are generally repayable within three to five years.

5. Government grants taccavi loan to the cultivator for improvement of the land commensurate with the amount required repayable generally within three to five years at 6½ per cent per annum. For defaults penal interest at 12 per cent is charged. For seed and fodder Government grants loan at the same rate repayable at the next harvest. Such help from Government, however, can under the law be given to such agriculturists only whose land is entirely free from outside encumbrances and is practically insignificant. Co-operative societies also cannot help needy agriculturists who are not members of the society though they may otherwise be quite solvent.

6. Government loans are granted at the uniform rate of 6½ per cent per annum. The co-operative societies charge interest at 10 to 12 per cent, while the sowkars charge generally from 12 and 18 to 24 per cent according to the solvency credit and need of the debtor. In few cases of doubtful solvency interest at 36 per cent and sawai for six to eight months is also charged. What with discount, first year's interest and other dhermadaya charges the amount of principal actually put into hand of the debtor by the sowkar very often goes down to 75 to 92 per cent. Standing crops are taken as security in very few and exceptional cases.

7. Local bankers are in chief the money-lenders. Imperial Bank of India hardly lends money to actual agriculturists except in case of large and very solvent landlords on security of crops stored in godowns and kept in charge of the bank. There are no joint stock or indigenous banks in this district.

RAO SAHIB B. Y. KHOLKUTE.



It is hardly possible to give any accurate estimate of the total amount of capital required for various purposes for the district or the province though a very wide approximation may be given at Rs. 2,00,00,000 for the district.

9. It is not possible to give any estimate of grain advances in the district. Such advances are, however, given generally at the rate of *sawai* to be repaid at the next harvest. Sometimes *didhi* (50 per cent) is also charged in case of need.

10. Defects in the present system of money-lending are numerous. Good many of them arise from illiteracy and imprudence of the agriculturist himself; education and practical inculcation of thrift and proper use of money will remove most of these defects. Co-operative Department has started to do the much needed propaganda, but the success is very slow and infinitely small in proportion to the efforts made. Absence of sincere hardworking and purely selfless workers is one of the main reasons for this scanty success. The principles of co-operative movement are found not to have been properly grasped by the workers themselves much less brought into practice. Concentration of the advances in the hands of the few working members of a society is the bane which gives rise to the general want of confidence in the movement. This concentration drives a number of innocent members in a society to resort to outside money-lenders and keeps the real agriculturist at a distance from the co-operative movement.

11. The principle of joint liability for a dishonest but forward member renders the honest agriculturist fight shy of the movement and honest man prefers a professional money-lender in spite of the admittedly hard conditions of the latter.

12. Imperial Bank is not at all in touch with the needy agriculturists and cannot finance them. If the agency of the Imperial Bank is brought into operation to finance the needs of the real agriculturists through the Central Banks and co-operative societies and thus get into direct touch with the agriculturists will be more beneficial than it is at present.

13. Central Banks or co-operative societies should be permitted to advance loans to solvent individual agriculturists on one or more personal securities. The Imperial Bank should be allowed to finance the Central Banks and societies on such security and thus brought into effective co-ordination with the local banking agency. Bankers' money-lending societies for doing money-lending business may be started and re-organized and special facilities of capital, etc., may be afforded to them, on a wider scale as is done in the case of Co-operative Central Banks.

14. Individual bankers or money-lenders be compelled by law to pass receipt for repayments made. Legal provision be made for securing memoranda of accounts to the debtors. In case of all literate creditors compulsory maintenance of accounts be enforced. Reciprocal pass books should be maintained and every transaction noted therein. Government loans under *taccavi* laws be made through Central Banks and societies which are generally in a better position to know and appreciate the real necessities of the village agriculturists.

QUESTION 2.—1. At present the individual agriculturist takes his cotton or grain to the nearest cotton or grain market and sells through his *adatyas*. Petty stocks are purchased in rural areas by cotton and grain dealers, wishing to make business out of it by taking the commodities thus purchased to the market. Sometimes stocks are purchased at the spot by rural creditors in repayment of loan advanced to the agriculturist by them. In case of sales through *adatyas* or brokers the real seller does not generally come into contact with the real purchaser of the commodity and in many cases does not even know the rate settled for his goods. There are also other defects in the system of weighments, etc. It is necessary to start sale and purchase societies for this purpose.

2. The possibility of forming pools in marketing agricultural produce is very large and will result in benefitting the agriculturist, provided such pools are arranged on a very wide scale and within easy reach of every village agriculturist. The scheme to be really beneficial will have to be strongly organized with a central body at each cotton market and branches spread over the rural area in the vicinity. The agriculturist will thereby save much of his time, labour and expenditure for sale of his goods and will be kept away from the

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temptation of incurring needless expenses over luxury that attract him in town areas. He would thus be saved from all unnecessary temptations and gradually and unwillingly learn thrift and its benefits. If possible, such pools should carry on the duties of sale agencies as well by giving a homogeneous rate with due margin for necessary expenditure to gin cotton at the nearest factory and store cotton seed for future supply to the agriculturist at a similar homogeneous rate.

3. These agencies will have to maintain warehouses for storing the goods purchased at central places. On the security of goods so stored in such warehouses such agencies may be provided with funds by the Imperial Banks through the Co-operative Central Banks, if necessary. This will facilitate the sale of field produce and put money earlier in hands of the agriculturist for repayment of his loan and meeting domestic expenses. Such pools of sale agencies should be formed only on co-operative bases and run under the direct supervision of Co-operative Department; they shall then work as a banking agency, having its branches spread over all the rural area.

4. Question of building licensed warehouses to materialize this scheme will require large capital, and cannot be met unless Government takes it up and supplies the entire capital demanded. In this connection Egyptian Government scheme of loan or security of cotton may with necessary charges to suit the local circumstances be tried as an experiment, but the Government will have to bear the expenses in this connection.

5. Remittances of money in connection with these pools will have to be arranged in the cheapest possible manner. A special form of cheque may be utilized for this purpose and should be available for credit to the account of any bank or banker at the district or taluq places without any discount being charged. Postal Department can easily be used for this purpose. If this is done, a number of well-to-do agriculturists might choose to credit his money and learn thrift and advantages of investing his capital at reasonable interest.

6. Imperial Bank finances big trading firms during the process of marketing. Bankers and merchants who are the constituents of the banks are also generally financed on the security of the goods warehoused with such firms. The petty cultivator is, however, out of all this. He has either to sell his produce immediately at the rate available or to incur debt for his immediate wants from sowkars on usual terms. Where co-operative sale agencies are started as an experiment the co-operative bank supplies funds through its adat agencies during the process of marketing, but the extent of such financing is at present very small.

7. In Berar there is no difference between the inland and foreign trade. Internal remittances to bank or banker are made by means of cheques, hundia and akadas. Some difficulty is, however, felt when the person to whom the remittance is made is not within easy reach of the bank, hence a large portion of rural remittances goes through the post office which charges rather high commission. Postal Department may be brought into co-ordination with other banks so as to facilitate rural remittances.

8. Payment by hundia or cheques at sight should be as prompt as possible and the duty on hundia be reduced to encourage its extensive use.

9. Several forms of cheques and hundia have already been given in detail in the joint statement by the four Co-operative Central Banks in this district.

Railway receipts are the only documents of title in this district. No difficulty is experienced in use of this instrument.

QUESTION 3.—1. Value of the land where wheat can be reaped generally ranges between Rs. 250 to Rs. 350 per acre. Garden land is at times valued even higher. The highest value going up to Rs. 500 per acre. Ordinary land where cotton and juar is generally sown sells at Rs. 100 to Rs. 200 per acre. This valuation is generally fixed by private negotiation.

2. Value of land in Government sales through civil courts or for non-payment of land revenue is much lower and is often below three-fourths the value of the land is sold by private negotiation. Civil court auctions are more or less regarded as speculative affair and the middle man purchases land at such auctions only with a view to get high profit.

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3. Amongst factors affecting the value of land the following are most important:—

- (i) the nature and value of encumbrances on the land;
- (ii) nature and prices of the harvest of the preceding year;
- (iii) the proximity of the land either to the village or to the holding of the intending purchaser;
- (iv) convenience of the tiller, for example, availability of lessees, etc;
- (v) cultivation expenses that generally increase or decrease the margin of profits in agriculture;
- (vi) level of the land and natural quality of the soil and the probabilities of getting irrigated crops;
- (vii) proportion of the land to unculturable areas;
- (viii) prospective defects in the title of the seller; and
- (ix) the general economic condition prevailing at the time of the sale.

QUESTION 4.—1. Ryotwari tenure is prevalent in Berar and there are no legal impediments to mortgage the land except in so far as they are laid down by law and rules in case of palampat, inam and jagir lands and lands in Melghat taluq. Recently cultivable lands have been given by Government on certain terms of restricted tenure.

2. There are no land mortgage or agricultural banks or other banks for providing long-term credit to the agriculturist in this division.

3. Land mortgage banks on co-operative basis should be organized for giving long-term loans to the agriculturists. Arrangements should be made for redeeming their liability from the income of such lands. Personal security of another solvent agriculturist for regular repayment of the loan may also be taken to safeguard the interest of the financing bank.

4. The procedure of the record of rights is rather dilatory and defective. Entries taken on mutation registers are certified and finally taken on record of rights register several months after the transaction takes place. This allows chances for fraud to go undetected until it is too late. Recently the record does not give full details and dates of transactions ultimately leading to the change of title. This should invariably be done in full details. Leases below definite period are not recorded. This should invariably be done for even lease over a year. Certification of mutations may be enforced immediately after the transaction by the revenue officer first visiting the village when the entry is ripe for certification. Inspection of such registers may be available at a cheap cost from the village *dastar* itself. The *parcha* fee may be reduced to four annas per copy to outsiders.

5. Land mortgage bank should raise its capital by—

- (i) debenture bonds,
- (ii) share money,
- (iii) funds from central institutions, and
- (iv) deposits.

6. Debenture bonds will have to be safeguarded by a guarantee from the Government both for principal and the interest thereon. A provision must exist in the byelaws of such bank to earmark certain percentage of the profit of the bank as well as the share money of the debtor as a security against any loss to the Government on guarantee and the amounts so set aside must be invested in the Government securities.

7. Government will be given representation on the Board of Directors of such banks in consideration of the guarantee given by the Government. Such bank will have to work under the supervision of the Registrar, Co-operative Societies, in all matters of policy.

8. The debenture will have to be included in the list of trustee security in which case the Imperial Bank and other joint stock banks should be allowed to invest their surplus money in these debentures.

9. Deposits in such banks should never get interest at more than 5 per cent. The debentures should carry interest at either 5½ or 6 per cent.

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10. Question of borrowing money from central institution will only come in initial stage of the bank. If, however, the debentures are floated by the central institution, i.e., the Provincial Bank, it will command confidence as the necessary money will come in and will thus obviate the necessity of borrowing. Once the land mortgage bank is established on sound bases, there will hardly be any difficulty in getting loans from other institutions. The rate of interest of such loans should not exceed 6 per cent in any case.

11. When the debentures are fully floated by the Provincial Bank it may be given a small charge to cover the cost of transaction.

12. Redemption of these debentures should be automatically secured on the expiry of the period and for this a separate fund will have to be arranged for. For easy repayments the loan granted to agriculturist by this bank should be spread over a very long period, say, 15 to 20 years and debenture bonds should be made payable after the expiry of 20 years. This would facilitate regular repayment by the debtor even in bad years.

13. To provide a large and inexhaustible capital the Imperial Bank may be asked to make advances against mortgages secured by the land mortgage bank and endorsed in favour of the Imperial Bank. All the existing concessions enjoyed by the Central Co-operative Banks should be extended in favour of the land mortgage bank. The rate of interest at which land mortgage bank should advance money to the agriculturist should not exceed 9 per cent. This interest may be capitalized over the period of the loan and annual instalments should be fixed at a flat rate.

\* QUESTION 5.—1. The correct estimate of the indebtedness of the agriculturist in this district cannot be reached unless an extensive economic enquiry is made in all parts of the district at fairly sample villages which will require a deal of labour and time and the Government alone can apply their revenue agency to ascertain such indebtedness with any amount of fairly reliable accuracy. Even then the work of the subordinate staff will have to be carefully scrutinized at the village itself. Such an enquiry was made within the range of Buldana Central Bank through Chief Group Officer and the result is summarized below.

2. *Satgaon Bhusari*.—The village is about 4 miles from Chikhli and 10 from Buldana, and a mile away from Chikhli-Buldana road. The nearest market place is Chikhli where there is a cotton and grain market. The agricultural produce, however, is sold in bulk either at Khamgaon or at times at Malkapur which towns are about 40 miles from the village.

3. Total culturable area is 5,683 acres with a land revenue of Rs. 5,570. Of this land, nearly one-third is held by non-professional agriculturists, i.e., by persons who are not working on the fields and who have acquired the land from the tiller of the soil by money lending or by other business profits.

4. Total indebtedness of the village amounts to Rs. 80,300 and odd of which Rs. 48,000 are under mortgage deeds and Rs. 32,300 under simple bonds or promotes.

The mortgage debt is owed mainly to the following institutions:—

			Rs.
Government	...	...	200
Society	...	...	27,900
Sowkar	...	...	19,900

The simple is owed to—

			Rs.
Society	...	...	1,900
Sowkar	...	...	30,330

The debt to the society is to the co-operative society in the village itself.

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The purposes for which it was incurred are as under:—

	Ra.
Payment of old debts ...	19,000
Purchase of fresh land. . .	18,000
Ceremonial occasions... ..	9,600
Payment of rent and revenue	5,200
Purchase of seeds and manure	3,700
Land Improvement ... ..	5,000
Purchase of agricultural implements or cattle	2,400
House building ... ..	1,900

The balance was incurred either on account of failure of crops or non-payment of interest.

No benami transaction for concealment in judicial sales, etc., was discovered. The amount of debt on pledge of ornaments was much less than about Ra. 500. Debts due to growth by compound interest (interest not having been paid) amounts to Ra. 15,130.

5. The rate of interest on the bulk of the debt ranges between 12 to 24 per cent per annum on mortgage debt and between 12 to 48 per cent for simple debts. The main reason for continued indebtedness is thoughtlessness of the cultivator about his assets and expenditure. No attempt is generally made by ordinary cultivator to see that his expenditure does not exceed his income. General high rates of labour coupled with unwillingness to work full time and the lowering of the prices of cotton are also the main causes of the indebtedness.

6. There is hardly any irrigated area in the village and the land is not much affected by famine, though during the last five years short and untimely rain has reduced the produce. Hereditary farmers have either in majority of cases become either tenants on land or rich landlords who instead of working personally on the field do their cultivation through hired labour on account of false notion of dignity brought on by half education or because they have not got sufficient plough-cattle or men in their family to do the actual work on the land. Sub-divisions of land between brothers and cousins is to some extent the cause of want of capital, persons and cattle. Persons working as mere tenants or labourers or paid servants have naturally not the same strong desire for intensive cultivation so as to get fullest possible yield from the land. Want of money in the hand at just the opportune time also incapacitates many of the good cultivators. The only method of enforcing payment of debt is force used by Pathan creditors or compounding of interest and getting a fresh bond, generally mortgaging property of the debtor and adding penal clauses in the bond for default in payment. As already mentioned under question 1. the creditor often recovers the amount of interest for the first year by short payment of original loan and in the shape of discount (  $\text{दंड}$  ) at the time of original advance.

QUESTION 6.—1. At present no subsidiary industry allied or supplementary to agriculture exists in this district except rope-making, gur-making or garden produce on insignificantly small scale. There is some weaving done near Deelgaon Raja by weavers who are mostly agricultural labourers. If hand-spinning and weaving or cotton-ginneries which existed in olden times, i.e., about 40 to 50 years ago, in almost all villages is reintroduced as a help to the agriculturists, it would certainly improve his income and enable him to live better. Societies for these industries may be formed on co-operative basis and helped by co-operative banks. Some attempt has been made in Basim taluq in this direction.

2. Stalks of some of the crops produced in Berar may with advantage be used for kasea or paper-making factories, and if after research through the agricultural department the cultivator is informed of the advantages from proper use of such wastages of harvests he would certainly add to his income.

3. Dairy-farming, tile and brick-making may also be encouraged as an additional industry for agriculturist in his leisure time, though the agriculturist do not admit that they have such leisure time for other industries. If non-credit societies are encouraged on co-operative lines and financed by the central banks, the agriculturist may perhaps be encouraged to take up these industries. Government may be induced to amend the Loans Act and make it possible to advance loans to such societies. If such societies are formed, the Co-operative Department or central banks will have to take up the responsibility of selling the produce of such concerns at a reasonable profit so that they may be within easy reach of an ordinary purchaser. For all such matters Government help on liberal scale will be absolutely necessary, at least for some time in the beginning.

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## Part II.

QUESTION 1.—1. The term indigenous banker is very vague. It may mean—

(a) The professional money-lender who carries on purely money-lending business sometimes, together with other trade, e.g., cloth-selling, speculation in cotton, etc., and have an eye ultimately on the debtor's land when the latter fails to repay the loan in time. These are individual persons euphemistically calling themselves a firm when the business runs from father to son.

(b) Persons may form an association, collect share capital and do banking business. There is only one such bank at Amraoti.

(c) Some of the bankers of the first type who carry on other business receive deposits at a very low rate of interest mainly to have at their command larger capital than they have.

(d) Some individuals form a small association and do business in cotton *ad dalals* and *adatyas* and finance their clients who have to sell their cotton through them.

2. Most of these bankers are, however, foreigners who have settled in Berar and have taken to various kinds of business and have acquired land in Berar by various means at their command and now pose themselves to be the sons of the soil and call themselves agriculturists in the wider sense of the term.

3. These men play various functions in the village economy, namely:—

- (1) purchase of rural produce;
- (2) petty shop-keeping;
- (3) money-lending;
- (4) cotton-dealing;
- (5) advancing grain and cotton seed in sowing season;
- (6) dealing in hundis;
- (7) financing petty artisans such as weavers, carpet-makers, dohors (tanner), mat-makers, brick-layers, tile-makers, potters, etc.
- (8) they also deal in gold and silver and make advances to goldsmiths and others.

QUESTION 2.—Such bankers are the main source of finance to the agriculturist on promotes, bonds, etc., as already stated under Part I, as also to petty traders and industries. The advances they make to petty traders are generally made on the security of gold, silver or goods in stock.

QUESTION 3.—1. There is no organized indigenous banking system in this district. The business is carried on purely as a family concern. Some of them have their agencies at all important trade centres in this division. No idea can be given of the amount of capital invested or the volume of business carried on or the expenses incurred by such bankers as care is taken to keep all these matters secret from the outside public though a great show is made of the expanse of business.

2. The Imperial Bank advances funds to such bankers on their reputed solvency or on the strength of the goods warehoused with them. Individually they all are rivals of one another when the business is carried on at one centre.

QUESTION 4.—Generally there are only two kinds of hundis that are current in Berar—

- (a) Daruhani (payable at sight), and
- (b) Mudati (Usance Bill).

The forms are the same all over Berar and must be already in the hands of the committee.

QUESTION 5.—1. The methods of indigenous bankers about granting loans have already been described. They advance money by getting bonds and promotes generally payable at next harvest. For larger loans mortgages of lands and houses repayable within three to five years or instalments with *sumai* or *didai* of the principal added on repayable in a fixed number of years, or on pledging of gold or silver. As regards rates of interest, details have already been given in Part I.

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2. Cash credit is hardly allowed by the local banker. Indigenous banker generally uses his own capital or some times borrows from richer persons or from the Imperial Bank of India to provide himself with funds to meet the demand. Rates of interest allowed by bankers on deposits vary from 6 to 9 per cent. When the indigenous banker deals in cotton or grain, etc., he generally tries to have his debt redeemed by payment in kind for which the prices paid are generally lower than those prevailing in the market; but no absolute insistence is made in this matter.

3. Some of the bankers who carry on broker's or adatsya's business also try to have their debts redeemed by sale of goods through themselves but these transactions depend on mutual understanding only.

QUESTION 6.—1. The general rates of interest charged on cash loans ranges from 2 to 3 per cent per mensem. When repayment is made in kind *sawai* or *didhi* is charged.

2. Extensive co-operative propaganda and better education of the agriculturists, teaching of economy generally and habit of making yearly budget after each harvest would make the agriculturist more independent of the indigenous bankers and would naturally bring down the rates of interest now prevailing. Wide spread of education amongst the masses and general propaganda of village uplift are the only means that can be suggested. When rates of interest are thus reduced the agriculturist would naturally use the money thus saved towards the improvement in standard of living as well as agricultural improvements and purchase of better agricultural implements.

QUESTION 7.—1. There is a sort of prejudice prevailing against the indigenous bankers all over. In some few cases this prejudice is often undeserved. In old times when the village was a unit in itself independent of any neighbouring villages or cities the money-lenders as well as the borrowers were interdependent on each other and had mutual sympathy and good fellowship. The introduction of the present civilized laws and law courts have sundered this bond of sympathy. The sowkars do not care for the goodwill of their clients nor have the debtors any regard or respect for the sowkars. Each takes immediate advantage of the facilities afforded by the law courts and tries to do the other in the eye by purgery and forgery which he takes care to efficiently conceal in the eyes of law. The banker is sufficiently protected in law and no legal or other facilities are required to be extended to him. The debtor is also ever ready to ruin the sowkar by *benami* transactions in favour of his friends or relatives. The increase in insolvency cases on the applications of the debtors is a sure indication of this. It would thus be seen that dealings of the bankers with the clients and the feelings of the debtors towards the creditors are far from satisfactory and show that the business is not conducted on sound lines. Organization on co-operative basis amongst the sowkars with insistence to keep open accounts and to supply copies to debtors would go far to heal up these strained relations.

QUESTION 8.—Bankers as a class may be made more serviceable to the community by formation of co-operative banking societies who would lend money on reasonable rate of interest and on reasonable terms. These village societies may be affiliated to the Central Banks at taluq or district places who would supply funds and audit the accounts of such banking societies which should be given all the legal advantages that are in force at present in case of co-operative banks and societies. Of course the indigenous banking community as such will not favour this reform since they will be deprived of their underhand dealing and dishonest opportunities of enriching themselves within a short period at the sacrifice of their debtors. At present their accounts are quite confidential and they have a peculiar system of maintaining accounts and very often a double set, one for personal use and the other for public and law courts is maintained.

QUESTION 9.—In spite of the obvious higher rates of interest prevailing in the market, the money-lender can hardly make net income over 6 per cent per annum on the entire capital he has launched in money-lending business. Very often there are bad debts which become quite irrecoverable and the expenses on the civil suits are very often far higher than the recognized legal expenses.

QUESTION 10.—Generally, the indigenous bankers are able to meet all demands for accommodation and where they refuse the demand of a debtor, it is generally on account of the unsatisfactory security offered. During the last

few years, however, the money market is very tight and many a village sowkar is at a loss to know where he can supplement his capital to meet the demand of his village debtors.

**QUESTION 11.**—It has already been suggested that individual indigenous banker in villages may by law be associated and formed into money-lending associations and affiliated to existing Central Banks, which should supply money to such associations. If all the advantages of the Central Banks are given to such associated bodies, there will be necessity of starting a fresh joint stock or Central Reserve Bank, or any other local bank in the district. With the help of local sowkars the whole concern would command confidence and respect from all concerned and utilize the local knowledge and experience with no chance of whatever of rivalry or competition. These bodies may be allowed at their discretion, but under the supervision of local Central Banks, to advance loan to all individuals if the security offered is fairly adequate.

**QUESTION 12.**—So far as the present times go, indigenous bankers have hardly any very large surplus in their hands lying idle for want of employment at any time of the year. There is thus hardly any cause of money flowing to the provincial capital. If cottage industries are started under the supervision of co-operative societies, these small amounts would go far to help the indigenous industry in the district.

### Part III.

**QUESTION 1.**—1. The principal banking resources in the province are

- (a) Funds of professional money-lenders.
- (b) Savings of individuals.
- (c) Government money lying in Imperial Bank.
- (d) Share capital of banking firms.
- (e) Savings of estates administered under Court of Wards and other similar Acts.
- (f) Reserve funds of public local bodies or organizations.
- (g) Funds with Insurance Companies.

2. No idea can be given about the amount of additional capital required to enhance these resources.

3. Savings bank account in the post office, the postal cash certificates, deposits in Imperial Bank, deposits with local bankers or money-lenders or businessmen in large trade are the only institutions for increasing savings and investment habits. Co-operative Central Banks and societies have also been encouraging people to invest their surplus funds institutions. The postal savings bank account system hardly encourages the general public first, because the interest paid is very low and the difficulties due to red tapism for withdrawal at a moment's notice are numerous. The same must be said of postal cash certificates. If more facilities can be given these two systems would go far to encourage the public to invest their small savings in village post office. If village money-lending and banking societies are started as mentioned in paragraph 11 in the rural area they would certainly facilitate the saving and investment habit. The present habit of purchasing gold and silver with savings has become almost negligible as the savings of the middle classes have dwindled to almost zero. Every nation however civilized it may be, has always and shall ever be inclined to have the fair sex decorated with jewellery. Fashions may change, but decorations must remain in one form or other. India cannot therefore alone be charged with the habit of hoarding its surplus money in gold and silver. Another reason is the facility with which gold and silver can be turned into cash at a moment's notice when there is need for it. No other savings deposits have got equally easy facilities.

**QUESTION 2.**—1. Postal cash certificates are fairly resorted to by large merchants or well-to-do middle classes and local self-governing bodies or organizations, but they are not at all popular with the masses first because of the low rate of interest, and, secondly, because difficulty at the time of withdrawal or loss of certificates by ignorant holder. In war time large number of certificates were issued to villagers who were induced to go in for them under the advice of Government officials and when time for repayment was ripe it was found that many had to lose their cash, because their certificates were not forthcoming.

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having been mislaid or destroyed through ignorance. The lowest amount for a postal cash certificate is also in very many cases prohibitive. If cash certificates of the face value of one rupee are introduced and the rate of interest is increased to at least 6 per cent per annum when they become ripe or in the same proportion for shorter periods these certificates may become popular. The same remarks apply to postal saving bank, i.e., interest allowed is too low and delay in withdrawal due to red tapism is very discouraging. Educated persons in Government service earning high salaries and having small families do in majority of cases have recourse to postal cash certificates and savings banks. The masses in villages hardly make any use of these institutions for reasons given above.

2. There is no competition with banking institution from Government on account of postal savings bank or postal cash certificates. It would be much better in the interest of the local trader and agriculturist if the money raised by Government from post office savings bank and cash certificates be utilized in the centre where it has been raised. This would be easily done if such surplus money were allowed to go into the hands of local co-operators and money-lending societies who may supply the needs of the local agriculturists.

QUESTION 3.—1. So far as they go, the existing facilities for purchase and sale of Government securities are fairly sufficient. If, however, the amount of such securities is reduced to Rs. 50 face value and if they are allowed to be handled by co-operative central banks for small agriculturists and investors, it would keep the amount so invested in the centre itself and would go to the benefit of needy agriculturists.

2. Securities other than Government securities are hardly in vogue so far as middle class is concerned. The agriculturist is generally in chronic need of money and as soon as he gets any amount by sale of his produce he hurries to pay off his debts, make annual purchases of necessaries of life and has hardly any savings to invest. What little remains is spent on marriages or marriage presents among family or relations and the chronic impecuniosity reigns supreme for the rest of the period. Clerks in state or private service have always to live from hand to mouth if not under chronic indebtedness. Businessmen invest all their money in business, even pleaders as a class are hardly better off and what little is saved is spent in purchase of jewellery for the ladies of the family or invested in co-operative banks or with local bankers. There is no longer any tendency towards hoarding. All the money hoarded in older times has come out and disappeared by crop failures, adverse speculations, and high prices of necessaries of life and low price of field produce. The ideas of comfort, dignity and easy living imbibed by impecunious middle classes have caused the disappearance of all their hoarded money into foreign land in the shape of purchases of foreign cloth, etc., which has now become an everyday necessity of life. Well-to-do farmers do sometimes lend money to their fellow-agriculturists generally on easy terms. Part of their surplus money goes in purchase of land of the poorer farmers and part may go in purchase of gold which is often sold in bad years.

QUESTION 4.—Cheques are becoming popular among the educated classes. Abolition of stamp duty on cheques has further advanced the cheque habit. Payment of monthly salaries to Government servants or bank employees by cheques would, I think, not be liked by the recipients who have to make payments to several persons immediately on receipt of their pay. Only persons in business and commercial circles use cheques to a large extent. The use of vernacular script in banking and in respect of cheques would perhaps go to encourage their circulation.

QUESTION 5.—The investment habit is no doubt slow and this is due first to want of surplus money; secondly, to the ignorance of the general public; thirdly, to a sort of want of confidence in the banks themselves. The enquiry from Income-tax Department is also among the causes for unwillingness to invest surplus money in Government bank. Educative propaganda will certainly create tendency amongst the people towards investment and savings. But the work should be carried with advantage through non-official banking concerns, namely, co-operative banks and societies. Propaganda through Government agency will not be so favourably received. Opening of branches of the Imperial Bank has no doubt given facilities to the commercial financing at comparatively small centres of business and has allowed transmission of money at low cost.

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## Oral Evidence.

Akola, the 7th February 1930.

Rao Bahadur K. V. Brahma, C.I.E.: You have stated that Government charge 12 per cent penal rate on persons who do not repay taccavi advances. Do you think that this penal rate of 12 per cent is sound from the point of view of the position in which the agriculturists are placed at present?—Personally I would wish that it should not exceed in any case 8 or 9 per cent, considering the condition of the agriculturists. It is necessary, in some cases, to have penal rate. It should be enforced only in cases where persons could but would not repay.

I understand that at present agriculturists are advanced only five times the land revenue as taccavi for purposes of seed and other agricultural operations. Would you think that the present maximum is good or should it be enhanced?—In many cases it would require to be enhanced.

It has been suggested to us that the enquiries, which are necessary for purposes of granting loans by Government, are sometimes inevitably dilatory and that agriculturists do not get loans promptly. Do you think that matters will be improved if this work is given in charge of a special officer than in charge of the Tahsildar who is very often over-worked?—If it is feasible, I would welcome it.

You have stated that what with discount, first year's interest and other *dharwadaya* charges the amount of the principal actually put into the hand of the debtor by the sowkar very often goes down from 75 to 92 per cent. I suppose this is an exception. Is it not?—This is almost an exception. Such cases will not be more than 8 to 10 per cent under present circumstances.

In paragraph 11 you have stated that the principle of joint liability for a dishonest, but forward member renders the honest agriculturist fight shy of the movement and the honest man prefers a professional money-lender in spite of the admittedly hard conditions of the latter. Do I understand that you are in favour of doing away with the basic principle of joint liability?—I am not in favour of this wholesale.

You have spoken about warehouses and the Egyptian cotton scheme. Do you or do you not agree that the warehouses system on the western lines, by which big traders can get advances upon goods stored in warehouses and receipts obtained, if introduced in India under suitable conditions would be beneficial and helpful to trade?—The Egyptian cotton scheme would be beneficial for the agriculturists proper and the American system would be beneficial for the traders. Both should be tried with necessary modifications suitable to India.

Chairman: Could you kindly tell me how long you have been associated with the co-operative credit movement?—I was associated when I was Sub-Divisional Officer in Akot-Balapur in 1915-16. When I was transferred from there I was out of touch with the movement. When I took pension three years ago, I again took interest and have been watching the movement ever since.

In 1915-16 the movement was more or less in its infancy in Berar. Did you have anything to do with the pressing on of the movement?—No. Everything was done by honorary workers. I was in close touch with the movement.

You have stated that the success achieved up to now is infinitely small in proportion to the efforts made. Are you quite satisfied that efforts are made?—I think so.

Why is the success so small then?—The masses have not yet grasped the principles of co-operation and are afraid of joint liability in forming societies.

You say that the concentration of the advances in the hands of the few working members of the society is the base which gives rise to the general want of confidence in the movement. How many instances of this kind have come to your notice?—Yes. They may be 25 or 30 per cent.

How would you propose to remedy this failure by the workers themselves to grasp the principles of the movement?—By propaganda through the Central Banks and supported by Government agency. By workers I mean society workers and not the workers of the Central Bank who are capable of understanding the principles.

RAO SANIB B. Y. KHOLKUTE.

*Vice-Chairman:* Do you consider the present prevalent rates of interest charged by money-lenders high?—They are a bit higher than the rates of societies, though the latter have reduced their rate of interest appreciably, recently.

Do you consider it necessary to get these rates deflated?—Yes. The agriculturists cannot bear them.

Do you not think that if more money is placed at the disposal of money-lenders there would be an automatic fall in the rate of interest?—Not simply placing money in the hands of indigenous money-lenders; but formation of money-lending societies or associations of bankers will help the agriculturist to a very great extent, and if the advantages that Government at present gives to the Central Banks and societies were extended to such recognized associations, it would render them much more helpful to the agriculturists.

Do you think there should be legislation for bringing about such associations of bankers or we should rely on them to form such associations on their own initiative after their advantages are explained to them?—Under the present circumstances of India, I doubt whether such associations would be formed without some impetus from Government.

What impetus should be given?—Should it take the form of concessions or compulsory legislation?—Concessions should be tried first before legislation is thought of.

I suggest that in order to solve the problem of rural indebtedness, it is more necessary to make the agriculturists practise thrift and create in him the budgeting habit, than to supply cheap credit. Would you agree?—I should say that both are equally necessary.

You have been associated with the Buldana Central Bank for about a year intimately. Do you think there is any scope for further Government control over these banks and the movement?—If Government were to appoint Honorary Assistant Registrars or something like that and make them independent of the electorate, they will be more able to approach the public in the district and control the societies and the members who are ignorant. They will be more useful.

In your new scheme for providing cheaper credit, would you give preference to co-operative banks, or joint stock banks or associations of indigenous bankers or to all the three together?—I would say that the co-operative banks and joint stock banks on co-operative basis should be quite sufficient for the present.

You have personally known cases in which the rate of interest has been reduced as a result of the opening of co-operative societies?—Yes.

*Rao Bahadur M. G. Deshpande:* You have stated that concentration of advances in the hands of the few working members of a society is the bane which gives rise to the general want of confidence in the movement. May I know what this means?—In a society the Secretary, Sir Panch, and one or two persons who are considered to be leaders in the village come to the Central Bank with a resolution from the society. The resolution is very often arranged by them. They take the money and they get a lion's share of the loan and poor agriculturists get comparatively a very small proportion.

Do you not think that the principles of joint liability is one of the causes of driving the good members out of the society?—These so-called leaders make others liable for their lapses.

You have also stated that the Central Banks or co-operative societies should be permitted to advance loans to solvent individual agriculturists on one or more personal security. In reply to Rao Bahadur Brahma you said that you did not want to do away with the principle of joint liability. At the same time you say here that loans would be advanced to solvent individual borrowers. Could you explain your meaning?—The Central Bank may be divided into two branches: one for the big agriculturists who do not join in the small societies, but who at the same time require and deserve help, and the other for small agriculturists. If necessary, the Co-operative Act may be modified.

As regards taccavi, you have stated that the penal rate should be 8 to 9 per cent. Do you think it is desirable on the part of Government to do so?—So far as I have been in touch with the public, the public know how to receive money, but is very averse to return it in time and such wilful defaults or delays, unless penalised, will be practically rampant.

RAO SAHIB B. Y. KHOLKUTE.

Do you not think that Government has a "dandu" in their hands to recover this taccavi?—Those days are gone.

Do you think that the sowkar should advance loans to agriculturists at cheaper rate of interest, because they have got expenses?—The rate can be reduced without much loss to the sowkar.

*Seth Nursingdas Daga:* You have said that it should be made compulsory for sowkars to grant receipts and copies of accounts. Will this not involve the entertainment of additional staff?—I do not think it will involve any very serious expenditure. In some cases where sowkars maintain accounts in a script different from the script prevailing in the district, the sowkars may have to engage a part-time worker for the purpose. To my knowledge in Berar such instances are rare. The extra expenditure would be very small. Under any circumstances this will not affect the rate of interest that they should charge.

You have said that payments by hundis or cheques at sight should be as prompt as possible. Are they not prompt at present?—I have seen instances where the money on hundis and cheques is not paid as promptly as it should have been. If the payee of a hundi has got to wait from 8 o'clock till evening, I should not consider that as a prompt payment.

What do you think are the causes of delay?—There are various reasons such as shortage of money, being busy for the day with other business or examining the question whether the hundi should be honoured or not.

Do the cultivators gin cotton and draw money by hundis upon it?—Small cultivators do not deal in hundis at all. It is only big traders and big growers who resort to hundis to obtain advances on their cotton which is ginned either locally or by sending it to places where there are large factories.

It has been suggested to us that the ginning and pressing pools work hard on agriculturists. What is your opinion?—Though it affects agriculturists, still it does so to a very small extent and in the case of only a few agriculturists, particularly those who press their cotton into bales.

*Mr. P. D. Pundlik:* In reply to question 6, Part I, you suggest that the Agriculture Department should carry on certain researches for making paper or linen from stalks of some of the crops. Will you please explain what you mean?—It is my idea that the pulp of certain stalks is likely to be of use for making paper and if it proves successful, the selling of such pulp will be of very great advantage to agriculturists. At present they use such stalk as fuel.

*Chairman:* Thank you.

Mr. J. L. PRADHAN, Extra-Assistant Commissioner,  
Buldana.

Reply to the Questionnaire.

Part I.—Agricultural credit and credit facilities for small industries.

QUESTION 1.—

1. (a) The agriculturist borrow money for cultivation in the following ways:—

- (i) from indigenous sowkars or money-lenders;
- (ii) from Government in shape of taccavi loan for seeds under the Agriculturists' Loans Act;
- (iii) from co-operative banks;
- (iv) from proprietors of land whose holding he cultivates on *batai* system, i.e., when agriculturists could not incur the expenses for the cultivation of his land he cultivates his land with the help of the *bataidar* who takes half the net income for the field and does not wish to borrow money on interest.

(b) For the improvement of capital, the agriculturist borrows money from village sowkars and also from co-operative societies, while for permanent improvements he takes either taccavi loans under the Land Improvement Loans Act from Government or from a money-lender or a co-operative bank.

(c) For land revenue generally no loan is needed as the instalments fall due after the crops are reaped and are available for sale. In cases of scarcity and failure of crops there is general suspension of land revenue and no question of a loan arises in such a year. For special needs and ceremonial purposes the village sowkar is the only financing agency. The general rate of interests of the local money-lenders is ranging from 24 to 30 per cent. Well-to-do agriculturists can secure loans from 12 to 15 per cent. Loans taken for agricultural expenses are charged at a higher rate. These are generally small loans repayable at the *hangam*. Government rate is 6 per cent per annum. Co-operative societies rates are 12 per cent. In backward tracts petty agriculturists take small loans from Rohillas whose rates vary from Rs. 50 to Rs. 100. For temporary small loans as security is needed. The repayment is generally made at the harvest. For the large accumulated loans the agricultural land is mortgaged for long-terms. Well-to-do agriculturists can secure loans on personal securities also, but such cases are few. On bigger loans of Rs. 1,000 or more the security taken is the agricultural land; interest in such cases ranges from 12 to 15 per cent according to security offered. In short, the nature of securities are as below:—

(i) Government accepts either sureties or mortgage of land in cases of loans under the Land Improvement Loans Act.

(ii) Co-operative bank.

(iii) Personal security.

(iv) Joint liability and land security.

(v) Money-lenders' personal security in rare cases of big loans. Petty loans in petty cases. Mortgage of land on big and long-term loans and pledge of ornaments. Standing crops rare. In grain advances, the rate charged is what they call *sawai* or *didhi*. These transactions in this district are however, very few. The Government grants loans for seed and permanent improvement. Imperial Bank is of no avail to the average cultivator. Joint stock banks are none. Co-operative banks finance the society members and not others. Indigenous village bankers are the main stay. Dealers and some *adstyas* do advance loans, but such instances are rare. There is no data available to frame an accurate or approximate estimate of the total amount of capital required for the various purposes, unless an elaborate enquiry is instituted. Grain advances are not very common. Generally, seeds and grains for consumption are borrowed on *sawai* system. Unusual rate of interest is the *sawai* or a little above 4 per cent per mensem. These advances are taken in the beginning of agricultural season and repayment is made at the harvest. In case of default interest is added to the principal and compounding takes place at six months instead of one year.

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These advances are repaid in kind. In a few cases the payment is made in cash when such a debt is accumulated it is converted into a money value and is further allowed to swell up by obtaining promissory notes or bonds.

*Defects in system.*—Co-operative banks and societies help is limited. It is not available to the average cultivator unless and until he becomes a member of a society. The condition of joint liability is another factor which makes the agriculturists to become a member of the societies.

*Money-lenders.*—Many cultivators complain of the exorbitant rate of interest charged by the village sowkars who seldom pass a receipt for the repayments made from time to time.

*Adatya and dealer.*—In cases of loans advanced by this class the cultivator is bound to sell his produce through him for which he does not get the real and fair market price. Advances on the disposal of crops are very rare. In such cases the agriculturist does not get full value of his crop as he has to repay in kind at the rates previously settled irrespective of the ruling prices at the time of repayment. Moreover he cannot withhold his stock to obtain better prices as he has to repay the advances within the stipulated time.

*Credit agencies.*—There is no co-ordination amongst the various credit agencies and many a time the same person obtains loans from various sources. Co-ordination is possible, but does not appear expedient and useful.

**QUESTION 2.**—The present method of marketing crops is by sale to petty local dealers in the village and through adatyas in cotton and grain markets established in various centres. There are possibilities of forming pools and co-operative marketing through the co-operative banks and other agricultural association. This will enable agriculturists to obtain better prices for their commodities. A beginning in this direction has been made by the Land Holders' Association at Mehkar which collects the produce of its various members and pooling together through stock sell it in Bombay market direct through Government agency. During marketing the association is helped and financed by Government. For petty cultivators no facilities exist, for big landholders there is facility, but to a very limited extent. Only those who hold large stock generally get the facility of ginning and baling their cotton and obtaining advances on their security pending sales. Sales and purchases are made through adatyas. Merchants and traders do not seem to be taking any active part in these transactions. The existing facilities available to the public for the internal remittance are remittances by insured system, supply bills, hundis, *skades*, and telegraphic transfers. The system is said to be working satisfactorily. The different classes of hundis are (1) *darshani* and (2) *mudati*.

**QUESTION 3.**—The value of land varies according to the soil and other facilities such as nearness to the basti, facilities for cultivation and for watch and ward, economic conditions and so on. Juar-growing land from Rs. 150 to Rs. 300 per acre cotton-growing land from Rs. 150 to Rs. 300 per acre. Wheat growing land from Rs. 150 to Rs. 300, and garden Rs. 150 to Rs. 500. Prices vary as below in different sales:—

(a) Government auctions for land revenue Rs. 50 to Rs. 250, civil court decrees Rs. 25 to Rs. 200, and private rates Rs. 50 to Rs. 300 approximately.

**QUESTION 4.**—There is no legal impediment to the mortgaging of land except lands held on Government grants. There is only one land mortgage bank at Nagpur. So far as as I know, there are no other banks. The needs of the co-operative banks are met (1) by raising funds by share capital, (2) from deposits from individuals, and (3) loans Provincial Banks.

As no land mortgage bank or other banks giving long-term loans exist at present, it is desirable that such a bank (land mortgage bank) should be established on the lines of the co-operative banks to meet the financial needs of the land holder and agricultural classes.

(a) The entries in the record of rights supply ample information regarding shares, encumbrances and long-term leases, etc., and in my opinion no improvement is needed in this direction.

(b) As no mortgage bank is existing at present, the question of simplification of process, etc., does not arise.

(c) The cost of reference in the record of rights and registration of record as at present stands is only nominal and in my opinion calls for no further reduction.

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The working capital of the proposed mortgage bank should be derived from share capitals plus deposits, debentures bonds and funds from central institutions. It is essential that the debentures bonds should carry Government guarantee both for principal and interest. I propose that a reserve sinking fund should be set aside and land security should be obtained in each transaction to make good any incidental loss to Government. Debentures in my opinion be included in the list of trustee securities to ensure public confidence and stability of the institutions.

QUESTION 6.—At present there are no subsidiary industries supplemental to the agriculture in this district. There are ginning and pressing factories at central places, but this is advantageous to the agriculturists living within a radius of two to three miles.

Agricultural labour earns a high wage in the district and it is doubtful whether any supplementary industry would attract sufficient members. Agriculturists in their leisure hours devote their time to rope-making, weaving and such other petty jobs.

QUESTION 7.—So far as I know, the co-operative banks work independently of the Imperial Bank. No joint stock bank or indigenous bank exists. The main difficulty in the case of co-operative societies is the system of unlimited liability existing at present and the individual cannot secure any loan from these societies on the security of his personal assets unless he becomes a member and shares the responsibility and liability of others. As there are no joint stock banks, the competition suggested does not exist.

The co-operative movement has to a certain extent succeeded in meeting the financial needs of the agriculturists alone. In this district no help is derived by traders and industrialists from this movement.

I am not in favour of licensing the money-lenders and making it obligatory on them to supply their debtors with copies of their accounts except in cases in which total turnover is Rs. 10,000 and above. This provision, if applied to petty money-lenders, would be a source of harassments.

The present system of lending and borrowing through Central Bank is working satisfactorily and should continue as it is. These Central Banks are practically situated at the headquarters of each taluq and as such they are within the easy reach of the societies and their members. The system of suggested transaction on provincial scale would, I am afraid, prove elaborate causing inconvenience and delay to all concerned.

## Part II.—Indigenous Banking.

QUESTION 1.—The indigenous banker or village sowkar is generally a petty shop-keeper who stocks groceries and cloth in quantities according to needs and requirements of his village. He is not necessarily an agriculturist, but he acquires land gradually as his business expands. He generally leases out this land on cash or batai system and very rarely takes to cultivation. In short the village sowkar is a purchaser of rural produce, is a shop-keeper, a money-lender and also a proprietor of land.

QUESTION 2.—The village sowkar generally assists in financing the agriculturist, but he also advances small loans to other petty shop-keepers and cotton dealers.

QUESTION 3.—There is no organization as much of the indigenous banking system and no information is therefore available on points (a) to (e).

QUESTION 5.—The indigenous banker grants loans on personal security on mortgages of immovable property and on security of gold and silver ornaments. Supplies capital for cotton trade on the security of goods, supplies capital for ordinary shop-keeping, again supplies capital in the shape of material such as yarn to weavers and advances seed grain.

The indigenous bankers have their own capital just sufficient to finance their business. With the increase of the business their credit is established and then they can secure loans from other big bankers or from Imperial Banks by pledging gold and silver or cotton bales. The interest on such deposits is varying from 6 to 12 per cent.

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Such cases are rare, but advances of grain and seed are generally made in kind and are willingly accepted. From the enquiries made it appears that the village sowkar generally realizes his debts at the time of harvests. In order to make some of the repayments he insists on the sale of goods through him for fear of missing the chance.

The rate of interest generally charged ranges from 12 to 36 per cent per annum. Advances of grain in kind are very rare. Such advances are given on *sawai* or *didhi* system which has already been explained in question No. 1 (i).

The only possibility of reduction in the rate of interest lies in the expansion of co-operative movement so as to meet all the needs of the agricultural class, making him independent of the village money-lender.

It cannot be said at present whether a reduction of such rates would conduce to the improvement in the standard of living and manners of cultivation. This can be attained by the agricultural community which would try to change the mentality and habits as regards their wages of living.

QUESTION 7.—There are prejudices against the village bankers. They are looked upon as men with no fair principles in their transaction. They are sufficiently protected in law and there seems no necessity for the extension of facilities to help them in their business. As regards their dealings, there is general complaint that their accounts are not correctly maintained and that they as a class generally evade to pass receipts for repayments made from time to time.

QUESTION 8.—The indigenous bankers would not favour any interference in their business by way of legislation or organization. The system of account keeping as at present in vogue is what is called Mahajani system. These accounts are maintained only by big sowkars and firms. Others have either no accounts or only the nominal accounts known as "*Pathan khata*".

Accounts generally are not available for inspection and verification unless the customer is an intelligent and literate man and knows the position of his dealings and indebtedness independently of him.

As already suggested above, the system of compulsory account-keeping and passing of receipts in the case of money-lenders carrying business above Rs. 10,000 may improve matters to certain extent.

QUESTION 9.—It is difficult to give any idea of the net return to the indigenous bankers without any data being made available. It is, however, presumed that his business is a profitable one and gives him a return approximately from 20 to 25 per cent on the whole.

QUESTION 10.—The banker as a rule would not allow his money to lie idle. It all depends on the prosperity or otherwise of the season to make him capable for meeting all the demands or refusing others. He is a shrewd man and will never risk his capital by advancing loans on security of doubtful nature.

QUESTION 12.—The money of the indigenous banker does not lie idle as already stated. It is generally absorbed locally. There may be only a few cases in which the money is flowing to the provincial capital.

### Part III.—Investment habit and attraction of capital.

QUESTION 1.—It is difficult to frame an estimate of additional capital required. The Imperial Bank, the co-operative bank, the Postal Savings Bank and investment in Government security and loans are the only means of encouraging savings. The facilities provided to the public are ample and there can be no complaints on this account. But it appears that the educated class only takes advantage of these institutions, while the agricultural class continues to make investments in the shape of gold and silver ornaments. It may be noted that these ornaments are a necessity for ceremonial occasions such as marriages on which occasions ornaments are offered to a girl as her *stridhan* which becomes her sole property and the Indian custom demands provision of such ornaments to the womenfolk as a matter of necessity unless some attempt is made to put up a stop to such a custom. I am afraid the agriculturist would not take advantage of the institutions existing for his benefit.

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**QUESTION 2.**—Postal cash certificates are generally popular with the educated class as already remarked above, the agricultural class does not like to take this kind of investment.

The present rate of interest of postal cash certificate, though fair, can be raised so as to bring it to 6 per cent per annum. I am of opinion that if interest is paid at the end of every year, this form of investment will become more attractive and popular.

The savings banks offer all facilities, in my opinion middle and educated classes of population resort to such forms of investment. As regards others, I have already made it clear that the demand of ornaments does not leave anything with them for investments elsewhere.

Extensive propaganda in course of time may prove successful to create attraction amongst the ignorant and backward classes. Regarding the alleged competition of Government with banking institutions and bankers I would say that the capitalist cares more for the safety of his capital than for the high rates of interest offered. He knows fully well that his money is safe in the hands of Government and is therefore not prepared to invest his capital with the private institutions.

Agriculturists generally keep their money in their houses for their necessary expenses. The savings if any, are invested in gold and silver ornaments. Nowadays the tendency towards hoarding is disappearing. There may be a few exceptional cases in which the money is hoarded.

Farmers make petty loans of short-terms to the fellow agriculturists generally without interest. Their form of investment is in the shape of ornaments as already stated.

**QUESTION 4.**—The cheque habit is not current in the rural areas. In towns and cities cheques are being used without any complaint. Educated and middle classes in towns and traders in towns and interiors make use of cheques.

Payment of Government servants and bank employees above Rs. 100 can be made by cheques only in places where there are branches of the Imperial Bank existing. In the mofussil and outlying tahsil I am afraid that the system would not prove very successful. I am in favour of the use of vernacular scripts in banking for the sake of facility of the rural population.

**QUESTION 5.**—It is correct that the banking and investment habit in India is of a very slow growth. Ignorance of masses is responsible for it. Propaganda through Government agency with regard to the Government loans and securities I am sure, will meet with success. The new branches of the Imperial Bank opened have given facilities to the big merchants and traders in towns and cities, but the agriculturists are not benefitted to any appreciable extent from these institutions.

#### Oral Evidence.

*Nagpur, the 12th February 1930.*

*Chairman:* I understand that you were in charge of collection of statistics at Buldana?—Yes, sir.

You prepared a reply to our questionnaire Is it not?—Yes.

How much service have you put in as Extra-Assistant Commissioner?—About 25 years. But I have come to the regular line since 1929. Before that I was in the Excise Department.

You have alluded to the co-operative credit banks and the system of working under it. Have you much personal experience?—No.

You stated that you are not in favour of licensing money-lenders and making it obligatory on them to supply their debtors with copies of accounts except in cases when the amount is over Rs. 10 thousand because you say that money-lenders would be harassed. In what way do you think this will bring harassment to money-lenders?—Petty money-lenders advance loans to cultivators only. If they are required to take licences, there would be harassment because they would stop money-lending and the cultivators' business would stand still as their sources to get money would be cut off altogether.

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The proposal is in the first place to issue licences to money-lenders on the condition that (1) they will supply copies of accounts on demand and (2) will grant receipts for payments and provided the money-lenders does not indulge in malpractices, his licence will not be cancelled. There need not be any fee for taking out licences. It is merely to prevent dishonest money-lenders engaging in that profession further after their dishonesty is proved. Do you still think it would be a cause of harassment?—I think, in smaller places it will be.

You say that money-lenders get about 20 to 25 per cent profit on the business of money-lending. Is it not a fact within your personal experience that a certain number of Government servants engage themselves in this profession after they retire from service?—There are very few such cases.

*Rao Bahadur K. V. Brahma, C.I.E.:* When you say that the profits of an indigenous banker range from 20 to 25 per cent on the whole do you speak of any particular part of the province as a whole?—I do not speak of any particular tract. What is the rate of interest these money-lenders charge?—They charge 2 or 3 per cent and in the case of Rohillas they charge 50 to 100 per cent even.

About the persons who derive from 20 to 25 per cent profit have you come across any cases where they have lost money?—I have not come across such cases.

Do you mean to say there are bad *asamis* and good *asamis*?—Generally they return the money.

Have you ever dealt with taccavi in your career as Extra-Assistant Commissioner?—No.

You have stated that there may be facilities for investment and for attracting capital. You have also stated that agriculturists do not take advantage of these institutions existing for this purpose. Would you tell us as to how agriculturists should be induced to take advantage of these institutions?—Propaganda should be carried both by Government and by people to induce these agriculturists to invest money.

Where would you like them to invest?—In co-operative banks.

But there are no co-operative banks in many villages. What would you propose?—A society should be opened in each village.

*Professor A. C. Sen Gupta:* When you talk about *sawai* rate of interest are you thinking of money loans or grain loans?—Grain loans.

You say in your written statement that any one can get loan from the co-operative bank without becoming a member of the society. In the co-operative movement the responsibility is joint and unless one becomes a member there is no liability. Do you call this a defect?—If this is not a defect, at least it is a disadvantage.

As regards advances from *adatyas* you say that cultivator is bound to sell his credit through him. Is it a local contract or an understanding?—It is an understanding.

In case it is an understanding it cannot be enforced by law. Do you think then that a cultivator will not go to another *adatyas*, if he finds that he gains by going to him?—I do not think so.

You say small money-lenders do not keep any accounts at all. Is it?—Yes.

Are you an agriculturist?—I am an agriculturist and a zamindar? But I have very little experience of agriculture.

*Seth Narsingdas Daga:* If money-lenders are required to take licences do you not think that they will stand in constant danger of losing their licences on account of a debtor giving false reports?—I do not think so.

*Chairman:* Is it not a fact that an enquiry will have to be made even at present if a person filed a complaint that a certain money-lender had deceived his debtors, even though money-lenders are not at present required to take licences?—Yes.

*Seth Narsingdas Daga:* But will it not result in the constant harassment of creditors by debtors?—I do not think so. Old debtors will not play mischief with their creditors.

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In your statement you say that some money-lenders do not keep account. How is it possible for such money-lenders to grant receipts?—Is it not possible.

You say that money-lenders derive 20 to 25 per cent profit from money-lending and they charge 2 or 3 per cent interest. Is it your personal knowledge or you have received this information?—It is from my knowledge.

Is there no expenditure to the money-lender on this account?—There is some expenditure, but I do not know the details, but the profit is much more when compared with the expenditure.

How do you arrive at the percentage, if you do not know actual details?—I have allowed certain percentage for their expenditure.

Have you come across any cases in which people say that their signatures are forged and though they look genuine, they are not so?—Yes, I have come across such cases.

*Chairman:* Good morning, Mr. Pradhan.

Sir M. V. JOSHI, K.C.I.E., Advocate, ex-Executive  
Councillor.

Amraoti, the 1st February 1930.

Oral Evidence.

*Chairman:* Sir Moropant, on behalf of the Committee, I desire to thank you for so kindly coming to assist with an expression of your views. You have, I believe, certain schemes for advancing money on short-term loans and long-term loans by mortgage banks. Are you in favour of land mortgage banks?—Yes. I am in favour of land mortgage banks.

What would be your conditions?—I should have Government backing up a private company making these loans and I should give them special powers to recover their money more expeditiously than through law.

Would you approve of an award by the Registrar?—Yes, by some officer. It should not be long and tedious.

As regards the recoveries, one school of thought is rather in favour of showing leniency in recovery and the other insists on prompt recovery. What would you suggest?—I would insist on prompt recovery except in famine years, when I would postpone the kists by one year.

One school of thought is of the opinion that we should have a land mortgage bank in every district and the other view is that it would be better to have one Provincial Bank with branches. The basis of the latter view is that a large part of the capital would be raised on debentures and it has been argued that if a large number of banks issued debentures one against the other they would not have any status in the money market?—I prefer one bank with branches. Their capital should be raised by debentures.

Another very important question is with regard to the thrift habit. We are anxious to devise some scheme to help villagers in saving money. It has been suggested that the land mortgage bank might issue savings cash certificates in the village through the Central Bank or through some other agency. Do you think this practicable or would you prefer the post office cash certificates, about which it is said that the money is collected from the rural areas and taken away to urban areas to finance urban committee?—The Provincial Bank and branches should have some method of encouraging thrift.

As regards the entirely differed subject of short-term loans, are you in favour of any scheme for advancing money to big private gentlemen for financing agriculturists?—I think if the co-operative societies could undertake this, it should be done through them. This should be a separate department of the society. If necessary, they should borrow and lend out. I think that any money which is lying idle with the Imperial Bank of India should be utilized for lending by co-operative banks to members of societies. This will induce membership.

What about recoveries? The Imperial Bank insists on prompt repayment?—Yes. In December in most years in Berar, in eight cases out of ten, there will be no difficulty in recovery.

Would you insist on the same strictness in recovery as you have advocated for long-term loans?—Yes. There may be a lien on the standing crops. There may be a statutory provision for this. Our people are very lax and I want to get them out of that rut. Therefore I would insist on prompt repayment.

*Rao Bahadur M. G. Deshpande:* Do you think that the co-operative banks should undertake both short-term and long-term loans? Do you think that they will be able to manage both businesses?—The co-operative credit bank should have nothing to do with long-term loans, which should be done by the provincial land mortgage bank.

*Seth Narayandas Daga:* You have said that the advances should be at a low rate of interest. What do you consider to be a low rate of interest?—My opinion is that 7½ per cent should be the maximum. The maximum interest on debentures should be six per cent. There should be sufficient Government control and Government representation and there should be a guarantee by Government about the interest.

Sir. M. V. Joshi.

*Mr. P. D. Pundlik:* You advocate the utilization of the money lying with the Imperial Bank for distribution to members. The Imperial Bank insists on prompt payment. If we are not in a position to recover advances from members, will it be possible to return the amount to the Imperial Bank?—The real difficulty is in a famine year only. There must be an understanding with the Imperial Bank that in such years they should not insist. Otherwise in Berar I think the money is recoverable.

*Vice-Chairman:* Do you agree that any good will be done by any sort of legislative restriction of money-lenders?—I do not think that Government will be able to cope with money-lenders. I do not see if any licensing is necessary.

*Vice-Chairman:* You have knowledge of one full generation in Berar. Do you agree that the real economic position today is that profits from cultivation have not gone down, but families have multiplied and there has been no proportionate increase in extra income and that has caused the present complaints of economic hardship? Is that an accurate description of the position today?—With the price of cotton at Rs. 100 they are just able to make both ends meet. If the price goes down, the cultivators are in difficulty. I put the reasons for the present economic conditions under three heads:—

- (1) Natural reasons such as less rainfall or rainfall not well distributed and other things that no man can forestall.
- (2) Moral qualities in the cultivator, including prudence, thrift, long vision, etc.
- (3) Extra interests and other things which are capable of being dealt with by Government.

The first two cannot be dealt with by Government. But in the third case, Government can help the cultivator in getting money at a cheaper rate.

*Chairman:* Would you suggest any other scheme besides the two which you have suggested for credit facilities?—I do not think I am able to suggest any other remedies.

We have been asked to consider also the necessity of an organization for future development. At present the nation-building departments, so it is said are not sufficiently co-ordinated; if you have got any suggestion to make, it may be of value?—The only thing is that the post of Director of Industries should be given to a permanent man so far as the development of cottage industries are concerned. The floating nature of that appointment is, to my mind, causing a good deal of loss. I understand that in Bombay there is a good deal of co-ordination.

Would you believe in a Development Board of some kind?—I do not press for that. All the departments are under Ministers. They can adjust. I want the machinery to be more effective; not a duplication of machinery. It should be efficient.

Do you agree that the results of the Agricultural and Veterinary Departments up to now have been satisfactory?—Even where we take precautions, the results of the Veterinary Department are not good. The Agricultural Department is certainly not up to the mark. I do not say that these departments are absolutely useless, but I want them to be more useful and practical. I want officers to go to the villages and explain to the people any improvement that has been proved to be beyond the experimental stage and has come to a practical stage. I want more efficient people to come in touch with the people.

*Rao Bahadur K. V. Brahma, C.I.E.:* Do you think that the Insolvency Act is abused?—I do not think it is abused. There are some people who take to it with fraudulent motives. Insolvency is not a very difficult affair and so people take advantage of it. I do not think that there is much fraud.

You have read the Usurious Loans Act. Do you think there are any difficulties in its application?—It is seldom applied and I do not know why. The attention of the courts has not been sufficiently directed to it. Even pleaders have not been known to raise a cry that it should be utilized more. The fault is not so much with courts as with the parties. Under the present condition, I would like courts having resort to this Act.

Mr. B. G. KHAPARDE, B.A., LL.B., Advocate, M.L.C., Deputy  
President, Legislative Council, C. P. Amraoti.

Amraoti, the 30th January 1930.

Oral Evidence.

*Chairman:* Mr. Khaparde, we have asked you to come to give us your views today as being one of the leading politicians in Berar and we believe your opinion will be of considerable use to us. I know all the members wish to ask some questions from you so I only propose to ask you one or two general questions on agricultural finance. Do you think indebtedness in Berar is increasing?—Yes, it is fairly rapidly increasing.

Have you any special measures which you would like to suggest from the financial side which we should take up for improving the position?—What do you think the extent of indebtedness is?—The crop is not sufficient to keep an agriculturist going on for the whole year and several things in life are going up very fast and I believe his attention is distracted a bit by his luxurious surroundings, etc.

Do you think that he is inclined to be extravagant?—I do not think so. I do not call it extravagance. I think the most economical man is the agriculturist in Berar.

It is being suggested by Rao Bahadur Dole that education is the cause of indebtedness. He says that no son of an agriculturist should be allowed to go to school. Do you agree?—No. I am sorry.

Do you think spread of primary education is necessary? Are you in favour of that?—I am in favour of it, but I think the direction ought to be a little changed.

Do you think that there should be a bias in favour of agriculture?—Yes.

In any case I believe you are not in favour of neglecting education?—No.

It was also suggested to us that the smoking of bidis and drinking tea and the purchase of motor cars by agriculturists should be prohibited by law. Are you in favour of that?—No. All these kinds of restrictions go against the spirit of the times and the spirit of law-making also.

As elsewhere, so in Berar also the short-term loans for financing agriculture in the ordinary way and long-term loans for special purposes such as improvement of land, etc., form different subjects and I think you will agree that efforts should be made to deal with them separately?—Yes.

What is your opinion with regard to formation of land mortgage banks?—I am in favour of forming land mortgage banks.

Do you think that if mortgage banks are started in Berar capital would be forthcoming?—I believe so. It will of course depend much on the way capital is collected. Supposing it is found by way of Government debentures or a Government guarantee is given we will readily get the capital.

I think you stated somewhere that there should not be great strictness in recovery and that crops should not be attached if payment was not made punctually. What is your view with regard to this?—So far as I am concerned, I think that stringent recoveries will defeat the purpose we have in mind. The Berar agriculturist does not know how to pay punctually. You must make some kind of allowances and take money according to his convenience. But if you fix a particular time and attach his crop, because he is unable to pay you punctually at that time then the man is furious. The Berar agriculturist is a fairly honest man, but he does not know how to pay punctually. He will rather pay a higher rate of interest and pay it according to his convenience, but not punctually.

As regards the short-term loans, from time immemorial the sower has been financing agriculture in India on a very large scale, and in the years of crop failure and distress he advances money to the cultivators and keeps them alive. On the other hand, a number of people come forward and abuse him and call him a Shylock. Is it your opinion that the sowers as a class are Shylocks or do you think this is exaggerated?—I believe it is exaggerated.

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1. Would it ever be possible for us to do away with the sowkar?—I do not think it is possible to do away with them entirely. But you can do away with him to a great extent. This could be done by banks which will advance short-term loans on easy terms.

How do you suggest that bank should work, i.e., through what agency?—They may advance money direct to the cultivators or to certain people with whom the money would be secured.

That is to say you are in favour of trying to improve the local sowkar rather than to do away with him?—I believe so.

I think we discussed before the possibility of making advances to big landholders and mahajans through the bank and I think you were in favour of the scheme?—Yes.

As regards the co-operative credit movement, I think we are all agreed that the aim of the movement is excellent, and the principles which underlie it are excellent, but the question which is brought before us repeatedly is whether it will ever be possible for the co-operative movement to spread throughout the whole of India and whether if this can ever take place how long it would take. I would like to know your views?—I think it will take a very long time before people understand the right spirit of the co-operative movement. It is all a question of time and how soon education spreads down to the lower strata of society and the villager learns of the benefits of the co-operative movement. I think it will take a very long time before he learns the benefits of the movement. He prefers to go to the sowkar of the village nearby, there are no rules and regulations and he knows that he is dealing with one individual, while in a co-operative society he really does not know who he is dealing with.

Do you consider that the rate of interest has anything to do with the growth of the movement?—Yes. The lower the rate the more the movement will prosper.

Do you think if the rate is reduced, more members will join?—Yes.

Vice-Chairman: As regards what you said about the agriculturist not being able to make both ends meet I put it to you that the real position is as follows:—The holding is the same but families are expanding and extra income is not coming in with extra expenditure. Do you agree?—No. I do not think so. Families always expanded and disrupted in India.

You will agree that a man starts with a holding of 100 acres, but afterwards his three sons do not add 300 acres to it, but pull on on those 100 acres?—In practice you will find that if an agriculturist has two sons they will try to settle in some other vocation of life and that they will not depend upon their land. I have known families which went in different vocations and never depended upon the land and it was left the main stock.

Do you think that in spite of the possible objection of the money-lending class, you will be justified in enacting legislation for regulating their accounts?—No. I do not think so.

Do you think enforcing a uniform system of keeping accounts will do any good. Will legislative regulation do any good to the borrowers?—I do not think it will do any good. I do not believe all the systems of accounts that are prevalent are either dishonest or incorrect.

Assuming that it is only natural and human that everybody should expect a decent return on his own money what would you put down as a fair rate of interest in Berar?—I am afraid it is a difficult question. You cannot put down one rate of interest for any time or all times. It all depends on the demand and supply and on the other circumstances in which the debtor stands. If a man needs money immediately, he will go and borrow at any rate; but if a man can wait he will borrow at ordinary rate.

Do you not think that it is necessary that there should be such credit facilities as would provide loans at a fair rate of interest?—It all depends. I can tell you what a fair rate of interest can be today, but I cannot tell you what it will be ten years later or what it was five years before. In the market one rupee is considered to be a fair rate now but there are so many people who will charge 2½ and there are others who will advance for annas 8 only. May I be allowed to say here that the rate of interest sometimes depends on personal relations of the creditor and debtor. If the creditor wants to oblige the debtor he does not

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give much consideration to the interest. There is no fixed rule. If you see the accounts, you will find that a sowkar is advancing his money on different rates from annas 8 to Rs. 5.

*Rao Bahadur K. V. Brahma, C.I.S.*: Will it be right if I say that within the boom period, i.e., from 1915-1924, people acquired a habit of leading higher standard of life and they cannot give it up readily and that indebtedness is due also to that factor?—That factor has surely something to do with the indebtedness of people though I will not give it high value. It is a factor to a very small extent.

Do you think that there is no scope for the average cultivator to add to his income by any subsidiary occupation?—I do not think he has any. If he is an honest man and wants to devote his time to cultivation a good cultivator will have work all the year round. I do not say he has; but he ought to.

Supposing a man has 30 acres of land to look to, can he engage himself in a subsidiary industry?—No; I do not think.

Therefore, it follows that whatever that piece of 30 acres will give him should become his standard of life, because there is no other source left to him except agriculture?—Yes, and I believe this is quite enough to keep him busy all the year round.

As regards money-lending, do you think that the indigenous bankers should be associated with joint stock activities?—Yes.

I suppose you hold to this view, because the factor of greed diminishes as a business proceeds from the hands of one individual to more individuals, and so on?—Yes.

In the case of joint stock banks the factor of greed is small. Is it not for that that you favour joint stock money-lending?—Yes.

Do you think there is no impediment either in the existing legislation or in the habits of the people by which money-lenders will dislike any proposal for associating them with the joint stock banks?—I do not think there is anything in law. I do not believe there is any legal impediment.

Do you think they would readily do it?—They should if they understand the benefits. But the difficulty is about making them understand what co-operation means. They will always look to their individual benefit.

Do you think that the Berar agriculturist will gain if he is given facilities to hold back his crops and to sell it at the time which is most favourable to him by giving him advances on his crops?—Yes, by giving them advances on his harvest.

My idea is not to make it compulsory, but to advance to those who want it. It will benefit them, but I do not think they will readily take to it. I believe it will take some time before they take to it. Do you agree?—I believe so.

I believe you agree that at present in villages there is not much facility for investment. Would you like that new facilities for investment should be created?—Yes.

Would you tell us what facilities you think proper?—What you may call panchayat banks may be opened. For instance, every panchayat should have a bank of its own where people can go and invest and be sure of their money, Government being behind the movement.

Do you think that for this purpose of village panchayats or other associations started in villages take to the system of cash certificates on the lines of post offices, people will have faith in them?—They will.

Do you think that special efforts should be made in that direction? Do you think that Government and co-operative agencies should be utilized for the purpose of popularizing it?—If we have a good scheme, it always pays to advertise it and make people believe it. It is a question of propaganda and finding money.

Are you of opinion that it will be a good thing if the cotton merchants in Berar are given the facilities of warehouses system?—Yes, it is a great idea. It will do them more good.

Do you think the certificates these warehouses will ordinarily give should be made negotiable instruments?—Not in the initial stage.

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Do you not think that perhaps it will be necessary to make these certificates negotiable instruments to popularize the warehouses in the markets?—I am sorry I am not prepared to answer that question.

Have you had any opportunity of studying Usurious Loans Act?—No.

I suppose you have got good ideas about working of the Insolvency Act. Do you think it is taken as an impediment by the money-lending class as a whole?—To a certain extent, yes.

Do you think undue advantage is taken of the Insolvency Act?—To a certain extent, but to a very little extent.

Are you in favour of repealing it?—I am not in favour of repealing it, but I would like it to be amended.

*Chairman:* Do you think legislative provisions necessary or that the Act should be enforced more strictly?—I think legislative provision necessary.

*Rao Bahadur K. V. Brahma, C.I.E.:* You have told us just now that you will like to have these mortgage banks started. Can you tell me whether you like these banks started under joint stock or co-operative societies?—I would prefer co-operative societies.

May I know the reason?—For a very simple reason. It will make the co-operative societies very popular. Secondly, I think the more people get conversant with this co-operative movement the better and moreover these co-operative societies are, it is popularly believed, under more popular control than any other societies and I believe it to a great extent.

You said, I think, that you would like Government to stand guarantee of subscribe to the debentures that may be necessary to float?—Yes.

I suppose you will agree that if the debentures are floated by Government or by some associations, the debenture-holders will have to pay some interest on due dates and the payment of the interest will mean that the companies must realize at least the interest amount from debtors, so to that extent I think you will agree that recoveries will have to be made punctually?—Yes, I think so. You can recover your interest strictly. I am agreeable to the idea of strictly recovering interest in time and I think that can be recovered easily. I have been objecting to the recovery of the whole sum.

May I trouble you to give us an idea as to the period over which the loans should be distributed?—I think 10 to 15 years period is fair.

Will you not add to this years of famine?—It will always go by normal years.

I will count about two or three bad years. When we say 15 years it may be a hard case, now and then. My point is this that the debentures will have to be paid eventually. If we make the debentures payable on a particular date and if we have not got money in hand, the land mortgage banks would be drawn into a court. The land mortgage bank should be so functioning that by the due date money should be ready. If 15 years is the time for collecting principle, really it should be 18 years to make allowances for two or three bad years?—I do not know why these 15 years should not include a couple of bad years. On an average my calculation is that you get two or three scarcities in 15 years and one regular famine. Taking all this into account if the man is doing his business properly, he should be able to return the money in 15 years. I have no serious objection to returning it in 18 years.

*Professor A. C. Sen Gupta:* I agree with you, but I want to get your reasons more explicitly. You said that you were against fixing a maximum rate of interest and you also had hesitation in saying what would be a fair rate of interest. Do I take it that you think that interest depends upon risk? That is one of the main things I have got in mind. A money-lender lends to two or three persons at different rates on account of security?—But the need of the man is also a great factor.

But when there is a competition between lenders also, urgency perhaps becomes a negligible factor?—I believe that is a greater factor than risk. When a man advances money he sees that he is well secured and the risk of course he takes into consideration.

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You think that if the risk is great they would not lend at all. How do you account for the fact of Kabulis lending money?—Miscalculation. On the whole, they must have been making profit. They expect they will lose principle in one or two cases but they will make it up by some other resources. These high rates of interest are very interesting to study. Sometimes you will find very high rates of interest mentioned in the document clearly provided with the understanding that the rate is never going to be charged. Then you find a kind of document which says that the usual rate will be three per cent, but if you make punctual payments, I will only realize 2 per cent. Nowadays you find a condition introduced in documents on account of a ruling by some high courts in respect of penal interest. So there are ways and ways of taking interest and because you charge him 6 per cent you are not a kind man if you have taken a bond for more amount than that advanced.

*Mr. P. D. Pundlik:* You have said that the agriculturists is hardly in a position to save anything. Is it not unnecessary to start any savings bank?—If the poor man has saved anything he can use the savings bank.

I want to know whether they had saved anything?—My impression is that an agriculturist who merely lives on his land does not save anything.

Can he be made to earn and save by other subsidiary industries?—Yes. If he finds time he can do a subsidiary industry. As I have stated, I believe a cultivator will not be able to spare time for the subsidiary industry, if he is a good cultivator.

Can you suggest any side industry which an agriculturist can do?—Many have been suggested in the questionnaire. Whichever industry a man likes he can take it and develop it.

*Seth Narsingdas Daga:* How much capital will be required for starting land mortgage banks?—About 1½ or 2 crores of rupees.

At what rate of interest can money be advanced?—At 8 annas to 12 annas.

**RAO SAHIB UTTAM RAO SITARAM PATIL, Landholder,  
M.L.C., Itki, taluq Daryapur, Amraoti.**

*Amraoti, the 31st January 1930.*

**Oral Evidence.**

*Chairman:* You are M.L.C. (Rural) for Amraoti West?—Yes.

You are also Patel and landholder?—Yes. How much land have you got?—600 acres in three villages. Most of them are in Itki.

*Vice-Chairman:* Have you read the reply written by Ram Rao, Secretary, of the Agricultural Association, Itki?—Yes.

*Rao Bahadur K. V. Brahma, C.I.E.:* Would it be to the advantage of the ordinary small agriculturists to create facilities for him to hold back his crops to sell it at favourable times if he got advances? There is a scheme before us called the Egyptian cotton scheme. I want to know your opinion?—Certainly it will be to the advantage of the agriculturists. We have had the advantage of knowing the results of the intensive survey done in your village by Mr. Mutkekar, Deputy Director of Agriculture. Will it be correct to say that it is fairly representative of Berar or is it an exceptional village?—It is difficult to answer this question. But the cultivators of that village are not so much indebted as other villagers are. I had no opportunity of estimating the indebtedness in other villages. With some exceptions, the cultivators of Itki are indebted. 10 per cent may be free from debt. There may be 50 out of 64 kabjedars who may be indebted.

Mr. Mutkekar's survey shows that 45 per cent of the kabjedars in Itki are free from debt. Which is correct?—The figures of Mr. Mutkekar are correct.

Do you think that the transferability of land, a right which Berar cultivators enjoy, makes him borrow more? Do you think that on that account the right of transfer should be restricted?—I would not suggest.

Have you any idea of the Insolvency Act and how it works?—I do not know. I have heard how it works.

Have you ever thought of an Act like the Rural Insolvency Act yourself? Would you like to have such an act passed for the agriculturists of your village?—I am not in favour of suggesting any special measure for protecting the agriculturists. I would like to suggest that the money which will have to be paid should be distributed over a long-term of years.

You are the Secretary of the Village Panchayat Board. Do you agree with the suggestion which has been thrown out by some people that village panchayats should also be allowed the facility of banking. Are you in favour of this?—Special organizations would be better; where such could not be formed, the panchayat may do this work.

*Rao Bahadur M. G. Deshpande:* Can you explain the reason why the indebtedness in Berar is increasing every year in spite of good harvests?—The reasons that are given in the questionnaire and litigation and taking fields on lease.

*Chairman:* Have there been cases of people buying land at a very high price in the boom with borrowed capital?—Yes. That has not been the cause of indebtedness.

*Rao Bahadur M. G. Deshpande:* In reply to Rao Bahadur Brahma you said that because they have got ownership of land they borrow more money. Can you suggest any remedy for reducing the indebtedness?—I would suggest that sowkars should be licensed. We must create difficulties in obtaining money. The limit of borrowing should be fixed at 50 times the land revenue.

*Vice-Chairman:* My view is that the profit from a holding of 20 acres is the same today. But the difficulty is that the family has increased without a corresponding increase in income and this is the cause of the economic difficulties of the Berar cultivator today. Do you agree to this view?—I may say that the population of my own village has increased every year. Much land has gone to the sowkar and the land in the possession of the remaining population is less today.

**RAO SAHIB R. U. S. PATIL.**

Suppose we are now ready to make arrangements for giving loans on a larger scale to the people of your village, what sort of arrangement would you like? Would you like a co-operative bank or one big sowkar?—I want a bank.

You have got a co-operative society in your village?—Yes, a share society.

Are the members of that society free from debt or are they more heavily indebted?—Not all.

Are you the Sir Panch of the society? Have you got over dues against the members?—I am the Sir Panch. There are no over dues.

Is it a good society?—It is supposed. It is not audited and was started last year.

Do you think that the co-operative movement is doing good in your taluq?—It is doing good, no doubt. Good men do not come forward, because they are afraid of joint responsibility and publicity.

If the Government brings a Bill for licensing money-lenders, would you be prepared to support it in Council and get supporters for it even though money-lenders oppose it?—Yes, I am myself a money-lender.

Seth Narsingdas Daga: Is there any objection to a person who has power, civil and criminal, being a money-lender?—I have no objection in the case of a village panchayat. The panchas are elected and every third year there is a fresh election. They are not likely to trouble the borrowers who are the electors.

Where is the guarantee that a member of a panchayat will not do injustice?—They are elected by majority. There are 9 to 15 members and they are not likely to do injustice.

Do you think that there would be any likelihood of injustice if Government confers civil and criminal powers to an organization of 9 or 10 money-lenders?—I think there would be no objection, if they are elected representatives of the people. By representative, I mean representatives of cultivators and borrowers. All the present panchas are not representatives of the agriculturists.

How long are the cultivators working and how long are they idle?—They practically look after the fields the whole year, but they have not to work all the time. They get spare time for half an hour, two hours or four hours, when they cannot do any independent work.

Chairman: You stated, I think, that you feel that the co-operative credit movement is a good thing. You are convinced about it, is it not?—Yes.

Do you think that rich and influential people do not readily come forward to join the movement owing to the unlimited liability?—Yes; and also because of publicity.

Would you be in favour of an amendment of the law whereby a Central Bank could advance money to men of good position and standing on their own security and not on joint security?—There is one difficulty. Even at present we get only a few men to work in the societies and in the event of an amendment to this effect, all the people of status and position will be out of it and only members of the societies will be heavily indebted.

Do you agree that one of the reasons for the high rate of interest is the lack of money?—Yes.

We have been considering a proposal to advance money to sowkars and also to big agriculturists according to their credit at a low rate of interest and for advancing to other agriculturists at a fixed rate of interest, say, not more than 8 per cent. These people will not be allowed to engage in gambling or other kind of business and there will be some other conditions. Do you think that this kind of scheme will be beneficial to the public?—It will be beneficial, but the only difficulty is that the man who has been advanced may at times mortgage his property and thereby cause loss to the bank.

You have stated that persons who exercise civil and criminal powers should not do money-lending business? Are you of the opinion that money-lenders should not be appointed honorary magistrates?—No, I do not think so.

Rao Bahadur M. G. Deshpande: I want to know whether the honorary magistrates are elected by the public?—They are nominated by Government.

Could you tell me whether they have got civil powers?—They have not. I am myself an honorary magistrate.

Chairman: We are very much obliged to you for taking this trouble.

RAO SAHIB R. U. S. PATIL, T.

**MR. V. K. RAJWADE, B.A., LL.B., Pleader, Landholder.**

*Akola, the 5th February 1930.*

**Oral Evidence.**

*Chairman:* You are, I believe, a pleader and agriculturist?—Yes.

Are you also interested in the co-operative movement?—I took some interest in the movement in the beginning. Now I am only a share-holder. I was formerly a director. My opinion is that the movement is not as it ought to be.

Would you like to amplify your statement?—The co-operative movement should be primarily controlled by persons who understand co-operative principles. Societies were started by officials and others who wanted to be in the eye of officers. My own idea is that the movement has benefitted very few people. People who are at the helm of the movement have not been in touch with the people.

Are there any other points upon which you would like to make suggestions with regard to agricultural finance?—I would restrict myself to the condition of *lzardars*. My own idea is that for the last few years agriculturists are having very hard times because of—

- (1) poor crops for the last some years,
- (2) lack of cheap capital, and
- (3) want of sympathy on the part of Government.

In addition to these difficulties, there is the recent enhancement of assessment which could have very well been postponed.

Do you mean to say that the cultivator has full sympathy for the Government, but the Government has no sympathy for the cultivator?—That is not my meaning.

Were you at one time one of the leaders of the Government?—I was in the movement for some time. In Akola district there was an idea that co-operative societies should be started. One Extra-Assistant Commissioner with the help of some persons from the villages who came in the lime light with him went on starting societies. Persons who had their own personal gains to achieve collected some persons who were too meek to resist their will and societies were formed. Most of the capital was utilized, by these people, not for purpose of agriculture, but for other purposes.

Do you mean to say that the loans did not actually reach the persons for whom it was advanced?—I know of some instances of misappropriation of money.

Have you any remedies to suggest as regards the high rate of interest on loans?—I think that, if the Imperial Bank can be made to lend money on the security of land to the agriculturist, that will be a great help. Proper steps should also be taken to help in the recovery of these advances. I know that banking is a very delicate business.

Do you realize that the high rate of interest at present paid on deposits by the co-operative banks and also in some cases by local Mahajans prevents money being advanced at a low rate of interest?—Yes. But some way will have to be found out.

Do you agree that the way to bring down the rate of interest is to bring down the interest on deposits in the first case?—Yes. I agree that it is impossible to reduce the rate of interest upon which loans can be advanced unless the rate of interest paid on deposits by the co-operative banks and other substantial money-lenders is also reduced.

*Vice-Chairman:* You know that one of the main objects of the movement being to develop self-help it is necessary that honorary workers should take an active part in the management of co-operative financing institutions?—Yes. I have no objection.

You must be aware that every month the Government Circle Auditor inspects the co-operative bank?—He may be doing so.

Are you aware that the Registrar and his departmental officers have been doing their best to introduce businesslike methods into the working of these institutions?—I know that.

**MR. V. K. RAJWADE.**

Do you know that there is a cry from the honorary workers, whenever there is an attempt to introduce businesslike methods, that we are trying to officialize the movement?—There are so many views, that sometimes the cry is from honest persons and sometimes they are from interested persons.

Do you agree that a certain amount of Government control should be kept on these institutions?—Most certainly.

From what you know of the working of these institutions, do you feel that there is enough official control? Do you think that the co-operative movement in your district is beyond redemption?—There is scope for improvement. My chief complaint is that the people themselves do not know the underlying principles of co-operation. In Europe the people themselves start the movement; but in India it is not the case.

*Rao Bahadur M. G. Deshpande:* Are you still in touch with the movement and with the working of the Akola Central Bank?—I have sympathetic interest. I do not know the details of its working.

Do you think that our honorary workers who are taking part in the movement are not businesslike in their methods?—They are to some extent. Suppose a suggestion is made by the Co-operative Department officials which is not businesslike, do you think that it should be carried out?—Certainly not.

You say that 6 per cent should be the maximum rate of interest which should be charged on loans for agricultural purposes. Can you suggest any way by which agriculturists could be financed at 6 per cent?—I cannot make any definite suggestion, but I am of opinion that 6 per cent should be the maximum rate of interest to be charged.

*Seth Narsingdas Daga:* What is the rate of interest paid on deposits by sowkars?—The maximum rate of interest comes to little less than 6 per cent, i.e., 7 annas and 9 pies.

You recommend that agriculturists should be financed at 6 per cent. If a sowkar pays 6 per cent on deposits, do you think it possible for him to advance loans at the same rate?—No, I do not say so. If sowkars cannot advance loans at 6 per cent they should not.

**SYED MOBINUR RAHMAN, M.A., LL.B., Pleader, M.L.C.,  
Akola.**

*Akola, the 5th February 1930.*

**Oral Evidence:**

**Chairman:** Are you a member of the Legislative Council?—Yes.

Which constituency do you represent?—I represent the Muhammadan Urban constituency of Berar.

Are there any particular matters with regard to the improvement of agricultural finance which you would like to bring to the notice of this Committee?—I favour the extension of co-operative credit societies.

Would you recommend an extension of co-operative movement?—Yes.

Do you think there are any defects at present in the co-operative credit system which you would like to see removed?—In my opinion the rate of interest on deposits is too low to attract more deposits.

Are you a director of any bank?—I am neither a director nor a share-holder.

Do you believe that Central Banks at present find any difficulty in obtaining sufficient capital?—I do not think so. My suggestion is from the point of view of obtaining more deposits.

Would you agree that if Central Banks are able to obtain enough money at present to finance their existing societies at the present rate of interest on deposits, it would be justifiable to increase the rate?—Yes. But my view is that the money already with the banks is not sufficient for the purpose.

Are you of the opinion that the only check upon the more rapid extension of the co-operative credit movement is the lack of capital?—Yes.

Do you think there are many people of good credit who are anxious to advance money, because Central Banks are not in a position to finance agriculture?—Yes.

Would you admit that the rate of interest which the Central Bank charges to the societies and through the societies to the members depends upon the rate of interest which they have to pay on their deposits?—Yes.

Would you then admit that a further increase in the rate of interest on deposits would result in the increase of rate of interest charges on loans to members?—In my opinion the co-operative movement should not be run on business principles.

Would you like to amplify that statement?—If co-operative banks will finance subsidiary industries and agriculture, then a lot of improvement can take place. I do not think the co-operative movement should be run on purely business lines like a bank. If they calculate their net profit, then I admit they will not be able to advance finance to agriculture at low rates of interest.

Would you agree that a Central Bank is under an obligation to pay the rate of interest to its depositors which it has promised to them?—Yes.

Does it not follow that it must at least carry on its lending business in such a manner as to secure the interest to the depositor?—I admit it. But it should not be a business concern.

**Vice-Chairman:** I put it to you that the economic position in Berar today is as follows:—The produce of the holding is the same subject of course to the usual fluctuations of nature, but families have increased and there has been no corresponding increase in the assets of families. Is this not the chief cause of the economic difficulty felt in Berar?—I do not think so. The chief cause to my mind is that the price of cotton has continuously been falling and there is no prospect of its rising as the improved Egyptian and American cotton is being sold more and more in the market. The present economic distress is not a temporary phase of the situation, but it is likely to be more or less a permanent feature because of diminishing rainfall and other natural causes and the international competition.

Would you advocate legislation to fix the maximum rate of interest to be charged by money-lenders?—That would be impracticable.

**MR. SYED MOBIN RAHMAN.**

Do you advocate any sort of legislative regulation on the rights of money-lenders on the lines of the Act passed by Punjab?—Yes.

Do you know this law is circumvented in practice?—Practically every law is circumvented.

Would you go so far as to say that Government should enact legislation even in spite of the general opposition of the money-lenders?—Yes, it would. It will be in the interest of the agriculturist.

Would you and the money-lenders, or mend them?—To my mind a money-lender in a village is a nuisance rather than a benefactor of the agriculturist. It would be found that most of the loans advanced by a money-lender are for unproductive purposes and if a money-lender will stop giving loan to the cultivator, so much will be his saving.

Do you mean to say that there is no necessity of credit facilities for the agriculturist?—The facilities as they exist are working to the detriment of agriculturist. Restriction of credit to my mind will be a beneficent measure.

Have you heard of the various malpractices prevailing in cotton markets of Barar?—Yes.

Can you give a rough estimate of the probable percentage of the proper price of his produce of which the cultivator is robbed by these middlemen as a result of the malpractices?—Approximately 5 per cent.

What is the percentage of money-lenders who have a fair standard of business morality?—It might come to about 70 per cent.

*Rao Bahadur K. V. Brahma, C.I.E.:* At what rate do you think deposits are accepted by sowkars?—Sowkars generally pay 6 per cent interest.

*Rao Bahadur M. G. Deshpande:* You say that the rate of interest on deposits should be increased in order to attract more capital. Can you tell me at what rate the societies should advance money to their members?—6½ per cent would be a fair rate of interest.

At what rate should the deposits be accepted in Central Banks?—The rate of interest on deposits should be increased to 8 per cent.

Would you tell me how the Central Bank will be in a position to advance loans at 8 when it has to pay 8 per cent on deposits?—If the co-operative societies do not try to run the movement on mercenary lines it will be possible. The co-operative societies should advance loans to village subsidiary industries at a higher rate of interest, but for agriculture the rate should not be more than 6½ per cent.

Are you aware that Central Banks are not allowed to finance industrial institutions?—That is a defect in the Co-operative Act and should be removed.

Suppose Government does not allow financing industries, what would you suggest?—No practical suggestion can be made then.

*Seth Narsingdas Daga:* You have just stated that cultivators borrow from money-lenders and spend that amount mostly on unproductive purposes. Do you think that this would not be the case if agriculturists obtained loans from co-operative societies?—Some proportion of it is likely to be spent on unproductive purposes, but I do think that the evil will be minimized. Co-operative societies are expected to enquire into the objects of the loan, but a sowkar has no reason to do so. As a very little portion of the taccavi loan is spent on unproductive charges, so also money advanced by a co-operative society will be used for productive purposes.

*Professor A. C. Sen Gupta:* Are you a worker in the co-operative movement?—No, I am not.

Have you an intimate knowledge of the working of the movement?—I have studied the movement as a student, but I have no intimate knowledge of its working.

Do you think the lowering of the rate of interest on deposits has resulted in lowering the volume of deposits?—Yes.

Do you mean to say that since the time the rate of interest was lowered the volume of deposits has actually gone down?—I do not mean that. What I mean is that the increase has not been so much as it would have been had the rate of interest been more.



What do you mean when you say that co-operative societies should not be run on business lines?—I mean that they should not be treated as profit-earning concerns.

*Mr. P. D. Pundlik:* You have said that the co-operative societies should engage a special staff for supervising the methods on which it takes money. You know that the money is advanced on joint and several liability by societies?—Yes.

Do you not think it possible that the several members of the society will safeguard this business?—They would try to safeguard, because they themselves would be involved.

**MR. THAKUR UMED SINGH, Vice-Chairman, Local Board,  
Akot.**

*Akola, the 5th February 1930.*

**Oral Evidence.**

*Vice-Chairman:* Have you read the questionnaire?—Yes.  
How much land have you got under cultivation?—250 acres.  
Do you also do money-lending?—I do it to a very little extent.

You know there are many complaints about private money-lenders not treating their customers fairly? What percentage of money-lenders do you think are given to underhand dealings?—It is very difficult to form an estimate of the percentage.

Do you think it is necessary to impose any legislative restriction on the money-lenders in Berar for reducing the rate of interest or for maintaining proper accounts?—Yes.

Would you do that even if the money-lenders oppose such a measure?—Yes, I would do it for the good of people.

What is the average rate of interest charged by money-lenders on your side?—It ranges from 6 per cent to 25 per cent.

Have you heard complaints of malpractices of the Akot cotton market, say, of adatyas cheating the cultivators?—Adatyas do not cheat, but the purchasers cheat.

Can you form a rough estimate of the percentage of the loss to the growers of cotton as a result of this practice?—No, I cannot.

Does it on a large scale or a small scale?—It is general.  
In Akot some of the Momins produce durries. Is it not?—Yes.  
Is that trade in a flourishing condition?—No.

*Chairman:* How many families at present do this work?—Fifteen.

*Vice-Chairman:* I suggest it to you that the chief cause of that is that people are fond of finer stuff and the demand for the coarse stuff which they produce is less. Do you agree?—No, I do not think this is the reason. I think people find it dearer to purchase.

Are they up to the taste of the people?—Yes. They are far superior to the mill durries and more durable.

Has it come to your notice that these high rates charged by the money-lenders are due to lack of capital?—Yes.

If joint stock banks supply capital to the money-lenders, do you think money-lenders in their turn will re-lend it at a lower rate?—I do not think money-lenders will do that.

Do you think if the advantages of such a scheme are properly explained, money-lenders will agree to form into an organisation to get credit from the joint stock banks?—Some of them will do it, but not all.

Will you take up legislation for compelling them to join into an organization?—Yes, I should do that. Whether it will be effective or not is a doubtful question.

Were you a member of the Legislative Council?—Yes.

*Chairman:* Can you give us your ideas to the main cause of indebtedness in Berar?—Have you any views on that subject?—The agriculturists are getting successive bad years and the loans they take from the money-lenders are given to them at a very high rate while the agriculturist in order to prosper in his business must get loan at the rate of 6 per cent. At present agriculturists are selling their lands, because they are not able to spend as much as is necessary to produce sufficient crop. They cannot put enough into the land to get the full crop, because they cannot obtain sufficient money to finance their operations.

You say the rate of interest has gone up very much. What is the reason?—In my opinion shortage of capital is the main reason.

It was suggested to us at Akot that most of the money-lenders had lent out all their capital and that there was a great lack of ready capital nowadays. If a man wanted to borrow Rs. 100, he would be paid Rs. 80 and would have to write a bond for Rs. 100. Is it a fact?—It is not very common.

**MR. T. U. SINGH.**

What remedy would you suggest?—More capital should be supplied.

If Government could take steps to form a land mortgage bank with the aid of the public whereby the old debts could be paid off and easy instalments fixed for repayment to the banks, do you think that will suffice?—I think sowkar will still be charging the same rate of interest.

What is the reason?—Because it is their business. They will try to derive as much profit as is possible.

Have they always been charging a high rate of interest?—For the last ten years I think it is high.

You say the reason for the rise in the rate of interest is want of capital. Therefore if they get plenty of capital will they not reduce the interest? I do not think so.

*Rao Bahadur M. G. Deshpande*: Do you know that lands are passing from the hands of cultivators to sowkars?—Yes.

What is the percentage?—I cannot tell the percentage.

Can you suggest any remedy to stop it?—The only remedy is to grant loans to agriculturists at a lower rate of interest.

Do you not think that it will increase the indebtedness and more land will go to sowkars?—No.

*Chairman*: Are you yourself an agriculturist?—Yes.

It has been suggested by a very eminent authority that if facilities for borrowing money are given to the agriculturists, they will go on borrowing up to the limit of their credit and will be extravagant. Do you agree with this view?—No. There may be some of the type, described above, but not everybody.

What do you think would be the percentage?—I think about 5 per cent are of this type.

Are there any cultivators at present who avoid borrowing money if they can help it?—Yes.

*Seth Narsingdas Daga*: Do you do money-lending?—I do it to a very little extent.

What is the rate of interest that you charge?—I charge 12 per cent.

How much land have you got?—I own about 250 acres.

Do you cultivate it?—Yes.

Do you admit that sowkars charge higher rate of interest for a person who has not got good security because of the risk involved in advancing him money?—No. Small cultivators get loans at higher rates of interest even with good security.

What is the rate of interest on deposits which the sowkars pay?—Sowkar do not pay more than 4½ per cent.

Do you not think that extravagance is the cause of lands passing into the hands of money-lenders?—No. The reason is high rate of interest.

*Professor A. C. Sen Gupta*: Do you find any difficulties in the system of advancing taccavi to cultivators?—It is inadequate.

Do you think it would be better if Government gave a larger amount for taccavi?—Yes.

*Mr. P. D. Pandlik*: Do you think that the profits of agriculture are sufficient to maintain a family that depends upon it entirely?—Yes.

Do you not think the cost of cultivation is much more as compared with the resources of the agriculturist?—Yes that is why I say that they do not get sufficient money.

Supposing an agriculturist got sufficient funds, will it be possible to return the money which was advanced to him and also maintain himself?—If the rate of interest on loan is 6 per cent, it will be possible.

*Chairman*: Thank you.

MR. T. U. SINGH.

MR. P. S. BEDARKAR, President, Municipal  
Committee, Akot.

Akola, the 5th February 1930.

Oral Evidence.

Chairman: Are you the President of the Municipal Committee, Akot?—  
Yes.

You are also a factory manager as well as an adatya. Is it not?—Yes.

What do you consider to be the needs of the agriculturists in your taluq?—  
In Akot taluq agriculturists need money at low rates of interest, and if they  
get sufficient money for spending on the improvement of their fields, they will  
be in a position to get better produce and they will be able to repay debts.

Do you not think that if they were given ample facilities for borrowing  
money at low rates of interest, they will become more heavily indebted?—  
No. I do not think they will become extravagant.

What methods would you suggest for providing money at low rates of  
interest?—I would suggest the establishment of land mortgage banks and also  
to select such good persons as would co-operate and give them money to be  
advanced to farmers at low rates of interest.

If an advance was made to you by the reserve bank at a low rate of  
interest subject to the conditions that you would lend that money to others at a  
certain margin of profit, would you be prepared to take the risk yourself and do  
that business?—Yes.

Do you pay income-tax?—No.

How much money would you be prepared to take for this purpose?—  
I would borrow Rs. 50,000.

Would you run the risk of losing that money? Supposing some person did  
not repay you?—I would use my discretion and only pay to deserving persons  
whom I trust.

For how long a period would you keep the money? At what season of  
the year would you lend it?—I would lend it in the month of March and April  
and recover it in the months of December and January.

Do you think many other persons would be forthcoming to do this business?  
—Yes.

Rao Bahadur K. V. Brahma, C.I.E.: You are considerably interested in the  
cotton trade of Akola. Is it not?—Yes.

How many bales of cotton are produced every year in Akot market?—About  
40,000 bales.

How do these people who purchase cotton in Akot get their finances?—They  
get it through the Imperial Bank.

To what extent do you think this business is financed by the Imperial  
Bank?—I think for all the 40,000 bales.

How do they pay the Imperial Bank?—They first get some credit in the  
Imperial Bank.

What do you mean by that?—They keep about Rs. 20,000 as a margin in  
the bank. Supposing a man wants to do business of 200 bales. As soon as  
these bales are sent to Bombay he writes a hundi on Bombay adatya against the  
railway receipt and present that hundi at the Imperial Bank for discounting.  
This is the way he does his business.

Are you aware of the fact that there is a warehouse system prevailing in  
Western countries by which traders obtain money?—I have read that there is such  
a system.

Do you think that system would be advantageous to traders if it were  
introduced in our province?—Yes, it would be advantageous.

I believe you will agree that the warehouse receipts granted by warehouse  
managers should be regarded as negotiable instruments on the strength of which  
banks will advance money?—Certainly.

MR. P. S. BEDARKAR.

There is a scheme called Egyptian cotton scheme. Do you think that the scheme would give facilities? It proposes to advance money to small growers of cotton on the strength of which they may hold up their goods to obtain better prices. Do you think growers will be benefitted by it?—Yes.

*Rao Bahadur M. G. Deshpande:* When you get money from bank are you required to pay any interest?—We pay 6 per cent.

*Seth Narsinghdas Daga:* You say that you are prepared to take advance from Government to lend out to other people. To what sort of people would you lend?—I will advance only to those persons about whose solvency I am sure.

If you get loans at 6 per cent, at what rate would you be prepared to advance it?—At 2 annas per cent more. This is sufficient to cover any possible loss. This 2 annas margin should be sufficient for advancing loans to cultivators.

Do cultivators gin their own cotton and send it to Bombay?—Yes, through the adatyas.

Do they get any advance from the adatyas?—Yes. They get 75 to 80 per cent advance.

**KHAN SAHIB AMAN KHAN, Landholder and Honorary  
Magistrate and Money-lender, Akola.**

*Akola, the 6th February 1930.*

**Oral Evidence.**

*Vice-Chairman:* What are, in your opinion, the causes of the high rate of interest?—The cause of the high rates of interest in Berar is that the demand for money is greater than the supply.

Do you think that indigenou money-lenders will agree to form an organization for taking advances at 6 to 7 per cent from joint stock banks on condition that they should re-lend such money at the maximum rate of 9 to 12 per cent?—A margin of 3 to 4 per cent will not be sufficient to induce them to enter into such transactions, as this margin may not cover their cost of establishment and incidental expenses.

What, according to you, would be a fair rate of interest?—12 per cent on unsecured debt and 9 per cent on secured debts.

Are you in favour of legislation for compelling money-lenders to maintain proper accounts and give receipts?—Yes.

*Chairman:* Do you not think that the scheme put forward by the Vice-Chairman would be beneficial to the tenants?—Yes. It would be beneficial to the cultivators; but nowadays nobody looks to any advantages except his own and no one cares for the good of the cultivators if he is going to be involved in risk thereby.

*Replying to Rao Bahadur K. V. Brahma, the witness said:* I am in favour of having the rule of *dam dupet* extended to all communities and not confined only to Hindu debtors and creditors as at present.

**KHAN SAHIB AMAN KHAN.**

**MR. B. N. BOBDE, B.A., LL.B., Pleader and President,  
Agricultural Association, Khamgaon.**

*Ahola, the 6th February 1930.*

**Oral Evidence.**

*Chairman:* Are you a member of the Bar, Mr. Bobde?—Yes. I am also the President of the Agricultural Association, a member of the Cotton Market Committee, Vice-Chairman of the Local Board, Khamgaon, a cultivator and one of the managing directors of the Central Bank.

What remedies would you suggest with regard to the indebtedness of the agriculturists?—I recommend that the co-operative movement should be expanded on a larger scale and the members should be advanced loans at cheaper rates. These are the chief things.

Do you think that if the rate of interest was reduced the movement would expand more rapidly?—Yes, I think so.

One of the representations made to us when we were touring in the interior was that having regard to the unlimited joint liability the rate of interest at present charged was too high and my impression is that if the rate of interest was reduced, many more persons would come forward to join the movement. Are you in favour of the scheme which has been put forward whereby substantial money-lenders or landlords of good credit and good repute should be given advances on low rates of interests by the reserve bank or the Imperial Bank on the condition that (1) they should not do any other kind of business or engage in gambling, (2) they should keep proper accounts and (3) they should advance this money to agriculturists at a rate of interest which should not exceed a fixed maximum. Do you think that would be a workable scheme?—It would be a workable scheme. I should also like to suggest that there should be a bond and receipts should be passed by sowkars in Marathi and not in Marwari which language is not known to cultivators.

As regards the co-operative credit movement how many members have you got altogether?—We have got about 1,500 members with 60 societies.

How many big borrowers have you got?—We have got about 20 per cent borrowers.

How much capital out of the total capital has been locked up by these 20 per cent big borrowers?—About 40 per cent of the total amount of capital.

Are these new debts or old ones?—They are old ones. Now we have stopped advancing money to these persons.

Were those large sums advanced to be repaid by instalments?—Yes.

What is the maximum number of instalments which you allow?—We generally allow four instalments.

Were you a managing director of the bank then?—Yes, I was.

Would you agree that as the resources of the Central Bank are largely obtained from short-term deposits the co-operative credit bank should not lock up its money in long-term loans?—The period of three or four years is not too long a period. We get deposits for that much period.

Do you not think the co-operative movement should have a wide scope for beneficent work if it confined its activities to making advances to agriculture in short-term loans and recovered the amount from year to year?—But there are so many people who are indebted and they also require help from the banks.

Then would you agree that if a land mortgage bank was started, this long-term business should be handed over to it?—Yes.

Does it not follow that the co-operative credit bank should confine itself as far as possible to the short-term business?—Yes.

What else would you like to tell us?—I would like to say something about difficulties in the cotton markets. At Khamgaon people generally do not get the real price for their produce and also there are some difficulties in the matter of weightment. The rates are received from Bombay, but these rates are not properly announced to cultivators. Some people pay 88 and some 90 even if the declared rate is 90 but people who pay 92 compensate themselves by some tricks in weightment, etc. I therefore propose that there should be some standard weights

**MR. B. N. BOBDE.**

fixed by the cotton market committee and as regards price, I suggest that purchasers should always fix it with reference to each cart before it is taken out of the cotton market.

*Chairman:* How then would you deal with the difficulty of grading? Could you take out the whole of the cotton from the cart for examination in the markets?—No. It is not possible, but the purchaser can grade the cotton by taking some from the upper portion.

Is it your opinion that there is never any difference in the cotton?—Yes. I would also like to suggest that there should be an agricultural bias in the education of boys in rural schools.

*Mr. P. D. Pundalik:* Do you know that there are standard weights in cotton markets?—The scale belongs to the adatyas.

Is there no check over the weight by the cotton market committee?—It is checked at the beginning of the year.

Do you think it should be checked very often?—Yes.

Do you think it is possible?—No.

May I know what is the system of weighment in Khamgaon market?—After the carts are purchased they are taken by the adatyas to the scales. The adatyas are licensed, but the weighmen are not. Weighmen are the paid servants of the adatyas.

*Seth Narsinghdas Daga:* How much land do you own?—100 acres. I cultivate it myself.

You said that the rate of cotton is declared at Rs. 90 and some people get Rs. 88 and some get Rs. 92. How do you say that?—Because the cultivator does not understand what is happening.

The rates fixed in the market are for the standard quality, and if the cotton is of inferior quality, they will get less price. Is it not?—Yes.

If verum or a good quality cotton is brought for sale, would it not be given more price?—Yes.

Do you suggest that the scale should be kept by the Cotton Market Committee?—Yes, in the market compound itself. The weighman should be paid about Rs. 50 per month.

*Chairman:* What are the causes of indebtedness?—During the last four or five years rain is not sufficient and agriculturists are really unable to meet all their expenditure.

We have been told that in the boom years a number of persons purchased land at very high prices on borrowed money and now that the price of land has fallen they cannot repay. Is this also one of the reasons?—Yes, it is one of the main causes.

Another alleged cause is that people have taken land on lease at very high rates from year to year in the hope that the crop will be good and the price high, and later on crops and prices have been bad and they have not been able to repay the money. Is this also a frequent cause of indebtedness?—Yes.

You would also agree that some people have become extravagant in boom years and they find it difficult to reduce their expenditure now. Is this also one of the main causes of indebtedness?—Yes. In the old days people were extravagant in the hope that their high income would continue and the sudden fall in the price of cotton coupled with bad crop has landed them in very serious financial difficulties. Besides, the cultivator is not so hardworking as he ought to be. He is really idle. This is also another cause of indebtedness.



MR. S. R. GOKHALE, Malguzar, Nagpur City.

Reply to the Questionnaire.

**Part I—Agricultural credit and credit facilities for small industries.**

**QUESTION 1.**—For the purposes enumerated in this question the agriculturists obtain finances from the following sources:—(1) Government, (2) co-operative banks, (3) indigenous bankers, (4) malguzars and (5) others, including friends, relatives, brokers, owners of ginning factories, merchants, Pathans, Kabulis and such other people who adopt the money-lending business.

Government lends out money under the provisions of the Land Improvement and Agriculturists' Loans Acts, but the amounts so granted are quite insufficient inasmuch as they only meet 3 per cent of the total demand approximately. The rate of interest charged on such loans is 6½ per cent per annum. During the time of famine the Government suspends land revenue, gives loans for purchasing seed, agricultural implements and bullocks, etc., and opens famine relief works.

The co-operative banks, wherever established, lend money on a larger scale, they provide 13 to 15 per cent of the money required for the agriculturists. Their rate of interest is 12 to 15 and at times 18 per cent per annum and the period of repayment of the principal is one year. This means that the agriculturist is required to pay off his debt with interest as soon as he reaps his crops. It is, however, reported that the societies in Berar have advanced loans for a period of six or eight years on good security. But they cannot afford adequate relief as the loans are given on collective and individual responsibility.

The indigenous money-lenders give loans to as many as 65 to 95 per cent of the agriculturists in the form of hundis, mortgage, promissory notes, demand notes, etc. Their rate of interest depends upon the ability of the debtor to pay the loan and the urgency of the need of the borrower, they vary from Re. 1 to Rs. 2 per cent per mensem or even Rs. 3 per cent per mensem at times. Loans for three months are advanced on *sawai*. Sometimes the rate of interest is 6 pies per rupee per month or even nine pies and the Pathans and Kabulis charge as much as two annas per rupee per month. Their methods of recovery are barbarous. The big money-lenders while advancing loan deduct therefrom several small amounts such as discount, charity, etc., and hand over the balance to the debtors, whereas the loan bond is for the whole amount irrespective of these deductions. The period of repayment is from three to twelve months, but in some cases it extends to three years. At the time of renewal of the bond interest is calculated at compound rates and the debtor agrees to it, being entirely at the mercy of the money-lender. Owing to legal facilities for the recovery of their debts the number of petty money-lenders is increasing, on the other hand, having had an unpleasant experience of this business the bigger ones are diverting their money in purchasing houses and building up other properties in the towns. In addition to the professional money-lenders the malguzars advance about 15 per cent, relatives and friends about 2 per cent and merchants brokers and others about 3 to 4 per cent of the agriculturists' demands. Friends and relatives lend money mostly without interest.

There are joint stock banks like the Imperial Bank of India and the Allahabad Bank here. The merchant class mainly derives benefit from these banks. The agricultural class cannot do it. These banks attract capital of the province for the benefit of the trading class, but such help is generally derived in the business centres like Calcutta, Bombay, etc.

For want of adequate information it is never possible to give an estimate of the total amount of capital required to relieve the indebtedness of the agriculturists in this province or district.

There is no co-ordination among the various credit agencies, including Government, with the exception of the Imperial Bank and the Allahabad Bank.

Agriculturists borrow at the beginning of the agricultural season for buying seeds, etc., at *sawai* rates (25 per cent profit). This loan is to be paid off as soon as the produce is sold; this practice is, however, declining of late, owing to the absence of grain stores for which there are many reasons.

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**QUESTION 2.**—In these parts the cotton is the principal kharif and wheat the principal rabi crop. Of these, cotton is the most important. On an average 65 to 70 thousand carts of cotton and seven thousand carts of cotton seed come to the Nagpur market for sale annually. There are 24 to 25 big merchants, including foreigners like the Ralli Brothers and the Volkart Brothers. The best cotton from Nagpur is sold in the Bombay bazars as C. P. No. 1 and C. P. No. 11, at the rate of Rs. 20 to Rs. 25 more than (Umra fine), while C. P. No. 11 is sold at Rs. 10 less than No. 1, *i.e.*, the C. P. cotton is always sold at a higher rate than the Umra fine in the Bombay market. During the season Bombay rates are known here by telegraphic communications and the merchants speculate on them. There are about ten thousand carts of the best quality of cotton for sale. This sort of cotton fetches Rs. 3 to Rs. 4 more than the bazar rate. The petty transactions in the mofussil depend on the rates of this bazar. But the Indiza Cotton Committee have set aside this system of open transactions and brought into vogue the condemned system called "Takal system" of writing the rate on hand under covering and thus settling prices between the brokers and the merchants. By the introduction of this system agriculturists suffer a great loss.

60 per cent of carts are brought to the market for sale by agriculturists themselves and the rest by the petty merchants from the neighbouring villages.

The following is the table of weights:—

28 Rattals—1 Maund or 784 Rattals  
28 Maunds—1 Khandi or 392 Rattals—14 Maunds ... } = 1 Boza of cotton.

The following table of weights is used in the villages for cotton transactions:—

16, 17, 18, 19, 20, 21, 22 seers = 1 Maund.  
20 Maunds = 1 Khandi.

The weight actually used is a piece of stone weighing  $\frac{1}{4}$ th of a maund, but actually the stone weighs some 6 to 8 tolas more than the weight indicated. When the carts of cotton are brought to the bazar for sale, the merchants take a little quantity from each cart by way of sample and dues of waterman, sweeper, panwala, etc., etc. Besides this, the agriculturist is put to a loss by the deceitful ways of weighing cotton. The agriculturists also resort to similar tricks. They mix the fine cotton with inferior cotton, half dried with well-dried, cotton seed, fine sand, etc., etc. These tricks are generally played by the petty agriculturists who are overwhelmed with debts and the petty village merchants. The agriculturist pays off his debts as much as possible when he receives the amount for his cotton. This is the time for him to pay off the loan and not to borrow. It is, however, beneficial for him to sell the ginned cotton and take the cotton seed with him for the use of his bullocks. But it is not possible for every farmer to do so. Moreover, there is always the possibility of the goods being stolen. This is facilitated by transferring cotton from one heap to the other. There is hardly any space in the compound of a ginning factory to arrange small heaps of cotton separately. With all these disadvantages a farmer is detained for his money for days together which he can ill-afford to do owing to the pressing demand of his creditor.

To insure the cotton kept the ginning factory means expenses.

To obviate all this and in order to arrange for a decent price for the commodity thereof it is necessary to form co-operative societies for storage of cotton and arrange for its disposal. This idea sounds well, no doubt, theoretically, but such efforts should be made all over the country and after due publicity is given to the advantages of that arrangement. Joint stock banks and money-lenders advance money for the purchase of cotton. If the system of warehouses on co-operative basis is introduced, it will considerably help the agriculturists. But all these efforts must have Government support.

Agriculturists sell their grain in the villages as there is no particular facility for the sale of grain in cities. In villages they are not required to sell through a broker and naturally there are less chances of fraud.

To improve this state of things grain should be weighed like cotton.

The experience of the agriculturist is that the cotton weighed in large quantities in the market actually weighs more while in the case of grain this is reversed. That is why grain is sold in villages to the petty merchants there.

The agriculturists get sufficient help from the money-lender and the joint stock banks.

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QUESTION 3.—The value of land for different kinds of crops is from Rs. 10 to Rs. 1,000 in these parts. The following factors affect the value of land:—

- (1) Its fertility.
- (2) Depth of water below the soil.
- (3) Whether the land is uneven, situated on the bank of a river.
- (4) Distance of land from a big city or bazar.
- (5) Means of transport.
- (6) Yield of crop.
- (7) Amount of trouble in protecting the crop.
- (8) Need of the seller and of the purchaser.
- (9) Rights in the land.

The value of land is extremely low in the event of Government auction for non-payment of revenue and of sale for court decree.

In purchase by private negotiations the value is comparatively higher, but it depends on the need of the seller and the purchaser.

QUESTION 4.—The following are the impediments to mortgage of land or agricultural holdings:—

(a) In order to ascertain if the land has any previous encumbrance on it, the records in the registration office have to be inspected. Such inspections are done by the money-lenders' agents. If these agents are bribed, the object of the inspection is frustrated.

To remedy this the Madras system of granting "Encumbrance Certificates" should be adopted. These certificates are issued by the Registration Department, and if owing to any mistake in the issue of such a certificate the money-lenders or banks sustain any loss, the Government should compensate them.

(b) The document is not registered on the day it is written, but it takes effect from the day on which it is written. This is improper. Documents should take effect from the date of registration.

(c) The process of law for the foreclosure of mortgaged property or the sale thereof in repayment of the debts is very costly and causes unnecessary waste of time. Steps should be taken to improve this procedure.

There are no agricultural or land mortgage banks providing long-term credit in this province. There is only one bank here, viz., the Ideal Democratic Assurance and Land Mortgage Loans, Ltd., Nagpur. This Joint Stock Company was established in the year 1926. This insurance company affords facilities to advance long-term loans.

This company lends money in the following manner:—

The working capital is derived from 60 to 70 per cent paid-up capital and the amount of insurance.

After keeping reserve according to law 50 to 60 per cent out of the life assurance fund.

80 per cent cast. of the investment bonds to be started in the near future.  
70 per cent of the long-term deposits, 100 per cent of the real property debentures.

This company lends money out of the capital thus raised to its shareholders and members in serial order. If any shareholder does not find it convenient to wait till his term, he gets the loan immediately on special conditions. But if he cannot accept such conditions, he gets the loan in his turn. The company advances loans after its directors are fully satisfied about the solvency of the client and on mortgage of property worth  $1\frac{1}{2}$  times the amount of loan. In addition to this the borrower has to ensure his life with this company only for at least the amount equal to the amount of the loan. Thus the amount of the insurance being equal to the amount of the loan, it is automatically discharged by the amount of the former and after his death his survivors are free from the clutches of the creditors. The rate of interest on loans advanced by the company is Rs. 7 per cent per annum for a term of 20 years, but when it is required to raise capital elsewhere for granting such loans the rate of interest is 10 per cent per annum. The Loan Granting Committee of the company fixes the value of the property to be accepted in mortgage and the execution of all legal work in connection therewith is done by legal board.

The company has so far given long-term loans to the extent of Rs. 2,36,000 in the Central Provinces and Berar and outside.

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In addition to this the company has made provision for various long-term deposits to minimize the troubles of the agriculturists from their creditors. The question of the issue of the debenture bonds is also engaging its attention. Thus the company is not only trying to bring the creditors and the debtors together, but is actually adding its quota of "Life Fund" to the capital of the former in order to reduce the sufferings of the agriculturists. The company appears to be running its concern on the model of the Metropolitan Life Assurance Company of America.

It is to be wondered, however, that in spite of the company's efforts in granting loans at 7 per cent per annum for a term of 20 years and the insistence on life insurance for the automatic redemption thereof the clients of the company are not regular in paying the interest on the loans and the premia of the insurance. This is national misfortune as the intellect faculty of the people has not yet fully developed. The enlightened Government of the country alone is responsible for this deplorable state of things.

The experts are of the opinion that it is risky to amalgamate the institutions giving long-term credit and those giving short-term loans. They have laid down that the two should be kept quite apart from each other, whether they are established by the Government or by private agency.

The Government should start land mortgage banks and then hand them over to the people. It should also guarantee interest on debenture bonds for this will greatly facilitate the raising of capital.

Out of the interest on debenture bonds 33 per cent should be set aside as reserve fund to make up any deficit or loss to Government, it should be made good from this reserve. Debenture bonds should be included in the list of trustee securities.

Debenture bonds, the interest of which has been guaranteed by Government, should be for a period of 25 to 30 years at the rate of 5 per cent per annum. The banks giving long-term loans should issue these bonds and the capital raised thereby should be invested in the business at 8 per cent per annum for the period of 20 to 25 years.

In addition to the fixed deposits, mortgage, debenture bonds, etc., capital for long-term credit can be raised in the following manner:—

(1) The life funds of the insurance companies should be brought over to serve this purpose by giving them a higher rate of interest.

(2) Premium bonds should be issued on the lines at present in vogue in the civilized countries.

Just as Government obtains loan for its capital expenditure, it should obtain long-term loans and transfer them to the mortgage banks and other similar institutions.

**QUESTION 5.**—(1) Poverty of the farmers, (2) illiteracy, (3) hereditary indebtedness, (4) purchase of lands, cultivation of fallow lands, taking lease of land for five to ten years, (5) expenditure on ceremonials, (6) prodigality, (7) imprudence, (8) failure of crops, (9) increase of debt once taken, (10) cultivation of inferior soil, (11) resort to money-lenders for payment of land revenue, and (12) lack of enterprise are some of the oft-quoted reasons for indebtedness. Since a century and a half the question of finding out remedies for it and the precise application of these remedies to remove indebtedness has been engaging the minds of the educated people. Out of the reasons mentioned above, Nos. (2), (6), (7) and (12) are the consequence and not the cause. Nos. (4) and (10) are also the result of the increase of population and of want of sufficient means to raise money. For these reasons agriculturists are required to incur debt which is not easily repaid.

The capital with the agriculturists is insufficient and naturally they have to resort to money-lenders for adequate supply. Having worked for days together in the hot sun, they resign themselves to fate for the fruit of their labour. They are required to depend solely on inferior soil and precarious rain. Added to it a fatal shock of misfortune and their plight is simply pitiable. They have to take shelter of a money-lender, however prudent and parsimonious they may be.

When the agriculturists get large sums of money as loan on their increased credit and their goods fetch a decent price for the time they borrow more and more, with the result that their debts increase considerably. They feel the intensity of the situation when the crops fail.

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If this state of things continues, the status of the agriculturists would be reduced to that of a labourer and any improvement of land would become impossible and agriculture would be ruined.

The existing indebtedness of the agricultural class can be estimated by a reference to the office of the Registrar, the records of the decisions of civil suits, papers of the co-operative societies and the information available in the Income-tax office.

To remedy the situation, compulsory education must be brought into force, facilities must be afforded for long-term credit at concession rates, societies should be established for giving short-period loans and the agriculturists induced to take advantage of the insurance companies.

**QUESTION 6.**—Subsidiary industries of the following kinds allied or supplemental to agriculture are rare in this province:—(1) Rice producing mills, (2) spinning of cotton by hand machines, (3) gur-making, (4) sugar refineries, (5) cotton-spinning, (6) carpet-making, (7) garden-produce, (8) basket-making, (9) dairy-farming, (10) preparation of nawars, wicks of lamps, etc., (11) preparation of ropes, (12) poultry farming, (13) shepherding (14) selling of fire-wood. (15) plying of bullock carts for hire, and (16) labour during spare time.

The present-day agriculturist, poor as he is, tries to supplement his income by plying bullock carts on hire by selling fire-wood and by working as a labourer or cooly.

In areas that grow kharif crops only, the agriculturists find spare time after the Daserah festival and in areas producing rabi crops the spare time is up to the Pola festival. In kharif tracts items Nos. (2), (5), (6), (11) and (12) stated above can be conducted on co-operative lines. But there must be some one to guide them properly.

In the rice-producing tracts if the capitalists start rice mills on the lines of ginning factories, they will be beneficial to the capitalist themselves, the agriculturists and the labourers as well. This industry is, however, possible for the capitalists class only.

Gur and sugar-making factories should be started where there is a large cultivation of sugarcane, macca, toddy, palm, beat root, etc., from which sugar is made and where there is ample and cheap supply of fuel. This industry can also be started by capitalists alone.

Dairy farming can be done by the agriculturists themselves. But for this industry the necessity for pasture for cattle-grazing is keenly felt. Such pastures have, however, become scarce these days. If arrangements can be made for providing pastures, this industry will greatly benefit the agriculturists as a subsidiary industry and they will also get the necessary supply of manure from it. Should the Government so desire, such a concern can be started on co-operative lines immediately.

Gardening would require large sums of money which should be obtained by increasing the agriculturists' credit in the market and by affording him the facilities to increase such a credit. It will, however, depend on his intellectual development.

It is very desirable that means of communication should be improved. But by the introduction of railway and telegraphs the indigenous industries have suffered and the burden on the land has consequently increased.

It should be made compulsory for the creditors to supply copies of their accounts to their clients. And all the industrialists should be induced to run their concerns on co-operative basis.

**QUESTION 7.**—The only institution that grants loans to the agriculturists is the agriculture bank. This bank should have two branches, one for giving long-term loans and the other for short-term loans. These two branches should work independently of each other.

Under the present circumstances the co-operative banks would never be able to give long-term loans. If they do, they would soon go in liquidation.

In order to give an incentive to the co-operative societies it is essential to foster among the people a spirit of mutual trust and this can be achieved only through the spread of sound education; all other efforts being sure to prove abortive. Once the people appreciate their responsibility in this direction it is

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necessary and desirable to give them monetary encouragement. Concerns of this nature should be exempt from income-tax. The debenture bonds issued for payment of long-term credit should be included in the list of trustee security.

Big money-lenders like Buti, Chitnavis, Ghatate, Talatule, Naik, Pande, etc., should be under no legal obligation to hold licence for advancing loans. Such an effort would amount to constitutional oppression and should not be attempted. If, however, all the Pathans and Kabulis were to be included among the money-lenders, they must be compelled by law to hold such licence. But these people supply only two per cent. of the needs of the province and can therefore be ignored. All the money-lenders should be legally compelled to supply their clients with copies of their accounts annually.

## Part II—Indigenous Banking.

As the indigenous banker employs his own capital, he is never threatened with bankruptcy due to sudden demands of the depositors. As a consequence, he can lend money to his clients on the security of moveable property like jewellery, etc. He charges the same rate of interest to all his clients to make good the losses he may suffer through bad debts. He does not accept deposits as it interferes with his freedom of dealing with his clients. He looks to interest only while advancing loans which he advances for all purposes. The debtor-agriculturists does not distinguish between productive and unproductive expenditure, but regards all expenditure as expenditure on agriculture. The money-lender always gives loans on mortgage and owing to this he is very often required to resort to law courts.

The big bankers in the cities are these days employing their capital in house building, co-operative banks, war bonds and Government of India loan bonds, etc., for they feel confident of the safety of such investments.

The village money-lender generally purchases the produce of the agriculturists' cultivation; many a time he acts as the village broker, middleman or commission agent of the foreign merchants. He keeps a small shop in which grain, grocery and stationery are sold side by side with his money-lending business. In this manner he produces money.

The Marwari money-lender is, however, always busy in extorting money from agriculturists. His enchanting and alluring ways enslave them and they accept conditions altogether adverse to themselves and in the end find it difficult to get out of his net and are ultimately required to sell their property to him.

The relations between the money-lenders and the agriculturists are never cordial; they are such as exist between the cat and the rat.

The money-lenders advance loans to the agriculturists on pre-notes or demand notes, while to the traders and merchants they pay on hundis. These loans are calculated according to days, viz., 30 days, 60 days, 71 days, 120 days, etc., and the rates of interest vary according to the needs of the borrower from 8 annas to Rs. 2 per cent per mensem, each month being of 30 days. At times these bankers send money outside by means of hundis, the rates of hundis depending upon the expenses incurred on account of postal insurances, etc. Money can be sent out by registered postal insurance as drafts through the Imperial Bank. Some time back these bankers were doing saraf business (i.e., purchase and sale of gold and silver), but finding the business not lucrative they have given it up.

An indigenous banker lends money out of his own capital, while the banks lend on credit the capital raised from outside. This capital comprises of three sources, viz.,—

- (1) deposits,
- (2) payment of hundis or bills of exchange after deducting interest thereon,
- and
- (3) loans taken from other banks.

In many cases loans granted by one bank become the deposit of another bank. This kind of business is known as the business on credit.

4. There is competition as regards (1) above between the banker and the merchants and co-operative banks. The competition compels the former to lend money in cash, while the latter can transact business on credit.

### Part III.—Investment habit and attraction of capital.

It is essential that man should set aside some portion of his income. Prudence, stability, income more than the expenditure and facilities for deposits are four factors which create investment habit.

When we consider the banking system of any country, we have necessarily to consider the question of its currency system, its importance cannot be ignored. The transactions of individuals in the villages can be possible by actual exchange of things, while any transactions between two big business centres wide apart from each other are necessarily carried on by means of the currency of the country. And it is for this reason that the mints are so very necessary. Similarly, for facilitating the international exchange it is necessary to look into the question of international currency. The establishment of international banks is for the purpose of dealing with the international trade and currency. Eighty per cent of the customers in India use gold coins in their transactions and therefore they naturally purchase or sell raw materials in proportion to the gold they have. The Indian currency, however, being silver coin it always leads to trouble and confusion. It is therefore quite necessary to introduce gold currency in India. Gold coins of ten and five rupee denominations should be minted in India and every body should have the right to get his gold minted in coins on payment of the necessary charges. This will stop the trouble over exchange rates and prevent unnecessary loss accruing to the agriculturists.

Wherever there are post offices savings bank department should be opened. In these postal savings banks the maximum limit of deposits should be Rs. 3,000 and the depositors should have the right to withdraw money twice a week. Business of the postal savings bank should be transacted in vernacular for facility of the villagers who do not know English.

The joint stock banks divert all the money to the trade centres and thus give incentive to the business there. This money never returns to the villages. To improve this condition unions should be brought about among different local bankers who should be persuaded to publish their balance sheets every year.

The joint stock banks should help these unions in order that the agriculturists may get facilities and the trade may flourish unhampered.

These unions should open current savings bank accounts in the villages so that the villages may get opportunity to appreciate the value of deposit and the little capital scattered here and there may be concentrated in one place.

The exemption of stamp duty on cheques must have increased the cheque habit by about 25 per cent. It is found that persons getting two or three hundred rupees a month also deal with banks. Cheque habit will receive stimulus if banks open their offices in Indian localities in big towns. At present bank offices are located at long distances from the Indian quarters.

It is already stated that the agency of insurance companies should be utilized for the issue of long-term credit. In addition to this the Government should help in the establishment of institutions like industrial banks, commercial banks and real property of the country. This would relieve the burden of agriculture to a great extent and increase the credit of the agriculturists. At the same time arrangements should be made to impart education in banking through schools and by means of pamphlets.

In the establishment of a Real Property Bank the Government should render the following help:—

- (1) It should supply the initial capital and start the work of the bank under Government supervision. When once the people come to know the working and appreciate it, the institution should be handed over to them.
- (2) The authorized capital of the should be one crore of rupees, divided in ten lakhs shares of Rs. 10 each.
- (3) It should purchase shares worth Rs. 40,00,000 and start the work.
- (4) Every borrower should purchase shares of 1/10th the value of his loan requirements. The bank should issue shares to the borrowers only.
- (5) After the collection of Rs. 40 lakhs by the sale of shares 3/10th of the money to be realized by the sale of further shares should be kept as reserve and utilized for the repurchase of shares issued to Government.

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(6) Loans should not be given out of the authorized capital. On the security of this authorized capital bonds for short or long period should be issued and the money realized should be utilized in issuing loans.

(7) In order to safeguard the interest of the purchaser, Government should guarantee interest thereon just as it does in the case of the debenture bonds of the insurance companies.

(8) While issuing loans of the money realized by the issue of debentures or bonds, preference should be given to the borrower who wants long-term loan on a mortgage. In doing so, inquiries should be made if the property to be accepted in mortgage has any previous incumbrance on it. Such information should be obtained through an advertisement in the local newspapers and if there is no response to it, within a specific time, the bank should have the right of first mortgage on such property.

(9) When the number of members is 25 in a tahsil they should be formed into a committee whose function should be advisory in the beginning.

This committee should start propaganda to instruct people about the working of the bank. They should receive applications for share and submit to the bank with their remarks. They should secure capital on mutual reliance. Every borrower should give 1 per cent towards the raising of this capital, the sum being returnable to him when the loan taken by him is completely paid off. The interest on this amount would form the permanent capital of the committee and should be utilized to meet the expenses of the committee and as a reserve against bad debts. The responsibility of shareholders should be limited.

The initial expenditure of such an institution should be borne by Government. This expenditure should, however, not be more than Rs. 5,000. Similarly, the expenses for the first five years should also be borne by Government and this also under no circumstances should exceed Rs. 10,000 per year. The interest on bonds should be exempt from income-tax.

If attempts are made to increase the credit of the agriculturists and educate them to make the best of it, such efforts would be amply rewarded. Similarly, the bankers and merchants should be persuaded to establish industrial and commercial banks for the promotion of industry and trade.



## RAO SAHIB B. V. BUTI, Banker and Landholder, Nagpur

Reply to the Questionnaire.

### Part I.—Agricultural credit and credit facilities for small industries.

**QUESTION 1.**—Agriculturist's main source of finance is money-lender or *sowkar*. In those places where co-operative credit societies exist, only a minority of the agriculturists who can offer good security resort to those societies for any financial assistance they require. Government also provides finance for the assistance of agriculturists by way of *taccavi*. But this does not help to pay even a portion of the debts of agriculturists as very few of them have the necessary landed security. Government also gives some financial help for capital and permanent improvements (such as sinking wells, improved implements, etc.). But the procedure for obtaining Government assistance is dilatory and involves so much trouble and red-tapism that by the time the money reaches the hands of the borrower a good deal of it is found to have disappeared. The remedy I would suggest for this is the appointment of a committee of non-officials for each *paragana* to receive and dispose of applications of agriculturists for financial assistance as speedily as possible. Government has also to provide finance for current and special needs in times of famine, flood, etc.

The rate of interest charged in this district varies from 9 to 25 per cent per annum for a part of the year, according to the solvency of the borrower and the soundness or otherwise of the security offered by him. The loans are taken for almost any period and the repayment also drags on indefinitely owing to the inability of the debtor to repay the debt. The security taken for large loans is land and for small loans ornaments. Standing crops are not generally accepted as security. But they are taken as security when loans are given for rearing the crops. Other conditions are in case of default penal rate of interest, compound interest and other conditions such as *jaswat*, *batta*, *parveshi*, etc.

The part played by the Imperial Bank and joint stock banks in agricultural finance is insignificant and negligible. But co-operative banks, professional money-lenders, merchants and dealers play an important part.

The total amount of capital required for the various purposes enumerated should be calculated at the rate of Rs. 20 per acre of the total area of the district or province.

Grain advances are given on condition of repayment after six months at the rate of *sawai*, i.e.,  $1\frac{1}{2}$  times the quantity given.

There is a certain amount of co-ordination between the financing operations of Government and the co-operative societies only and there is a good deal of scope for improvement in this direction.

**QUESTION 2.**—The present method of marketing the principal crops is as follows:—There are two classes of buyers—(1) the big merchants or reporting firms who have either their own agents in the market or engage the services of commission agents to make the necessary purchases, and (2) town merchants who purchase on their own account from the sellers who come to the market. In case of cotton in some places gin-owners are also purchasers on their own account. Similarly, the sellers also belong to two classes. Growers and village petty merchants or itinerant traders who having purchased stock of goods in villages come to the market to sell. Between the seller and the buyer comes the broker.

The idea of forming pools of produce and marketing them on a co-operative basis, that is, by the help through co-operative banks, is an excellent one. Co-operative marketing would be advantageous to the cultivator as it would enable him to market his goods cheaper and still secure a larger profit from their sale. There should be co-operative sale and purchase societies in each *tahsil* headquarter for this purpose where improved agricultural implements and select seeds should be kept for giving on hire and selling respectively to the cultivators. At present the price offered by the reporter to the cultivator is the price quoted in the world markets and the cultivator has to sell his produce at that price, whatever it is, for want of any organization to help him financially. But if such organizations were brought into existence through co-operative effort the sellers might withhold their stocks with a possibility of the world prices going up.

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There should be co-operative shops financed by the Imperial Bank to advance 50 per cent or thereabout of the approximate value of the goods stored in their warehouses. In fact this would be an advance on the security of the goods.

The existing facilities available to the public including banks and bankers for internal remittance are—remittances through treasuries, telegraphic transfers through the Imperial Bank, sales of draft either in the bazar or to the Imperial Bank and currency notes.

One welcome amendment of the Negotiable Instruments Act would seem to be to protect drawers of hundis if they were merchants just as bankers are protected if they make payment of a draft in due course, i.e., in good faith and without negligence. In the case of bankers such payment constitutes proper discharge.

I am in favour of licensed warehouses being opened and operated with proper safeguards on co-operative lines.

**QUESTION 3.**—In Nagpur district the value of land per acre for different kinds of crops varies in different tahsils according to the quality of the soil. The value also fluctuates corresponding to the fluctuation in the prices of the crops produced on those lands.

In Nagpur, Ramtek and Umrer tahsils the average price of cotton land per acre is Rs. 100. The price of wheat land is Rs. 75. The price of rice land is Rs. 100 to Rs. 300. Price of cotton land in Saoner and Katol tahsils is Rs. 200 per acre.

The value of land in Government auction for non-payment of revenue is about half of the normal price. That in the event of sale by court decree is more, i.e., nearly  $\frac{1}{3}$ th of the normal price. And the value in purchase by private negotiation is still more. Sometimes it is even more than the normal price according to the needs of the purchaser.

**QUESTION 4.**—In this province an occupancy holder cannot mortgage his land. In this province there are no land mortgage banks or agricultural banks or any banks for the provision of long-term credit.

Establishment of land mortgage banks is the only means to free the agriculturist from his chronic indebtedness. It is only the long-term loans which can give him appreciable relief and no other bank is in a position to give the requisite long-term loans. The Imperial Bank is statutorily precluded from making advances against land or landed property. Exchange banks have no interest in the rural area. Co-operative banks or joint stock banks are unable to make long-term advances. It is only the land mortgage banks which can provide long-term credit and as such would be a blessing to the agriculturists. It would give him breathing time to pay off his debts. At present when hard pressed for payment his lands are sold for whatever they may fetch. Therefore these banks should be established in different centres with Government and these banks should be established in different centres with Government and property.

(a) In order to simplify reference and to avoid possibilities of disputes and counterclaims by parties other than those who are the clients of the bank, I would suggest that when a mortgage-deed of land is registered the Registrar should immediately give detailed information of the transaction to the Superintendent of Land Records of the district, who in his turn should instruct the patwari concerned to enter this information in the village register against the land in question.

(b) I would prefer sale by the mortgage bank to foreclosure in the event of non-payment.

(c) The above information should be readily available to the banks.

The working capital of the proposed mortgage banks should be mainly raised by debenture bonds.

Debenture bonds should carry Government guarantee both for principal as well as interest.

Government should secure itself against unnecessary loss by a system of strict supervision and audit.

Debentures of the mortgage banks should be included in the list of trustee securities.

RAO SAMA B. V. BURL.

**QUESTION 5.**—In order to ascertain the extent of indebtedness of the agricultural classes and other information sought in this question an exhaustive village survey should be undertaken.

I do not think that a large number of people who are efficient farmers are being turned into tenants for a period or tenants-at-will through the process of the enforcement of the old debts and landed property passing on into the hands of the creditors.

**QUESTION 6.**—So far as Nagpur district is concerned, the cultivators have no spare time to devote to subsidiary industries. What little time they can occasionally spare they utilize in earning some extra money by carting fire-wood and other goods to the towns. Some cultivators also do dairy business on a small scale.

**QUESTION 7.**—Except the Imperial Bank other banks have practically no relations with co-operative banks.

There is no competition in my district between the co-operative banks and joint stock banks.

The co-operative movement has not succeeded in meeting the financial needs of the agriculturists, the small traders and industrialists in Nagpur district or for the matter of that in these provinces to any appreciable extent.

I am not in favour of the enactment of legislation such as the English Money-lenders Act or the proposed Money-lenders Bill for the Punjab in order to make provision for licensing money-lenders and making it obligatory on them to supply their debtors with copies of accounts. It does not appear to be a reasonable proposition to penalize the professional money-lenders, who have been very helpful to the agriculturists and trade, for lending money to the needy. The business of money-lending by individuals is as much legitimate as that of a merchant. I therefore strongly oppose the idea of licensing money-lenders. In my opinion co-operative lending and borrowing should be done by local units operating separately, i.e., the financing of primary societies should be done by the Central Banks.

## Part II.—Indigenous Banking.

The indigenous bankers, in addition to doing banking business proper, are also engaged either on their own account or as *adatyas*, i.e., commission agents in both ways in purchase and sale of various commodities such as gold, silver, cotton, wheat and rice seeds.

The indigenous bankers in Nagpur assist in financing agriculture directly to a limited extent, but indirectly to a considerable extent by financing sowkars in the district. As a matter of fact they provide greater credit facilities than the joint stock banks. Imperial Bank give absolutely no assistance. The indigenous bankers in the mofussil also give considerable assistance to the industries by financing sugar industry, oil, flour and rice mills, silk and cotton handloom manufacture.

Except the volume and the forms indigenous bankers have got the same sort of organization as the joint stock banks. Their overhead charges are considerably less than those of the joint stock banks or even of the co-operative banks. Indigenous bankers have some capital of their own. Few of them also borrow from joint stock banks and Imperial Bank, occasionally for a short term. Generally speaking, these banks do not afford adequate facilities to the indigenous bankers. On the other hand, Imperial Bank with its 100 branches getting vast sums of money from Government free of interest naturally works in competition with the indigenous bankers. Another adverse effect of these banks on the indigenous banks has been this—that the current of deposits has been diverted from the indigenous bankers to the banks and consequently there is a shortage of funds available to the indigenous bankers.

Indigenous bankers have been the main source of finance to agriculture and also to trade and the industry in the past. They are rendering valuable services at present and are bound to be indispensable at any rate for a considerable time in future. They are playing a very important part in the economic life of the country, more particularly in rural areas. They are very accommodating, give loans at a short notice on whatever security is offered and some times even on

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personal credit. On the whole they follow an elastic system. But the present tendency is to denounce them all round. Not only that they are not adequately protected in law, but all sorts of impediments are placed in their way. All laws, especially insolvency laws, are administered with a prejudice against the sowkars. Even the most square and fair transactions of the sowkars are looked upon with suspicion and every advantage and benefit of the law is given to the dishonest defaulters. The principal grievance against the sowkar is that their rate of interest is high. But the real truth is that though their business appears lucrative, after making allowance for heavy legal expenses, tiresome delay and trouble of litigation and losses through default and foreclosure, net return to the sowkars on their capital is only a fraction of what appears on the surface. Besides the rate of interest in any loans is always determined by the risks the lender has to take. Owing to the poverty and indebtedness of the agriculturist he has no security to offer and his business leaves him very little to repay the loan. So if measures are adopted to increase his power of repaying the rate of interest would be lowered. Besides, if Government would allow the money-lenders and indigenous bankers the same facilities and assistance that is now given to the co-operative societies for the recovery of their loans, I am sure the money-lenders and indigenous bankers will be able to give loans on a rate of interest even lower than the co-operative institutions. The ryot has no credit with Imperial or joint stock banks. Co-operative banks can help them to a very limited extent. The only sources of finance and credit available to them is the sowkar. And if either by laws or the policy of administering them efforts are made to place restrictions on the bankers, not only the money-lending and indigenous banking business will go to rack and ruin, but even the agriculturists will be in a worse plight. The modern banks will not be able to supply all the banking needs of the country, at any rate for a long time to come, if at all, and if the sowkar goes out of existence to whom are the people to look for financial and credit facilities for agriculture, trade and industry. Even as it is, agriculturists have lost credit with the sowkar and have therefore to suffer hardships. I therefore do not support the idea of restricting the operations of the indigenous bankers and interfere with their harmonious working. What is wanted is protection rather than restrictions. The money-lender's business is so widespread throughout the length and breadth of the country from a small hamlet to the most prosperous capital cities that it is no easy task to replace them with better organizations.

There is really no prejudice against the indigenous bankers. As a matter of fact they are popular and considered indispensable and a blessing. The sowkar knows all the men in a village or a locality, their family traditions, their financial circumstances, their integrity and so on. He lives, moves and has his being amongst them and is therefore in a position to advance loans at a very short notice without any rigid formalities and even on personal credit. As a neighbour and an influential man in the village he has to sympathise with the village people in their difficulties and accommodate them as best as he can. Their business is generally conducted on sound lines and their accounts are open to verification by customers to their full satisfaction. They can be made more serviceable to the community if they are given additional finance. In this connection I approve of the suggestion made elsewhere in regard to the appointment in all principal centres of trade and agriculture where the Imperial Bank has got no branch of indigenous bankers singly or in groups as agents of the Imperial Bank with the status of guarantee brokers. This system should be adopted as a tentative measure for the present, and if it works successfully, it may be extended to some towns also where the Imperial Bank may have got branches. The indigenous bankers being local men and knowing local conditions will be more useful in developing local trade. The public will also deal with them freely knowing they are working for the Imperial Bank. These appointments should be made after careful enquiries and strict supervision maintained over their operations in the beginning. This would be an excellent method of linking together the indigenous bankers and connecting them with the Imperial Bank and through them with central money market and provincial capitals. "Demand hundis" and "Mudati hundis" are the only two kinds of hundis which are largely used by indigenous bankers. Indigenous bankers have to refuse demands for accommodation both on account of want of sound security as well as insufficiency of funds as the case may be. I do not think that a large amount of money is lying idle in the districts in the hands of bankers, indigenous or otherwise.

RAO SAHIB B. V. BUTI.

### Part III.—Investment habit and attraction of capital.

For those who have any surplus money or who can save anything, there are various investment facilities. Life insurance, provident funds, postal cash certificates, stock and shares of joint stock companies, Government securities, postal savings bank deposits with banks, agricultural land and house property in the towns and ornaments are the principal amongst them. Co-operative societies and banks have doubtless encouraged to a certain extent saving and investment habit. The public have no grievances about the want of adequate investment facilities: I do not think it would be of any use to extend the existing investment facilities in the interior as the agriculturists generally having a hand-to-mouth existence and have no savings to invest. If any of them have any savings, they can be deposited with the local sowkar or lent to fellow agriculturists. Besides, in the present state of their education they are not likely to take to these modern banks kindly on account of their formalities.

As to the habits of Indians to invest in gold and silver, people consider this as a safe investment. Further, owing to the entire absence of gold coins from circulation and free and increasing circulation of paper currency the masses have come to believe that in course of time this gold will entirely disappear from India. And therefore they utilize whatever money they could save in buying gold. Nearly the same reasoning they apply in respect of silver also. Gold and silver ornaments and silver utensils and other articles for daily as well as ceremonial use and decoration purposes can be enjoyed besides being a safe investment. Owing to the failure of banks people have lost confidence in them. On account of the present precarious condition of the staple industries of India stocks and shares of the joint stock companies have lost their popularity, even the Government securities on account of violent fluctuations are not now so attractive as before. In this state of things people have naturally turned their attention to land and invest their surplus money in landed property irrespective of the considerations of return on the capital invested. They are content with even a small return on account of the immoveable nature of the property and consequent safety of the investment. In spite of all endeavours to discourage habit of investment in gold and silver a certain amount of capital is sure to be locked up in gold and silver ornaments.

Postal cash certificates are popular in this district. But their popularity at present seems to be somewhat on the wane owing probably to their decreasing rate of interest. From a banker's point of view I do not think any steps should be taken to increase their popularity as these cash certificates draw away a large capital from local trade and agriculture and are thus formidable rivals to the indigenous bankers.

Savings bank do afford all possible facilities to the literate public. Generally, the salaried classes resort to such forms of investment.

The agriculturists when they have any money use it for paying off old debts. If any surplus is left they invest it either in sinking wells, in silver ornaments or in the purchase of new land or in celebrating the marriages of their daughters and sons if they are of marriageable ages. Salaried people invest their surplus money in savings banks or in insuring their lives or buying house property in the towns. The hoarding tendency is, in my opinion, in these days very much exaggerated.

Since the abolition of the stamp duty on cheques, cheque habit has considerably increased. I think there has been 15 to 20 per cent increase in the use of cheques. The habit is increasing among the educated classes only, villagers will not find it convenient to travel long distances to cashing centres to cash the cheques. It would be worth while trying the system of payment of salaries of Government servants and bank employees whose salaries are more than Rs. 200 per mensem as persons drawing smaller salaries than Rs. 200 have hardly any money to save with which to open bank account and unless one has an account with the bank, payment by cheques will not be convenient.

It would be a good idea to print cheque books in the local vernacular of a district and allow use of vernacular script in writing cheques.

In my opinion banking is a very ancient institution in India. It is not a foreign institution. The modern banking differs from ancient Indian banking only in form. It has suffered a set back owing to a variety of causes, inseparable from the present form of Government.

The result of opening new branches of the Imperial Bank has not been favourable either to banking in general or to agriculturist as it has drawn away all capital from the districts.

RAO SAHIB B. V. BURI.

**MESSRS. PANDARINATH BAPU and PAGA PATEL,**  
 Malguzars of Sakoli, district Bhandara.

Reply to the Questionnaire.

**QUESTION 1.—(a), (b) and (c)** For cultivation the cultivators of this place generally obtain grain on *sawai* and take taccavi loans from Government as well.

In this tahsil the loans are generally advanced at a rate of interest varying from Rs. 2 to Rs. 3½ per cent per mensem on the production of solvent sureties or on the security of absolute-occupancy land. Mortgages carry the condition of foreclosure.

The cultivators generally obtain loan for cultivation from sowkars, merchants, and shopkeepers, there being no bank in the neighbourhood.

**QUESTION 2.—**Paddy, wheat, gram, linseed, lakhori, popat, udid and kulthe, are purchased by merchants of this place. Rice is sold either in the market of this place or at Nagpur. Price is regulated by demand. Hundis emanating from this locality are not discounted in our local centres, but are sent either to Gondia or Nagpur and thence to Calcutta and Bombay.

**QUESTION 3.—**Double-crop land fetches about Rs. 250 per acre. Middle class land fetches about Rs. 150 per acre. Ordinary land fetches about Rs. 40 to Rs. 50 per acre.

Land sold by auction for non-payment of land revenue or in execution of a decree does not fetch full price. In private negotiation full price is obtained.

**QUESTION 4.—**In this tahsil there is a majority of occupancy lands which, according to the Tenancy Act, cannot be mortgaged. In the case of absolute-occupancy lands being mortgaged, the malguzar has the right of pre-emption and so the mortgagee advances only small sums to the mortgagor. There are no banks in existence here for the provision of long-term credit.

**QUESTION 5.—**The cultivators in this tahsil are heavily indebted.

The agriculturist class in this tahsil obtains loans by mortgaging their houses, ornaments and field produce, etc.

Agriculturists borrow loans for the various purposes in the following proportion—

- (a) 10 per cent incur debt for repayment of earlier debts.
- (b) 40 per cent for marriage and other ceremonials.
- (c) Loan cannot be had in times of famine or distress.
- (d) 60 per cent take taccavi loans from Government for the payment of land revenue and rent.
- (e) 20 per cent for the purchase of seed and manure.
- (f) I cannot answer.
- (g) 5 per cent for sinking wells and agricultural improvements.
- (h) 20 per cent for purchase of land or bringing into cultivation fallow lands.

99 per cent of this class borrow from sowkars and Government and 1 per cent from the Central Banks.

The cultivators spend much on cultivation and they sell their produce cheap. On marriages and other ceremonials they spend money beyond their means. The land revenue and other taxes are exorbitant. The amount of loan taken by them goes on swelling by the addition of interest thereto. Recklessness is responsible for the indebtedness.

The rate of interest in this tahsil ranges from Rs. 2 to Rs. 3½ per cent per month. The cultivator having no money approaches the money-lenders who knowing the urgency of the need of the borrower demands high rate of interest. The loans are also granted on *sawai* for one year.

Cultivators of this place become indebted on account of the expenses of constructing "Paz bandharas" (water courses). Similarly, in parts where monsoon fails, cultivators get into debt. Cultivators of places free from famine are better off.

**MR. SHALIGRAM BAPU, Agriculturist of Umri,  
district Bhandara.**

**Reply to the Questionnaire.**

**QUESTION 1.—(a)** The agriculturists in this province obtain finance for the following purposes:—

- (1) For seed-sowing.
- (2) For purchasing bullocks and manure.
- (3) For purchasing agricultural implements, such as ploughs, etc.

(b) They take loans on interest for the purchase of lands and for permanent improvements.

(c) On failure of crops, the tenants of this place take loans either from Government by way of taccavi loans or from sowkars on *sawai* or by agreeing to pay instalments regularly with interest thereon.

The rates of interest in this province are from Re. 1 to Rs. 3-8-0 per cent per month. Grain loans are taken for four or five months at *sawai*.

There are no professional money-lenders in these parts.

The tenants take loans at any rate of interest or on condition that is imposed on them for the disposal of their crops and thus are reduced to poverty. There is no co-ordination among the different credit agencies that are in existence here.

**QUESTION 2.—**With the exception of rice, field produce of all other kinds is sold by "Kula Balli" in our province. Shellac and yellow myrobalan are also sold here. Similarly, loans can be had on the security of produce. A cultivator deposits his produce with his creditor and obtain loans to the extent of 84 per cent of the value of the grain. Then prices go up, the grain is sold by the creditor and the principal with interest is recovered. Besides this, the creditor charges a commission of Re. 1 per maund.

Hundis are in vogue in our provinces. The hundis emanating from this locality are discounted in other local centres. Hundis of two kinds, namely, hundi at sight and hundi at date, are in vogue in this part.

**QUESTION 3.—**In our district the value of different kinds of lands is as follows:—Rice-producing land fetches from Rs. 25 to Rs. 100 per acre. Rabi land fetches from Rs. 50 to Rs. 100 per acre.

(a) The value of land obtained in Government auction for non-payment of land revenue is inadequate.

(b) Land sold for the satisfaction of a court decree fetches higher value than in sale by private negotiation inasmuch as the land is taken over by the creditor, who has already given a loan of Rs. 1,000 for a land worth Rs. 200 only.

**QUESTION 4.—**There are legal impediments to the mortgage of land and agricultural holdings in our district.

The agricultural banks are not in existence in our district.

**QUESTION 5.—**99 per cent of the agriculturists in these parts are indebted. The debt is generally incurred for the following purposes:—

- (a) Repayment of earlier debts.
- (b) Marriage and other social functions.
- (c) The tenants take money on loan in times of famine when their fields do not give them a good return.
- (d) Payment of land revenue and other rent.
- (e) For the purchase of seed and manure.
- (f) Purchase of improved agricultural implements.
- (g) For sinking of wells and for agricultural improvements.
- (h) For purchase of land or for bringing into cultivation fallow lands.

Government, indigenous bankers and Agricultural Department advance loans for the aforesaid purposes.

**MR. SHALIGRAM BAPU,**

The following are the reasons of indebtedness of the agriculturists in this part:—

- (1) Not getting good return for their field produce on account of poor crops.
- (2) Cattle mortality.
- (3) Renewal of agricultural implements.
- (4) Unsatisfactory monsoon.
- (5) Unsatisfactory tilling of soil.
- (6) Sowing costly seed on an ordinary land.
- (7) Dearthness of agricultural labour.
- (8) Reduced fertility of soil.

Compound interest is charged only when a borrower makes default. Common method of raising loans is by executing a "Rahimkhat" requiring the borrower to repay the principal with interest in a number of monthly instalments agreed upon between the parties.

QUESTION 6.—The only subsidiary industries in his district are of rice-milling and gur-making.

In order to provide work for farmers during slack season, hand-spinning should be encouraged and market found for the sale of hand-spun cloth.



**MR. SITARAM SHEORAM PATIL, Shingarpawar,  
Agriculturist, Adyal, district Bhandara.**

Reply to the Questionnaire.

**Part I.—Agricultural credit and credit facilities for small industries.**

**QUESTION 1.—(a)** In this district, the agriculturist obtains loan from indigenous bankers such as Buti, Chitnavis, Pande, Naik, petty money-lenders, mahajans and malguzars for cultivation and purchase of bullocks, etc., in cash and in kind.

(b) For capital and permanent improvements also the Agriculturists make debts. Such of the agriculturists as are well to do satisfy their requirements by obtaining loans if their own savings are not enough for the purpose. Similarly, people living on labour if they can lay by some money, purchase some little land such as 5 to 7 acres for Rs. 400 to Rs. 500 or even up to Rs. 600 or Rs. 700 and when they thus become cultivators the money-lenders advance them petty loans in cash or grain.

(c) In the year of scarcity if the extent of it is large, the Government either postpones the collection of land revenue or gives remission of the entire land revenue or an instalment thereof. If the cultivator is hard up for seeds, etc., he gets help in cash to purchase at least  $\frac{1}{4}$ th of the quantity required.

Even in these days of scarcity the money-lenders help their customers in the shape of grain and cash lest the old debts due from them may lapse if the cultivators do not get any help from them on such occasions.

Generally, the agriculturists pay the land revenue voluntarily as they have ready money in hand after the sale of their produce, but if they are not able to do so, the money-lenders help them.

Marriages and other ceremonials are never performed without obtaining loans from the money-lenders. In marriages Gonds spend from Rs. 300 to Rs. 400, Kunbi from Rs. 400 to Rs. 500, Teli from Rs. 250 to Rs. 300, and all this money is obtained by executing bonds in favour of the money-lender.

In these parts the cultivators obtain advances on the security of standing crops for the purposes of sowing, etc., fixing the valuation of paddy at Rs. 8 per khandi in the months of August and September and Rs. 9 in the months of October and November, repayable at the next harvest at Rs. 12 per khandi. These advances are given generally in the shape of hand loans for which no stamps are executed. In the case of default in respect of the repayment of these amounts in the shape of paddy there lies a civil suit for the quantity of the grain at market rate plus interest at Rs. 2 per cent per month on such verbal agreement.

In these parts the money-lenders who have their dealings among the agriculturists do not seem to come in contact with the Imperial Bank, Government or other joint stock companies. There is no system of obtaining loans from other big banks for advancing them to the cultivators. The people have neither the knowledge or system to deal with such concerns, nor the regularity of repayment of their dues. Moreover, as all the transactions in these banks takes place in a foreign language, viz., English, the people in the villages do not even get a knowledge of them.

In Adyal the total cultivated area is about 1,200 acres, for which seeds worth 600 khandis, *potgi* 1,200 khandis, sowing expenses Rs. 18,000 are required annually. The grain and *potgi* are always advanced on condition of repayment by 25 per cent profit.

The defects in this system are that the money-lenders measure the grain at 18 *kuros* per khandi at the time of advancing grain. The reasons for this being that by 8 months stocking thereof the grain becomes deteriorated on account of rats, etc., for which discount is charged. This system is defective, but there is no improvement possible as the needy cultivator cannot afford to demand full weight from his creditor.

In respect of advance of loans a cultivator has to undergo a great loss by the low rate at which his crops are accepted.

There is no co-ordination among the various credit agencies, including Government. The indigenous bankers and money-lenders have no direct knowledge

**MR. SITARAM SHEORAM PATIL.**

of the working of the Government and the joint stock banks. With the introduction of vernacular in the dealings of the Imperial Bank and a wide publicity thereof, the awe in which these banks are regarded will gradually disappear and the people will incline towards them.

**QUESTION 2.**—In the rice-producing tracts the cultivators always sell their produce to the merchants at their houses. But certain rabi produce, viz., wheat, cotton and tilli, are sold in the markets in bigger places.

We hear of the formation of pools and of co-operative efforts in marketing produce in the western countries. But in this country owing to illiteracy of the people and the death of honest and reliable men, co-operative efforts may not bear fruits. People do not yet come forward to help each other and to do public duty in an honest and regular manner. Other difficulty is that the cultivators do not make an effort to produce a higher quality of rice and consequently the produce is generally of the inferior quality.

The Indian mind is incapable of any useful public action unless compelled by law. If there is any law introduced for the agriculturist it may be worth well in the beginning, but later on its advantages will be appreciated. It may also be helpful in starting some sort of new industry and provide work for the unemployed.

The formation of pools and co-operative efforts will bring about uniformity in the marketing of crops. These co-operative societies will be able to secure the advance money required for their working from the Central Banks on the security of the crops. In this manner the profit on the sale of crops which the merchants and middlemen take away will be saved to the societies and the members thereof.

The differences as between internal and foreign trade are not observed in the villages as there are no indigenous agencies dealing with foreign markets.

During the process of marketing the Marwari and Katchi merchants go about the villages purchasing grain. These merchants have their credit with bigger banks from whom they get large amounts of loan on the security of their goods and are thus benefited.

**QUESTION 3.**—The value of land per acre for rice-producing land is for poor land Rs. 40 to Rs. 50, for ordinary land Rs. 80 to Rs. 100 and for the best Rs. 100 to Rs. 150 per acre. For the rabi land the value is Rs. 30 to Rs. 35, Rs. 40 to Rs. 50 and Rs. 80 to Rs. 100 per acre, respectively. The land yielding all kinds of produce fetches from Rs. 100 to Rs. 150 per acre.

In the event of Government auction for non-payment of revenue and the sale by court doeses the auction takes place in the compound of the court and as the bidders have no knowledge of the quality of the lands they do not fetch proper price. In the purchase by private negotiation the purchaser knows the quality of the land and the transactions take place locally, hence their proper value is obtained.

**QUESTION 4.**—Occupancy land cannot be mortgaged and the mortgage of absolute occupancy holdings also requires the consent of the malguzar. This is a great handicap to the farmers due to which banks of any kind do not get the necessary scope for their business.

If the existing co-operative banks open their branches in the villages and include the village mahajans and petty money-lenders among the directors thereof, the idea of a mortgage bank will be feasible. They will have the advantage of the knowledge of local conditions and the facility of working and thus be able to relieve the agriculturist of his needs.

(b) The present method of the execution of foreclosure through the civil courts for failure to repay debts is very dangerous and ruinous to the debtors. The establishment of separate court under an officer of the status of a District Judge for the purpose of disposing of such cases will dispense with the unnecessary expenditure on court-fee, pleaders' fees and such other items not worth mentioning, and the agriculturist will have a chance of saving some of his land after paying off the debts by the sale of the foreclosed estate to that extent. Such an innovation was introduced some 20 or 25 years ago under Rai Bahadur Anantlal, Extra-Assistant Commissioner, which was styled "Debt Conciliation Court".

(c) To save unnecessary expenditure it is necessary to issue circular that the records of rights and the entries thereon should be supplied on application by the district settlement authority to the authorities of the banks free of cost.

MR. SITARAM SHEORAM PATEL.

**QUESTION 5.**—In order to reach an estimate as accurate as possible of the existing indebtedness of the agricultural classes with a view to devise measures for their credit facilities it is necessary to establish a court, which by public notice and by beat of drum should ask all the mahajans and money-lenders to produce before it by a prescribed date all the accounts of their debts in money or grain, including principal and *sawai* thereon against the agriculturists of that place. Failure to do their claims would not be considered. Information under all the sub-clauses under this head can be obtained in detail from the money-lenders.

The debts for all purposes (indicated in the questionnaire) are obtained from the indigenous bankers and professional money-lenders.

Causes of indebtedness may be summarized thus:—

(1) The agriculturists are incapable of putting in physical labour as in the past.

(2) The regular habits of rising early in the morning, which was a distinctive feature of a village life, has altogether disappeared and idleness, merry making and do nothingness have come in its stead.

(3) The field labourers do not give proper return for the wages paid by the farmers. Hardly they work for about six hours and the quality of such work is not satisfactory. With the result that the agricultural operations cost a good deal more than in the past.

(4) The bullocks having become weaker cannot help in ploughing the land properly.

(5) By constant cultivation the land has become barren. It does not get enough quantity of manure to increase its fertility. The use of chemicals is beyond the means of an average farmer and besides nobody has yet proved the usefulness of artificial manures.

(6) People who have received primary education do not hold the plough themselves. They get the work done by hired labour. But the quality of such work is inferior and injurious to cultivation. It is therefore necessary to introduce agricultural education in the school curriculum and attach a small piece of land to the school for practical training in that subject. A large number of literate and illiterate persons are migrating to larger towns for securing labour.

The combination of all these causes is affecting agriculture and increasing the indebtedness of agriculturists. Family quarrels, partitions, marriages and the increasing land assessment in every new settlement are the most injurious of all causes. The money-lenders generally advance loans on *sawai* or on interest at Rs. 2, Re. 1½ or Re. 1½ per cent per mensem. Grain is advanced on *sawai* only. The agriculturists have at present to pay a high rate of interest on loans. If they get the right of mortgaging their lands, this rate would be reduced to Rs. 9 or Rs. 12 per cent per annum. Besides this, if the time-limit of mortgage is doubled, it will be easier for the farmer to repay his debts by lighter instalments.

Efficient farmers who have become tenants-at-will and labourers are found everywhere. The irrigated tracts are better off now than before. But complaint is that adequate and timely supply of water is not available in spite of payment of the water cess. This is reported to be due to the attitude of the officials in charge of irrigation.

Successive famines take away the incentive necessary for good farming. But cultivation being their chief source of living, the cultivators try their best to tick to their cultivation in spite of the worst of famine years.

**QUESTION 6.**—There are no such industries as indicated in the question in these parts. Hitherto such industries as gud-making and hand-spinning were done on a modest scale, but they could not stand the competition of the foreign gud, sugar, yarn and the mill cloth.

Cottage industries are necessary to relieve the economic strain on the villagers and effort made in this direction will be successful, provided the people are given proper training.

The spinning, weaving, preparation of scents and scented oils, varnishes, tin boxes and toys, cements, buttons, soap manufacture and the lac industry and other industries requiring small capital and little knowledge should be started in villages and smaller towns, under the supervision of experienced persons. And when the mahajans and money-lenders see them they will be impressed with necessity of encouraging their production and invest some of their capital in such concerns and be thus useful to the villagers. Owing to failure of old industries the people are hard up.

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## II.—Indigenous Banking.

**QUESTION 1.**—In this district the indigenous banks (i.e., the indigenous bankers such as mahajans and money-lenders) do their money-lending on mortgage bonds, simple bonds, promissory notes, instalment bonds and hypothecation of gold, silver and other articles.

**QUESTION 2.**—These indigenous bankers assist in financing agriculture, trade and industry by advancing money on interest. In these days the internal business of the province is going on satisfactorily with the help of the indigenous bankers. The effort of the co-operative societies started at district and tahsil centres, in rendering help to the agriculturists is like a drop in the ocean compared to the ever increasing needs of the people. But the individual efforts of the indigenous bankers is not easily appreciated although the extent of their business in supplying capital is enormous.

**QUESTION 6.**—The rates of interest the agricultural community has to pay vary from Re. 1 to Rs. 2 per cent menssem. The Pathans and few other people with a low mentality whose dealings are always in concealment, may be charging more interest, but in normal dealings the rate of interest is not more than Re. 1-4-0 to Re. 1-8-0 per cent per menssem.

A higher rate of interest is being demanded from altogether new customer, but in the case of persons whose accounts with the creditor are going on from time to time the interest becomes lower and lower and comes to Re. 1 per cent within a short time.

**QUESTION 7.**—There is no prejudice against the indigenous bankers, because although their rates of interest are higher than those of the co-operative societies (i.e., societies charge at 12 per cent per annum and the indigenous banks at Rs. 15 to Rs. 18 per cent the agriculturist does not mind paying higher rate to the indigenous bankers, considering the trouble and expenses he has to undergo in respect of the recovery of his debt.) Moreover, the societies' system of granting loans to a group of 10 or 12 persons on joint security and the ways of recovery are rather autocratic and these societies have become unpopular.

The protection of the indigenous bankers comes last. If the customers happen to owe taccavi loans or the societies dues these are taken as the first charge on its assets. Moreover, insolvency system helps the customers in duping the bankers and the non-payment of their debts. The process of recovering money through the civil courts is tedious and expensive.

The establishment of panchayat (arbitration) courts with arrangement for proper administration of justice is likely to improve the situation. The dealings of the indigenous bankers with their clients are conducted on sound lines, the accounts of interest are properly explained.

**QUESTION 8.**—The following are the suggestions for making this class of bankers more serviceable to the community:—

- (a) The right to take mortgage of occupancy and absolute-occupancy holdings.
- (b) Extension of limitation on mortgages to at least double its present period and the recovery of loans by smaller instalments.
- (c) The establishment of arbitration courts for deciding cases of debtors.
- (d) The bankers should have their right to inspect the registration index. If sarkars could agree to form a union, debts should be registered at central villages by respectable persons who should be paid commission at 2 annas per document, this register can be consulted and indebtedness ascertained. The adoption of such a measure will discourage a farmer from taking debts beyond his capacity and both the creditor and the debtor will be secure from any risks in such transactions.

A bank to finance agriculturists should be established with the support of sowkars of the locality. Half the capital of such a bank should be raised amongst the indigenous bankers and the other half contributed by Government by way of security. Out of the capital thus raised, loans should be granted to agriculturists on the mortgage of their lands, security of ornaments, etc., or on production of good sureties. The money-lenders as such should do their business among the general public, excluding the agriculturists. In these banks the debtors' accounts should be explained properly.

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Indigenous bankers will at first be indifferent and will try to keep aloof from such a move.

But as indicated above, if their efforts are confined to the agriculturists only, it may be possible to secure their consent. The loans advanced by these banks will be free from risk of defaults, they will have no expenses on account of court-fees or pleader's fees, nor will there be any more insolvencies and they will thus be able to reduce their rate of interest also. Care should, however, be taken not to adopt the system of the co-operative societies of granting loans on joint responsibility which has become so very unpopular among the people. Loans should be granted on individual responsibility.

QUESTION 9.—If all these questions are considered, the indigenous bankers would make a cent per cent profit on their investment in a period of 10 or 12 years.

QUESTION 10.—The indigenous banks or bankers are able to meet all demands for loans. Only such demands are refused where they know that the agriculturist has already a heavy encumbrance on his land. If the estate is good, the bankers are prepared to advance money on mortgage even if there is a previous mortgage thereon. From this it cannot be inferred that the agriculturists do not get loans or that the bankers having capital refuse it.

QUESTION 11.—The reply to this question is somewhat similar to that of question 8.

QUESTION 12.—We do not think.

### III.—Investment habit and attraction of capital.

QUESTION 1.—The banking system is prevalent in the towns only. The villages know a little or nothing about the ways of the banks, hence they do not deposit their money there.

We cannot state the amount of additional capital required. In the matter of investment of savings the life insurance companies are useful to some extent.

The indigenous bankers are generally not willing to accept deposits on interest. But the agriculturists also seldom save anything. If they are at all able to save, gold is purchased out of it. It is common to possess some gold and silver for a rainy day. Gold and silver, moreover, enhances the beauty of the bearer to a certain extent and one's own earnings are in his possession. Growth of education is, however, responsible for the desire to invest savings in postal and other savings banks instead of in gold and silver.

QUESTION 4.—The introduction of the vernacular script in the transactions of the banks will greatly facilitate the spread of banking. Knowledge among the villagers and if the rules and regulations of the big Government banking concerns are made available in the vernaculars, the people will be inclined to have their dealings with them.

The reason why the people are not enthusiastic about depositing their money in the banks is that their management is in the hands of foreign and alien agency which is all-powerful and in whom they have no faith. The reports of the failure of several banks have also something to do with it. If the banks undertake to broadcast the knowledge of their working in popular vernacular, it will be greatly helpful.

MR. R. P. DUBE, M.A., LL.B., Pleader, Chanda.

Reply to the Questionnaire.

**Part I.—Agricultural credit and credit facilities for small industries.**

QUESTION 1.—(a) The agriculturists in this district obtain help for expenses during cultivation generally by raising loans from local merchants or Marwaris either by hypothecation of their ornaments or their standing crops or if the credit of the agriculturists is sufficient by ordinary loans to be paid at harvest time.

(b) The expenses for capital and permanent improvements are generally met from the little savings effected by them or by taking loans from the Government under Agriculturists' Loans Act.

(c) The funds for other special needs, e.g., failure of monsoon, for land revenue and for ceremonial purposes, are generally raised by mortgaging their property or by executing bonds in favour of Bania or local Marwaris. The marriage season generally begins when the crops are cut. The sale-proceeds of the produce are at times diverted to meet these ends.

The rates of interest at which these loans are raised are generally sawai. The sawai interest is at times charged for six months, at times for eight months or in some cases for four months. The general rate is in no case less than Rs. 2 per cent per mensem.

The security offered is the mortgage of standing crops or pledge of ornaments.

Government in times of bad years advance taccavi loans to the agriculturist, but the funds that are so advanced and are available are so small that it is hardly sufficient to meet the demands of the agriculturist. The co-operative banks also advance money, but only in those villages where there are rural co-operative societies. It is only in parts of Warora tahsil, Brahmajuri tahsil and a part of Sironcha tahsil there are few co-operative societies in existence. The progress of the societies is very slow and in some places the number is growing less. For the most part it is only the local bankers and professional money-lenders and merchants that come to the rescue of the poor agriculturists, but the interest charged by them is so high and extortionate that the poor agriculturists find that it often breaks their necks. The other credit giving agencies are practically nil.

Until and unless an exhaustive enquiry is held it is very difficult to give proper estimate of the total capital required for the various purposes and also of the grain advances. A group of villagers may be singled out and enquiry be made of the extent of indebtedness. Average be taken and a fair idea can be then formed. The grain advances are generally advances on sawai.

The defects for existence of such indebtedness of the agriculturist are mostly due to the fact that they lack the habit of thrift and economy and are improvident. Added to this they forget attributable mostly to their want of education that the slender income at their disposal is insufficient to meet their aggregate demand and take shelter in the pious hope, that they will get bumper crop through the kindness of providence and will be able to pay off. They always find that their hopes are unfounded, but the condition is so worse that they find hard to meet. When they find that the creditor is unwilling to advance the money, because of the credit having been exhausted they run to other creditors.

The system of taking loans on disposal of crops is still worse for what the poor agriculturist gets is appropriated towards interest and the principal amount is left as it is. The local merchants at times appoint their own men and do not even allow the agriculturist to deceive them by disposing off the produce to other person. The result is that the poor agriculturist has to pass the whole year on credit by paying huge interest.

The scheme to relieve the poor agriculturist from the clutches of the Bania and the pitiable condition in which they are at present placed is so difficult that no single remedy can ever be laid down as a panacea for these evils. The first thing is that the agriculturist should be taught the habits of thrift, self-control and foresight. Secondly, his power of disposal over his property and produce should be so restricted that he should not be able to mortgage his property

everywhere he pleases. Thirdly, credit facilities should be opened so that he may be able to pay off the existing liabilities with easy instalments at low interest and be at the same time able to maintain himself and meet his needs. Fourthly, such credit facilities being given the local merchants or Banias should not be able to attach his property. A legal bar to such attachment and mortgage may be provided by legislative enactment. The first charge over the property being of the society for the money advanced. In this way if any legislation is enacted, the local merchant or the Marwari would not advance money and the credit agency being the only agency available to meet his demands the agriculturist will try to be more prudent.

At present there is no co-operation at all between the various credit agencies, but if a scheme as stated above is adopted, co-ordination to some extent is possible.

**QUESTION 2.**—The principal method of marketing the crops is at present to take the produce to the cotton or grain market. If the markets are at a distance, then to some of the merchants in the villages or villages closeby and sell the produce to them.

If suitable credit agencies with proper safeguards are provided then there is a possibility of forming pools or a co-operative agency to dispose off the produce. The credit agency can with little trouble help the formation of an agency for disposing off the produce also. The various credit agencies can be linked with the pooling agencies also.

The credit agencies generally are the local merchants who often purchase the products at low prices and sell them at high prices. The foreign firms also at times make the purchases through their agents or at times appoint the local merchants as their adatyas and finance them with funds to make purchases on payment of nominal commission.

So far as the internal trade is concerned, these facilities with their some drawbacks do not present any difficulty, but when the question of the foreign trade comes in a special difficulty comes in the way. The exchange rate of the various countries affects adversely the internal trade of the country and prices of the produce also. The late controversy over the exchange rates will throw light how the trade in the country is adversely affected or how the burden eventually is shifted on to the poor agriculturists.

During the process of marketing the money is supplied by the local merchants. These merchants either advance the money from their own funds and if the purchases are made for their recognized firms often withdraw the money from banks by way of cheques supplied to them by those firms. The exchange banks, so far as the foreign trade is concerned, supply the requisite facilities for supply of capital, so far as the process of marketing is concerned, and the local banks do the same for the internal trade. The banks are thus the credit agencies for the supply of capital.

The existing facilities available to the public for internal remittance are the banks, hundis and postal insurance.

In the existing state for marketing of produce there is a illiterate and poor agriculturist on the one hand dealing with a well informed merchant or banker on the other hand. It often happens that he does not get his proper price for his products. The power of waiting of the agriculturist for the proper price being very limited he has to dispose of his produce at the available price in the market. Added to this the Banias very often makes deductions for the quality of produce according to his sweet will and uses false measures and every sort of device is used to swindle the poor agriculturist. Even if the produce is purchased for the other firms the Banias to keep up his goods will never fail to swindle the agriculturists. At times a profit is made also in payment of the money by charging commission on cash payments (coins instead of currency notes). Besides the agriculturist being also indebted to the Banias cannot afford to incur his displeasure by selling his goods to other merchants.

These various defects cannot be removed until and unless some co-operative agency for disposal of the products is formed. The scheme of forming a co-operative agency is indissolubly bound with the scheme of giving credit to the poor agriculturist. Various schemes have been devised by the various municipalities to remove these defects, but none have become popular so far owing to the conflict of interests of the agriculturist and the Banias. The system of

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selling goods by open auction with no deductions of any kind for the quality of the product and supplying of proper schemes of weightments affords some relief to the poor agriculturist, but the various devices used by the purchasers to defeat the aims and objects of this scheme detract from the usefulness of the scheme.

The system of payments by cheque and hundis also has sometimes presented some difficulties. At times the hundis are dishonoured and this affects adversely the prices of the products. So a penalty for dishonouring of the hundis by legislative enactment may be provided by way of a safeguard to do away with the mischief.

The negotiable instruments play a great part in the payment of the amounts by recognized firms for purchases made by them. The firms with their head offices at Bombay, Calcutta and Madras do not make the remittance of cash, but often through the medium of cheques or hundis. The agents of those firms make purchases through their recognized *adatyas* and pass cheques in their favour for payments made by them or at times the advances for purchases are supplied to them by cheques. The price of goods that are supplied to these firms is very often recovered through the medium of hundis.

The reduction of stamp duty on hundis or bills will no doubt increase their number and will surely offer increased facilities for payments.

There are two classes of hundis current in this province—*Darshani* hundi (hundi payable at sight) and the ordinary *mudati* hundi (payable at a certain fixed date). In the latter class of hundis the former is greater.

#### Form of hundi.

Name of firm, say (Balkisan Hukmichand, Chanda).

No. 7.

Drawn on Messrs. \_\_\_\_\_ of Bombay, by Messrs (Balkisan Hukmichand of Chanda). Accept best compliments. Hundi for Rs. \_\_\_\_\_ half of it is \_\_\_\_\_ double of it Rs. \_\_\_\_\_ deposited here by \_\_\_\_\_.  
Pay to him or his assignee dated \_\_\_\_\_ on presentation the sum of the hundi.

Dated \_\_\_\_\_

Signature \_\_\_\_\_

Hundis issued are generally purchased by merchants and bankers for purposes of payments to be made outside and are sent in due course to their creditors and are cashed at the place and from the persons on whom they are drawn. There is no provincial centre for this purpose.

The railway receipts or the receipts of having stocked the goods in bonded warehouse are used as instruments of ownership for purpose of raising the amounts on the produce.

Until and unless the question of opening credit agencies and agencies for selling the produce is solved there is no possibility of any operating licensed warehouses.

The Government assistance is absolutely necessary as will be shown hereafter

QUESTION 3.—The value of land per acre for cotton varies from Rs. 25 per acre to Rs. 1,000, for wheat from Rs. 25 to Rs. 500 and similarly for rice from Rs. 25 to Rs. 400.

The factors which affect the value of land are the situation of land with reference to the village or some important town, irrigation facilities, nature of the soil, the right in which it is held and the nearness or otherwise of the means of communication.

(a) The value of land in Government auction for non-payment of revenue is often less than what its market value is. It often happens that the recovery of the revenue is the only principal consideration and any amount which is in excess of the amount of revenue to be recovered is deemed sufficient. It is a matter of chance coincidence that fair prices may very rarely be got.

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(b) Similarly, when the property is put to sale by the decree-holder though he only wants to get his amount to be recovered and bids only to the extent of the decretal amount until and unless he is desirous of getting the property at all costs. Besides there being no warranty of title of the property sold the auction purchaser has to purchase the property with all the risk. The auction purchaser has to keep in view the impending litigation, if any.

(c) In private negotiation the persons often get a fair price for the purchaser often gets an indemnity clause inserted in the deed to compensate him for any loss occasioned to the purchaser or his title disturbed. No such thing is possible in the above two sales. In private negotiations publicity must be given for the intending sale and then a fair price is quite possible. But it often happens that the intending vendees take advantage of the embarrassed position of the vendor and his illiteracy and negotiate the transaction to their advantage. If all factors of deception and illiteracy are eliminated and full publicity is given to the intended sale and the force of competition is working then a fair price is often got by private negotiation.

QUESTION 4.—Yes. There is a legal impediment to the mortgage of occupancy land and lands held in ryotwari tenure. Besides the *sir* lands and absolute-occupancy lands are allowed to be mortgaged under certain conditions. The impediments are statutory and very well laid down in the Central Provinces Tenancy Act of 1920, and Central Provinces Land Revenue Act of 1917.

There is no such thing as mortgage bank. There is only one society called the Ideal Democratic Society with its head office at Amraoti which carries on the business of the mortgage of land in a qualified manner with a life insurance policy attached to the transaction. This society issued loans for long periods. Even the co-operative banks do not advance capital on mortgage of lands and for long terms.

The Ideal Democratic Society insists on the intending mortgagor to invest some money according to the amount required by him in the purchase of shares in the banks generally one-sixth of the amounts demanded as a loan. The intending mortgagor has to furnish an inventory of the property to be mortgaged with title-deeds. The Inspector of the society holds an enquiry into the title of the land to be mortgaged and reports about the price of the land. When the turn of the applicant comes the society advances money according to the reports by fixing the price. The intending mortgagor is then asked to insure his life in the society to the extent of the loan demanded or granted and the policy is to be assigned to the society. Regular payments are to be made periodically towards the mortgage and towards the policy by way of premium. In the event of death earlier the whole due under the policy stands to the credit of the society who making adjustments of the amount paid towards the mortgage pays off the balance to the heirs of the deceased mortgagor. This is an automatic system of easy repayment of loans. The interest charged is very low. The only fraud which can be anticipated is from the Inspector who may recommend fancy prices of the lands to be mortgaged for consideration best known to these persons. The society thus raises its capital by contribution for the members and by assignment of the mortgage to some bank for raising the loan if any. This Ideal Democratic Society has grown very popular and has at least relieved two of the respectable landholders in this district from the clutches of money-lenders.

(a) If the system of the land mortgage bank is worked out as expedient and desirable, the most important consideration for this is the easy reference of the record of rights of lands and reduction to a minimum of the disputes affecting its title. The records are apt to be misleading and are not the sure and strongest evidence of title in every case. The question of title can be raised at any time within 12 years from the date of dispossession and the bank which advances money only on considerations of the records of rights as evidence of title will often find itself in trouble.

The record of rights should be so arranged that properties which can be transferred by sale mortgage or gift should be arranged in one class and the other class should consist of non-transferable holdings.

In the event of change of ownership the records should show the date of change and number of the case and order and other particulars and to safeguard the interest of the bank it should be enacted that any entry after it is made in the record of rights if unchallenged by any civil suit within an year from

the date of the last order should be presumed to be correct and any person claiming the land to be his after this period should be required to pay off the claims of the property if the property is mortgaged with the bank after one year. This legislative measure will protect the interest of the bank and will also safeguard the rights of the persons.

(b) The remedy of civil suit should be done away with in the case of foreclosure and sale of the property mortgaged with the banks in the event of non-payment. An award should be filed in court and the aggrieved party should be asked to show cause why the award may not be executed. Foreclosure and sale should follow on hearing of objection, if any. The large amounts which are spent nowadays in court fee, another incidental expenses, would thereby be curtailed and the poor agriculturist would be saved from these liabilities.

(c) The charges incurred for taking out these proceedings against the defaulters should be small and nominal, that its burden may not be felt by other *bona fide* constituents of the banks.

The working capital of the proposed mortgage bank should be derived from all the three sources:—(a) long-term deposits, (b) funds from central institutions and also from debenture bonds. As large amount of capital would be required to provide for the indebtedness of the agriculturist, it is unlikely that capital derived from one source alone would be just sufficient to meet the extent of the liability and specially when the bank is in its infant state. But it is highly desirable that the capital should as far as possible be raised from debenture bonds. The starting of the mortgage bank without Government support or guarantee for the principal and interest on the bonds is likely to be met with all sorts of obstacles. But if the system of debenture bonds is introduced, the holders of the bonds will themselves have to take an active interest in the working of the bank and the bank will in course of time be able to convert the deposits into debentures and pay off the loans from the central institutions. The large amount of capital which will be idle owing to the newly proposed restrictions will find a profitable and safe investment in the debenture bonds with Government security. Besides the system of debenture will show that the institution is run by the people and the interference with its working and management by the Government should be reduced to a minimum in so far as it does not place the Government into a false and absurd position of only being responsible for the payment as a surety and no voice in the management. In the absence of any Government guarantee the scheme is not likely to succeed. History points to this conclusion. It is only after a long interval that the Government support should be withdrawn gradually when the mortgage banks enjoy the confidence of the public.

The problem to provide measure to secure the Government against loss is no doubt a very difficult one. The question of levying any tax on the agriculturist would be most inequitable. The only solution that appears to be practicable is that certain percentage of the total amount, say 5 per cent, may be recovered in the first few instalments from the persons borrowing and on their paying off the full amount a reserve fund of this amount so recovered may be built up for indemnifying the Government for any loss.

The debenture issued by the bank should be included in the list of trustee securities.

The agricultural mortgage bank should raise money with Government guarantee on 8 annas per cent per mensem interest on debenture and on other loans and deposits at 10 annas per cent per mensem. The loans should be advanced at the rate of Rs. 12 per cent per annum or Re. 1 per cent per mensem at the most. The margin of interest would be sufficient to cover the expenses and would provide a surplus to meet any loss in case of bad loans.

The system of co-operative credit which was considered as the best one to alleviate the miseries of the poor indebted agriculturist cannot afford adequate relief viewed from the progress it has made so far the future does not appear so bright.

QUESTION 5.—To form current estimate of the extent of indebtedness one has to make an exhaustive and a detailed enquiry into the conditions of the agriculturist with respect to all the factors of indebtedness and their want or inability to pay off the debts. I regret that I have not made any such enquiry and I am unable to give any such estimate.

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The rate of interest charged is generally *sawai*, but the professional money-lenders at times charge Rs. 3-2-0 per cent per mensem also. The Rohillas who lend money to the agriculturist charge Rs. 6-4-0 per cent per mensem and in some cases Rs. 12-8-0 per cent per mensem. Even compound interest on interest is charged and advantage is taken of the strained circumstances of the poor agriculturist.

Yes. The tendency of the local money-lender is at times to get hold of the valuable property of the agriculturist in view. It is a fact that best estates have passed off into the hands of the money class.

The condition of the former who enjoy irrigation facilities is a bit better, as they enjoy immunity from famine to a certain extent. The fate of agriculturist who depend on the forces of nature for the supply of water and other condition is a bit precarious. They are perfectly at the mercy of nature. These people generally get half the yield of what they would have got if there would have been good rain at proper times. No epidemic. No crop decrease. The years of bumper crop for the agriculturist with no irrigation facilities are few say a year or two in every ten years. There is nothing like a famine zone in the Central Provinces. Every district is affected by a famine at long intervals mainly due to the causes over which there is no control of man.

It needs no proof to say that a free man with a sound frame of mind can apply more efficiently to his cultivation than the one who is groaning under the burden of his debts. Whatever yield there may be it is always taken away by his creditors and his condition is the same.

QUESTION 6.—In this district of late some rice mills have been started at Chanda, Mul, Nagbhir, Brahmपुरi, Armori and Garchiroli.

The industry of dairy farming on a large scale is unknown. Parts of the Brahmपुरi, Chanda and Garchiroli do carry on the gur-making industry. This industry is on the decline now owing to competition. The industries of garden produce have not yet attracted the minds of the people as it has done in Nagpur district and other places. Cotton-ginning is now abandoned. Formerly, every household had a wooden ginning machine, but owing to decay of the handloom industry and supply of yarn from mills this industry has practically disappeared, though an attempt has of late been made by All-India Khaddar Congress Committee to revive the industry in parts of the Chanda and Brahmपुरi tahsils. The production of *khaddar* is on the increase so much so that the committee has to stop its work during the transplantation season. Industries of sugar refineries and carpet making there are none. Basket-making industry is carried on by a particular class known as Burad, Gond and Pradhans who are non-agriculturists. The industry of weaving is carried on by Koshtis, Mahars and Salewars. They are also non-agriculturists.

The industries of gur-making, dairy-farming and garden produce can be encouraged. Concessions of grazing, free grant of land, initial supply of capital and free medical treatment for the purchase of animals can very well encourage the dairy-farming. Every one realizes the value, but is handicapped by the difficulties that beset the industry.

The industry of gur-making can also be revived if better fencing for protection against wild animals is provided and means devised to supply the agriculturist by easy instalment system, and water-supply is assured on better and concession rates. If large areas are brought under sugarcane cultivation sugar refineries will follow in due course. The industry of garden-produce needs also better fencing and a good supply of water. The other industries partaking as they do of the nature of cottage industries will find hard to stand against the force of free competition from mills and gins.

Gardens and dairy-farming are the best industries which best suit the agriculturist for his leisure moments. The industry of hand-spinning is suited more to the member of the agriculturist family. The want of supplementary industry is a curse to the agriculturists who pass about six months of their time in idleness.

These industries do require credit facilities and the credit facilities are in some cases provided by the Government. People owing to their ignorance and accustomed as they are to old methods find hard to adopt them.

Co-operative credit societies are best suited to supply the necessary needs, but they must be organized with Government aid and assistance. The hard recoveries and partiality of the office-bearers of the society have made the societies unpopular in some places.

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**QUESTION 7.**—The co-operative banks, the Imperial Bank, the joint stock banks and the indigenous banks are independent institutions and there is no inter-linking between.

The difficulties are that the people do not desire to invest for long-term as they apprehend danger to the safety of the bank. They think that if the money is invested for long-term and adverse circumstances come in and the solvency of the bank is unsafe, they are likely to lose their money. In short credit the bank finds hard to advance loan for long periods and it is not sure when the call will come.

There is no competition between co-operative banks run on sound basis and any concessions which increase the stability of the bank are highly welcome. The co-operative movement is in its infant stage in this district. It has not been able to satisfy the needs of even a small class of agriculturists. There are no co-operative banks or societies for the industrial classes in the district. The movement if run on sound lines and with no bias or partiality is likely to be boon to the agriculturist and other industrial classes, but it is misfortune that it has not achieved its object so far.

So far as it is seen that the Usurious Loans Act is very rarely applied. The application of this Act is an exception. There is a tendency amongst the money-lenders to treat the old debts as cash consideration for the transaction.

There should be Provincial Banks and the borrowing and lending should be done direct to the local units. The elimination of Central Banks will reduce the rate of the local units. The elimination of middlemen and their profit will surely mean some new concession and facilities.

## Part II—Indigenous Banking.

**QUESTION 1.**—The function of indigenous banks is usually to advance money on interest on securities or as unsecured debts, regard being had to the credit of the borrower. Secondly to make purchases of grain, seeds or cotton. Thirdly it acts as the adatsa for the purchasing or selling firms. Fourthly, to issue or cash hundis and make some profit out of it.

**QUESTION 2.**—The indigenous banker assists the agriculturist in so far he advances money to the agriculturists on credit or security of standing crops and makes purchases of his produce.

The indigenous banker also assists trade and industry, so far he stocks the requirements of the industry and acts as a middleman for the exchange of raw products and finished goods and advances money also on conditions of the money being repaid by the finished goods. The indigenous banker makes profit both ways and is never a loser.

**QUESTION 3.**—(a) The indigenous banks generally carry on business on the amount of Rs. 25,000 to a lakh. In some cases two lakhs.

(b) With the amount of investment the volume of business they can transact is about ten times.

(c) The expenses chiefly consist of an accountant, a servant, certain charges for the office establishment, rents of godowns and offices and postal charges.

(d) There are relations between indigenous banks mostly in important towns but the relations with Imperial or joint stock banks are practically nothing. It is only the big bankers like the firm of Jamnadas Potdar or Bansital Abirchand who have got some connection with these latter cases of banks. The indigenous banks have business relations amongst themselves. If they deal in different classes of commodities they supply each other with capital when there is a business season for that commodity. So far the facilities given to the indigenous banks in this district by the Imperial Bank or the other joint stock banks are nothing.

**QUESTION 5.**—The indigenous bankers usually advance loans on instalment bonds with interest varying from Re. 1 to Rs. 2 or monthly instalments usually *sawvi*. The period for payment for certain loans is usually an year. In case of secured debts it varies from an year to three years. The interest charged on such loans varies from Re. 1 to Rs. 2 according to the solvency of the man and not the security. Loans are also given on hypothecation of goods or ornaments. Repayments are usually appropriated at first towards interest; and interest is also charged.

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The indigenous bankers usually meet demands from their own funds. They also receive money in deposits at low rates and lend out at high rates. In case there is a great demand for money they borrow money from other firms at the customary rate of interest varying from annas 6 to 12 annas and lend out at higher rates. The indigenous banker also arranges with the other indigenous banker for the free supply of funds without interest on exchange terms.

The rate of interest usually given by the indigenous banker is from 8 annas to 12 annas at the most. Certain bankers who advance money on the standing crops insist that it should be repaid by the commodities, specially in case of cotton and seeds. Yes, the debtor also usually effects the sale of his articles through his indigenous banker who appropriates the sale proceeds towards the advances and hands over the balance. Such advances are more common in case of cotton. The indigenous banker gets the interest on advances and Rs. 2 generally his commission per cart for selling the produce.

QUESTION 6.—The rate of interest on money generally is *sawai*, i.e., 25 per cent per mensem, and in case of grain debts also *sawai* and grain given for seeds is charged at the rate of 50 per cent per annum.

If proper credit facilities are provided and the agriculturist is given full scope for the selling of his produce at profit to himself, then it is likely that the rate of interest is likely to be lowered. It should also be noted that if the instalments due are strictly enforced, then there is a chance for the poor agriculturist again falling into the clutches of the indigenous banker who taking advantage of his precarious position, is likely to charge heavy interest. This is usually seen in case of co-operative societies.

Yes, the reduction of interest is likely to be a boon to the poor agriculturist for nowadays what he earns is always taken money of the indigenous banks in the shape of interest. It is only a little per cent of the agriculturist who may not be indebted. Thus very little scope is left for improvement in the standard of living or agricultural improvement or use of better implements.

QUESTION 7.—It is beyond doubt that the indigenous bankers are not liked by the people, but there is no alternative but to seek their aid in times of distress. The dilatory tactics and methods of the co-operative society and the taccavi loans are very often distasteful to the poor agriculturist. The agriculturist, think that the Bania who supplies their money at call is a better man of the two, but a hard task master. There is no sufficient protection under the law to these bankers.

The legal facility which they require is in matters of insolvency petition. It has been observed of late that the agriculturists with no transferable rights often resort to insolvency proceedings when they find their debts increased and the means deficient to meet them. The protection which the local bankers should get is that any man who presents an insolvency petition should be required to state in his petition that he is willing to pay 8 annas in a rupee and the petition should then be admitted and final discharge granted. The insolvency law may be thus amended. Secondly, a receiver should be appointed in case of attachment of the standing crops in case of fields with non-transferable rights. Thirdly, the fields with non-transferable rights may be placed in possession of the creditors according to the amount to be recovered and certain portion of land be set apart to meet the requirements of the debtor agriculturist. A change may thus be introduced in the Tenancy Law if the local banker is to be given a legal safeguard for the amount of his debt. No. There is fraud in about 50 per cent of the cases.

The Usurious Loans Act may be strictly enforced and a rate be fixed in the Act above which no interest will be allowed. Secondly, if the agriculturist finds that the transaction is unconscionable and usurious one he should be provided with a remedy in the Usurious Loans Act by way of an application to the civil court on payment of court-fee on the claim sought to be reduced.

QUESTION 8.—The only means of making this class servicable to the community is to remove the agriculturist class from their clutches by opening new credit agencies lending out money at lower rate of interest. The competition between the banking class and the credit agencies be so much reduced that this class must be reduced to the extreme depth of helplessness and the amount of capital that would be idle as the result thereof must be attracted to the capital fund by providing safe security. The experience and knowledge of this

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class must be utilized by employing this class in the new credit purchasing and selling agencies. If this class would invest money in the banks then it is natural that they would have an upper hand in the management of the societies.

In the above measure it has been assumed that the force of competition between these two agencies must be reduced. It is likely that some firms would try to struggle for a time, but the legal restrictions as suggested in the foregoing answers if brought into action would surely deter the banking class from advancing the loans to the agriculturist class.

The improvement of the banking system and its consolidation is an uphill task. If the new credit agencies are brought into existence, it is likely that those local banking institutions may be used as its feeder for the supply of capital with no independence of action for themselves, but as the constituents of the new credit agency.

To prove special facilities for the indigenous banking system means the keeping up of the continuous fight between the proposed land mortgage banks or the credit agencies and the indigenous banking and as such it negatives the existence of this newly proposed banks. If the indigenous banking also is to be improved and consolidated, then a legal bar must be imposed on the rate of interest over which these indigenous banks should not be allowed to charge. This is possible only when certain rights over non-transferable holdings are granted to them. It would mean a retrograde move. For under the old Tenancy Law the creditor could attach and appoint a receiver of the produce of the occupancy tenant, but the new Central Provinces Tenancy Act of 1920 has done away with all these provisions. The pros and cons of the opening of new credit agencies and the improvement and consolidation of the indigenous banking must therefore be considered, and if it is held expedient and desirable, then only a step towards the proposed aims and objects may then be taken. But it is extremely doubtful how far the granting of the new facilities to the indigenous banking would solve the problem of the indebtedness of the agriculturist.

The introduction of any new measure of regulating the operations and giving publicity would be most distasteful to the banking community and to their clients. The inspection of account books by the Income-tax Officer with a warranty of security is not liked by the ceremonial class as it has so often affected the solvency of firms. Still more the idea is not likely to be liked when open publicity is given to their accounts and measures provided for their regulation.

QUESTION 9.—It has often been seen from the experience of the bankers that in about ten percentage of their transaction there is a loss. In about 10 per cent there is a partial loss. Still the firm does not grow poor, but is a flourishing firm. The experience of the firms of money-lenders—Bui of Nagpur, Naik of Umer and Sir Gangadhar Rao and Sir Shaakar Rao in this district—points to the conclusion that they have made enormous amounts within the space of few years with a little outlay of capital. Roughly the capital doubles itself in three to four years, making allowances for the loans default and other legal expenses and other incidental expenses.

QUESTION 10.—The indigenous banks and bankers give a first preference to an advance of a loan of security of lands or villages with an absolute title of full ownership. As the nature of security changes, higher rates of interest are charged and the honesty and integrity of the person borrowing and his family status is often kept in view. Many of the persons with no security of transferable land cannot get advances of loans at all. It is on this class of persons that the new class of the Pathan bankers feed themselves. But if the mushroom growth of these bankers of late is taken into consideration, the conclusion is inevitable that many of the persons do not get the required capital from the indigenous banks or bankers.

The experience of the revenue officers and of the co-operative societies also confirms the belief that when the persons do not get credit at the indigenous banks, they seek relief at the hands of the Government. It is an evident fact that the capital at the disposal of the banker is insufficient to meet the required amount of the borrowers and the unacceptable nature of the security also affects the system of advancing loans. One other consideration with the banker is that the loans to be advanced are advanced to a certain limit and certain amounts are held in cash though idle for years together to meet unexpected demands.

**QUESTION 11.**—The reply to this question is covered in question 8. The system of co-ordination of the indigenous banks and bankers with the central institution, joint stock banks, Central Bank, or a local bank assumes the agreement of these two clauses of banks regarding interest on capital advances by these indigenous banks and the security that the amounts so advanced are safe.

**QUESTION 12.**—Yes. During the rains owing to slackness of trade large amounts lie idle at the hands of the indigenous banks. These amounts are usually sent to the adatyas at Bombay on interest. It is not true that large amounts are kept with the indigenous banker employed throughout the year except a certain fixed amount which the bankers keep to meet any unexpected emergency. After the rains the amounts are taken back for trade. The process goes far by treasury supply bills and telegraphic transfers.

The industry which is hard up with money is the weaver's industry. The demand for cloth is gone down and this class particularly suffers very much. If the demand is kept up by purchasing the cloth and the cloth sold after four months a profit is likely to be made. Otherwise there is no industry which can absorb to itself and the lender. Usually the Marwaris do this.

### Part III.—Investment habit and attraction of capital.

**QUESTION 1.**—The postal savings bank and co-operative banks are the institutions in existence for encouraging savings. The influence of co-operative societies is not so much as expected. It is only the principal towns and important villages that have these facilities, but the benefit of these savings encouraging institutions is reviewed to large number of villages. It is not then far from truth to say that there are not full facilities to the public for investment of their savings.

**QUESTION 2.**—The postal cash certificates are not so popular. It is only the literate middle class people who invest money in the cash certificates. The villager is innocent and knows nothing about them. The first thing in the villages is about 80 per cent of the population is involved in debts and it is only the 20 per cent who are not indebted to anybody. The small savings of these people are, therefore, used to meet the demands of their fellow-brothers on payment of interest. Unless and until the capacity to earn and to save is increased, the savings of the people are not likely to be increased. Needless to say that any amount will be invested in the purchases of the postal cash certificate until then.

**QUESTION 4.**—The growth of cheque habit is slow. It is only the local bodies and the Government agencies that usually use cheques. The people as a rule do not use cheques. Very few people have their deposit with the banks. It is only few enlightened people who understand the use of cheques. The abolition of stamp duty has encouraged the issue of cheques to the certain extent. The payment of Government servants drawing salaries over hundred may be made by cheques. To make the people familiar with cheques, it is desirable that the vernacular script may be used.

**QUESTION 5.**—Yes, the saving and investment habit is of slow growth. It is due to the economic life of the country. Banking generally depends on the economic prosperity of the nation. India is an agricultural country and the people are involved in debts and the industrial outlook also is not bright.

Education of the people by Government agencies and increase in the capacity to save by opening new facilities and removing these people from their indebtedness will only increase the saving capacity of the people. Then alone it may be expected that the people will invest money in productive undertakings.

The effect of the opening of new branches of the Imperial Bank of India in recent years has not been so appreciable as to attract large amounts of capital. It has afforded additional facilities in matters of remittances.

**SETH MATHURADAS MOHOTA, M.E.C., Proprietor, R. S. Rekchand Motilal, Spinning and Weaving Mill, Hinganghat, district Wardha.**

Reply to the Questionnaire.

1. *Joint stock banks and shroffs.*—The whole machinery and working of the present joint stock banks is defective. The Government gives more facilities to the banks than to the individual bankers or shroffs and these banks give more facilities to the importing agencies which are mostly non-Indians than to the local industries and agriculturists on whom the uplift of the country depends. To take the recent spread over of branches of the Imperial Banks it will not be out of place to say that they have come in the way of local shroffs and bankers, as they get ample deposits which ordinarily would have come to the local shroffs. Such branches neither give help to the local shroffs nor to the agriculturists. Hence no more such branches should be opened, but the local shroffs should be given some protection and facilities at once, as they are more useful to the Country. The local shroffs are very popular with agriculturists on account of their convenient business hours, their close relationship with their business and their knowledge of their condition and their locality and economical working. The banks are not expected to know all these conditions, as their agents are appointed from their head office and they have to work according to their instructions at all times.

If some of the deserving local shroffs are given the chance of working as managers in such banks they will be of more use to the local people, as they will create more confidence in them. The shareholders of such banks should be Indians and their management should be in their hands if some real good is to be done to the country. Thus the present machinery and working of joint stock banks should be overhauled and the local shroffs should be given some facilities for the recovery of their loans (*bona fide loans*) as the present operations of recovering loans is very tedious and expensive to them and to the agriculturist, as the interest of one co-operates with the interest of others. Thus the condition of the local shroffs or bankers should be first improved, and if it is done, they will be more useful to the local industry and agriculturists, as they have been in the past when there was no non-Indian element.

2. *Currency policy.*—The present currency policy is also equally defective. There has been a long cry against it, but it was overlooked. More it is overlooked more economic difficulties will be felt by India. There has been an unanimous demand for the gold standard, but it is being withheld for some or other reasons, though it is the right of the present day. It will encourage saving and that saving will develop the small industries which are only in name in India at present. Postal cash certificates and life insurance, etc., are put forth as the means of the saving, but they are all against the interest of the country and people. Most of the insurance companies are foreigners and their business takes all money out of India. Restrictions on such non-Indian insurance companies are necessarily wanted as suggested in the first paragraph. The money of India should be kept in India, and if it is done, the same will be used for the industrial progress of India, as without money nothing can be done as it is intended to show so, by gathering all the information as per long questionnaire issued. Such information will reveal the secrets of the local shroffs and the advantage will be taken by the joint stock banks and other foreign element.

3. *Education.*—Absence of education and literacy hampers the Industrial development. There are very few commercial colleges and schools and technical institutions in India and there is no inducement for the students to take such line. There are no scholarships and funds to provide such facilities and hence every attempt should be made to spread education and make it popular if some good is intended to the country.

These are some of my views which, I trust, will have the attention of your Committee.

SETH MATHURADAS MOHOTA.



**MR. R. B. PATWARDHAN, Secretary Nagpur Central Bank, Nagpur.**

**Reply to the Questionnaire.**

In the Nagpur district there are different tracts of lands producing different crops. There is the cotton tract in which can be included Saoner and Katol tahsils generally and most of the Nagpur tahsil. The remaining smaller area being utilized for wheat and other allied crops such as linseed, lakh, gram, etc. In Umrer a very small area is used for cotton the major portion being utilized for sowing rice and wheat and winter juar, linseed, gram, etc. In Ramtek rice is sown in lesser quantity than in Umrer. It is generally a wheat tract, cotton is also sown in some portion. The tendency generally is to increase the cultivation of cotton wherever possible. It is held to be the most profitable crop and with good reasons.

The average yield of cotton in ordinary land per acre is about 200 lbs. which will fetch as at present Rs. 28, a little more or less. The expenses generally will come about Rs. 21 per acre. Thus his profit for cotton per acre will be about Rs. 7 minus Rs. 2 for manure to keep up the production. So it is Rs. 5 net. Juar yields about Rs. 20, including the price of karbi with about the same expenditure for cultivation. The expenditure after the beginning of sowing operation to the harvesting is lesser. The total expenditure comes to about Rs. 15. So a balance of Rs. 5 per acre is left as profit minus Rs. 2 for manure to keep up the soil. So Rs. 3 per acre is the net profit. In both cases it is presumed, 20 acres of average land is in the cultivator's possession.

As for wheat soil cultivation of about 15 acres of land can be made with one pair of bullocks, while in the case of cotton and juar 20 acres of land is necessary. His cultivation expenses come to about 20 per acre. About Rs. 25 is the yield per acre. So Rs. 5 minus 2 for manuring, that is, Rs. 3, is the net profit per acre, assuming of course that the cultivator is in possession of 15 acres of lands.

Generally, the cultivators do not possess that much land. It is about half of his requirements and so he cannot utilize his energy. So there is a waste of labour in this case and consequently a rise in cultivation expenses. He has recourse to picking lands for cultivation or lease on such conditions as leaves a very narrow margin of profit and many a time he is in loss and has to make good the loss from his own cultivation or by borrowing. So my above statement will not show the real state of things that exists in the village. The evil of fragmentation of land is thus very great. Some cultivators till land of a more than sufficient acreage, but the land being very poor, does not yield a sufficient crop to support him, such lands should in my opinion be not allowed to be cultivated and left only for grazing purposes. So the energies of a cultivator would be better utilized and he will be free from the temptation of cultivating it. The tendency of the village people is to avoid working as a servant or a day labourer to satisfy which he has to make up very great sacrifice by resorting to above mentioned makeshifts he chooses to live in hopeless poverty and to suffer the troubles of sowkars; by the by I may mention here that the lease money is not the sure criterion about the calculation of the profits of the fields in question as a higher lease money is paid to secure the right to cultivate the field to avoid working as a servant or a day labourer. How to stop fragmentation and division of land into small plots is beyond my comprehension to suggest.

The expenses during cultivation in cotton tract are incurred generally for purchase of seed, expenses of sowing, weeding and picking cotton and harvesting etc. Money for the weeding of cotton is very necessary and major portion of borrowing during cultivation is required for that. The requirement varies according to the demand and supply of day labourers and to the distribution of rain during season. The next in importance is the money required for picking cotton. In cotton area about 3/5th of the acreage is occupied by cotton and the other 2/5th is occupied mainly by juar. A cultivator of this tract required during the season of cultivation Rs. 70 per holding of 20 acres each. He gets this money from (1) sowkar, (2) dalal, (3) Pathana, (4) co-operative societies (5) *lamani* (sell in advance before the crop is ready). These Rs. 70 are generally borrowed in the middle of July and is required to be repaid

**MR. R. B. PATWARDHAN.**

by the middle of January, namely, for six months. For this period, excepting in the case of co-operative societies, he is obliged to pay Rs. 8-12-0 to Rs. 17-8-0 a crushing charge indeed for interest. If he could have borrowed the above sum from the co-operative society he would have been required to pay only Rs. 4 and trifle more for interest. Members of a very few societies in the Nagpur district take advantage of this. Every Society's credit is fixed by the Registrar and every member's credit limit is fixed by the society. In the application for loan which they generally submit in March and April the demand reaches the limit of their credit. They leave no margin for taking loan for weeding purposes at all and so lose the advantage of getting money at cheap rate.

They have no foresight, they have no idea of a budget. Their habit is to make as much as they can get and go on spending till they have got it, without stopping to think about the best and most profitable way of spending that money. The cause of this and the only cause in my opinion is ignorance. The chief remedy required to ameliorate the condition of the poor is to educate these people. The education has two sides to drive away, illiteracy is one side. It has its good effects, but the more useful side of education is as follows:—

(1) To point out to them the harmful social customs to which they are bound hand and foot by long habit and ignorance and to suggest remedies to remove these if not at once by and by.

(2) To acquaint them with their rights and privileges with regard to other people generally and with regard to their Government and their representatives.

(3) To teach them the use of money and to show them how to obtain and how to spend it in a way conducive to their welfare in the long run and to give them the correct and vivid idea of the horrors of being in debt.

(4) To point out to them the harmful practice that has crept in their religious observances and to give them correct idea about moral character.

(5) What improvements in cultivation are within their reach and the way to effect those.

From where to borrow money for their necessities which would be easy to get and which would carry comparatively light interest.

That is the sort of education needed to be imparted to the village people and unless this or some such sort of education is imparted no remedy found out to redress their grievances would be of any use for this purpose self sacrificing and energetic young men ought to come forward if any thing useful is to be achieved with regard to the improvement of the condition of the village people or in short to try work out village uplift.

The money for capital for permanent improvement of cultivation is got through sowkar, Government and co-operative banks. At least in Central Provinces it should be the duties of the Government to advance money to the cultivators for the above purpose.

The Government advances money for their purposes, but radical improvement is necessary in the procedure to advance money and also in the ways the recoveries are effected. The Tahsildar of the tahsil gets his information and recommendation from the patwari class of whom less said the better. I would like to suggest some remedy to wipe out these effects.

A committee for every pargana of a tahsil be formed consisting of members, say some of nominated by Government. The cultivators desirous of obtaining loan for capital expenses should forward to this committee and the committee after scrutinizing the application should forward it to the Tahsildar with their remarks, then the Tahsildar, if he agrees with recommendations of the committee, should advance the loan to the cultivators in question and Tahsildar should pay particular attention to his getting money in the tahsil without much trouble. About a month before the due date information be sent to the cultivator reminding him of the approaching date of payment, and if after all a default is committed, the machakuri or the tahsil peon who goes there for attachment be accompanied by at least one member of the committee. In this way it will be a guarantee against harassment.

The reason why it is more profitable and advantageous to obtain money from the Government is that no question about the tenants' rights over their field crops up because Government loans is the first charge on the land.

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The second source to obtain money for capital expenses is from sowkars, but they think twice before advancing loans. Generally, they advance loans to those cultivators of malik-makbuza or absolute-occupancy fields. The rate of interest on mortgage varies from 9 to 24 per cent per annum. It is a very high rate of interest if we consider the big amount borrowed. The field which they might have purchased by that money or the big improvements which they might have effected by using that money in the field will be very difficult to retain by paying such high rate of interest. The next source of obtaining money is the co-operative Society, but the society also will not advance a big sum to members who do not possess transferable lands. It is very difficult for cultivators possessing non-transferable lands to obtain money for capital expenses. Only Government can advance it as Government money has the first charge on the land. The co-operative societies will be very willing to advance loans to such cultivators if Government would pass rules which would enable them to have some hold on their non-transferable lands. It may be of first charge on the land after the satisfaction of Government debt or it may be in society's power to lease out their lands for the satisfaction of their debts. I am personally against giving transferable rights to the tenants possessing non-transferable land, because the existing law has saved tenants from the clutches of the sowkar. It is not in their power to oust the cultivator from his land so they have been able to retain the lands if transferable rights are given to them in a few years they will lose their lands and will become coolies and day labourers.

The establishment of mortgage banks is very necessary as it will save many big estates that are heavily encumbered and are in the way of going out of the hands of its owners owing to very high rate of interest. Other banks, such as Imperial Bank, do not help cultivators at least directly and to secure big loans he has to roam about in search of sowkars advancing money on mortgage of their transferable property, sowkars advance loans of big sums bearing high interest from 12 per cent to 18 per cent. This is sure to ruin the cultivator and will necessitate to loose his property in the long run.

The chief marketable products in this district are cotton, wheat, linseed, tur and juar. Residents of villagers that are far off from the market and have no good road communication to the market sell their products to the petty dealer in cotton and grain. As regards the difference in rates prevailing in the market and that which is offered on the spot is not much to complain when we consider the capital he has to engage and the trouble he has to undergo, but the chief mischief lies in the weights and measures that he uses at the time of purchase. The cultivator being helpless owing to circumstances above mentioned and being ignorant of extent to which he is being defrauded by the unscrupulous and clever dealers submits weekly to the dealer's way of purchasing. In such places sale and purchase shops on co-operative lines would be very useful to the residents, but who and how to conduct those is a question of questions. As long as they are not capable of knowing their own real interest, interest property through ignorance of such institutions cannot thrive. Active propaganda to educate the villagers is the only remedy to save them from mischief of the dealers. In the market their products are sold or auctioned through *dalals* that receive licences from the Municipality at least it is so done in Nagpur proper which is a big market. The dealings in the market are not fair to the producer. In the grain market dealers with the help of the *dalals* and the *mojars* take undue advantage of their ignorance and their helplessness as there is no other way to dispose of their products bought in the markets. As for cotton market cotton or *ruji* is sold and auctioned through the *dalals* who receive commission both from the sellers and the purchasers at the same time. He receives more from the purchasers and so to a great extent is inclined towards purchasers.

In a dispute about the quality of cotton or *ruji* in question the *dalal* is supposed to represent the seller. But in reality he cannot fight sellers case from whom he receive less money. It is no fight, it is a sham fight. My suggestion is that services of a responsible Government officer at least for the present are necessary to supervise the workings of the market and he should be empowered to act as an arbitrator in any dispute between the two parties of course he is expected to be easily available owing to the want of active and self-sacrificing agency to work, sell and purchase shop in big market places also will not prosper. Self-sacrificing energetic young men in large number are attracted mostly by political institution; so long as they are not attracted by this sort of social service no attempt of establishment co-operative shops will

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be a success. It may succeed for sometimes owing to a happy co-incidence of coming across a reliable and energetic man to work as an honorary or paid servant, but it will be an exception.

### Oral Evidence.

*Nagpur, the 10th February 1930.*

*Chairman:* I understand that you are the Secretary of the Nagpur Co-operative Bank?—Yes, sir.

Do you hold any land?—Yes. I am a malguzar of one full village and one two annas share in a village in the Nagpur district. One is near Bori and the other is near Kanholiban. These are in the cotton tract.

You have alluded to the evils of fragmentation of holdings in your written statement. Could you give us any further details on this point or are you making a general statement?—In my village there was one Maratha gentleman. He held 15 or 16 acres. He had many sons and they divided the land into four acres per head. The average holding in my village is about 12 to 13 acres. The above case is a special case.

In your reply, although you have dealt with other subjects, you have given us very little information with regard to the co-operative bank of which you are the Secretary. How many members have you got in your societies?—About 3,000 members and 200 societies.

What is the share capital?—Rs. 78,000. The working capital at present is about six lakhs of rupees, all of which consists of deposits.

You are, I dare say, aware of the great importance of encouraging the thrift habit among the agriculturists in India, and that one of our duties is to devise some scheme for that purpose. Up to now your societies have not been very successful in encouraging savings. Have you any deposits by members in the local societies?—None.

The deposits in your Central Bank would be from urban areas. Is it not?—Yes.

No body from the rural areas has made any deposits either in the Central Bank or in the societies?—No.

Could you make any suggestions for encouraging the thrift habit in rural areas?—We should have propoganda to that effect and should educate the agriculturists: then they will understand the value of thrift.

Have you any personal experience of the working of the post office saving bank?—No.

What is your opinion with regard to the proposal that the Central Bank should issue cash savings certificates to be deposited with the societies for sale on demand? Do you think that this would be a good scheme?—It is worth trying. I am not prepared to give a considered opinion on this.

*Rao Bahadur K. V. Bruhma, C.I.E.:* You have replied to the Chairman that the evil of fragmentation is great. Are you aware that an Act has been passed by the local legislature to consolidate holdings?—Yes, I know.

Is it made applicable in your district?—No.

Do you think that that Act will do good if it is extended and made general for the province?—I have not studied that Act and I would not be able to give any opinion on this point.

You have stated that fragmentation arises on account of the division of land owing to the laws of inheritance. Have you an idea of changing these laws?—I would like to have the laws of inheritance changed.

It seems to me to be your opinion that lease money is not the criterion of profits of the fields. You mean I suppose rent which is not the real lease money. Is that what you mean?—Yes.

In how many cases do you think tenants merely agree to pay, but do not really intend to pay?—Not in too many cases. I would put such cases at 5 per cent.

Is not ordinarily the lease money an index for determining the income of land?—I would never take the lease money as any indication of the income

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of land. At times the people pay more as lease money. It is only latterly that this is going on in the cotton tract. I would put it down to the boom period in cotton.

In your written memorandum you have suggested a scheme in connection with the advances made by Government for permanent improvement in land. You have suggested that there should be a committee for each pargana of a tahsil and you are desirous that applications for loans should go to this committee and should be scrutinized by it. It has been suggested to us by people that applications for loans are not as promptly dealt with as they should be and that there is avoidable delay. Do you think that the scheme that you have suggested will secure that promptness which people desire?—It depends upon the persons who are selected to the committee. I think that non-officials would be in a position to work out my scheme and I expect no delays.

In another part of your written statement you have suggested that land mortgage banks should be brought into being. The establishment of land mortgage bank postulates that persons who take money on mortgage should have the right of transferring their fields. Are you in favour of giving agriculturists rights of transfer of their land?—I am not in favour of conferring transferable rights to Central Provinces tenants.

How else do you think that the land mortgage bank could work, if no transferable right over land is given to agriculturists?—The land mortgage bank may be useful only to those who hold transferable rights, that is, for absolute-occupancy tenants, malik-makbuzas and to malguzars.

What is the number of these persons who hold transferable rights as compared with those who do not hold such rights?—In an average village in the Nagpur district it may be 20 per cent.

*Chairman:* Would you be surprised to hear that 90 per cent of the tenants have no rights of transfer in the Central Provinces?—I have no personal knowledge.

*Rao Bahadur K. V. Brahma, C.I.E.:* Even if you take it at 20 per cent, it leaves a large margin of 80 per cent of the tenants out of your scheme. The land mortgage bank will be of no benefit to them. How do you expect that these people will get long-term loans?—

My suggestion is that co-operative banks should give loans for such persons and the banks should have such rights as I have suggested in my written statement.

You favour that 80 per cent of the tenants should have some kind of right by which they will be able to mortgage their holdings in favour of the societies. Is it not?—The societies should have the right to take leases from them. The mortgage should really take the form of lease.

You will agree that a bank has got to be run business like and therefore no bank would like to take any risks of cultivation?—The banks should have the rights to take away the land from the cultivators at any time and lease it out to others.

The banks would not get that right unless the individual gets it, because the mortgage is only a substitute for the original man. Are you, therefore, in favour of at least giving some kind of right of transfer either by way of lease or by any other device?—Do you feel the necessity of making some attempt by which right of transfer is given to every tenant before long-term financing can be attempted?—Yes.

Would you be in favour of a scheme which will give facility to agriculturists to hold back their produce by receiving advances and to permit them to sell it at favourable times.—Yes. A scheme with suitable changes and modifications.

*Professor A. C. Sen Gupta:* You say the cost of cultivation per acre comes to Rs. 21 in the case of cotton. Is it for those big cultivators who do not work with their own hands?—From my personal experience that is in the case of malguzar but it is lesser in the case of cultivator who cultivates himself. Pay of the servants will have to be deducted in the former case.

Can you tell us what elements have you taken into consideration?—Sowing, weeding and picking.

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You say that cultivators get money on *lawani* system. Is it common?—Nowadays it is very seldom the case.

You say: "In the application for loan which they generally submit in March and April, the demand reaches the limit of their credit. They have no margin for taking loan for weeding purposes at all." Do you mean to say that the credit limit is not high enough to cover their total requirements for agricultural operations?—It is not enough.

Have occupancy tenants to pay any higher rate of interest than those who can transfer their holdings?—Yes. A little.

Can they borrow as much as absolute-occupancy tenants with holdings of the same size?—No. They cannot borrow.

Will you give them this right to transfer their holdings to co-operative societies and mortgage banks?—No.

You say that there are not enough energetic honorary workers to carry on the co-operative movement. Do you think it will be better to engage paid workers for these movements?—Yes.

*Mr. P. D. Pundlik*: Do you know that they use false weights?—They use certain weights. It is not known what measures they actually use. But the weight by which they take is not used for giving. But the weights may not be false. When the purchaser comes and says that this cotton is of bad quality and is damp and the *Dalal* also says some words in support of the seller, but in reality he sides with the purchaser.

*Vice-Chairman*: You know that there is a law now for consolidation of holdings in Chhattisgarh?—Yes.

Would you favour such legislation for remedying fragmentation?—As far as I understand about the Chhattisgarh law, it is meant to consolidate fragmentation in different places of the holding of the same man. That is not enough. But the fragmentations are not so many in these parts as they are in Chhattisgarh.

Do you want legislation here?—Not necessary.

Is *lawani* system very common in Nagpur district?—It was.

Is it not so common now?—No.

Can you say from personal experience that the spread of the co-operative movement has reduced the rates of interest?—Yes. It has had that effect.

You object to the right of transfer by giving powers to tenants, because you fear that the lands of the tenants will be gradually going into the hands of the money-lenders. Do you agree that such a fear does not exist in the case of the Government co-operative societies?—Yes.

You agree that Government and co-operative societies are not likely to dispossess the agriculturists of their land. Would you therefore agree to the right of transferring occupancy holdings to co-operative societies being given?—I would object to that.

There are malpractices in the cotton market. Have you any idea of the extent of loss which cultivators suffer on account of these practices?—Not more than five per cent is intercepted by the middle men in the cotton market.

*Rao Bahadur M. G. Deshpande*: Since how long are you Secretary of the Nagpur Central Bank?—Since five years.

May I know what rate of interest you pay on fixed deposits in your bank? What rate per cent?—We have come down from 7½ to now 4½ per cent.

Do you know there is a bogus bank here?—Do you know that depositors are taking away money and depositing in banks in Berar?—The tendency is now for the depositors to take away deposits from our banks.

Why?—Owing to rates being reduced.

Can you tell me whether they are taking deposits from the banks to other banks in Berar and what are the reasons why they take away from here and deposit in Berar?—Because they pay higher rates.

Suppose in your bank two branches—one for short-term and one for long-term—are opened. Do you think this system will work well?—I am not sure.

In every society you have got big borrowers—malguzars, occupancy tenants, etc. Suppose if you advance them on their own individual stock, if you advance money to them for long-terms, do you think this will help them?—We should not mix big borrowers and small borrowers together.

As regards taccavi, you have stated that there should be a committee? Do you mean by this a committee of non-officials elected by the parganas or nominated?—Some elected by parganas and some by Government.

Have you considered the scheme thoroughly?—They will not be at the mercy of the patwaris.

Suppose we appoint special officials for distributing taccavi. Do you support this?—Yes. I would support the appointment of special officials who will investigate into this.

At present taccavi is paid five times the rental value of the land. Do you want facility to 20 times the rental value.—If suitable kists are made, I have no objection to 20 times.

It has come to our notice in Berar that penal interest is charged by Government if the payment is not made on due date. Do you think it desirable on the part of Government to charge penal interest at 12 per cent?—No.

Some cultivators sell their lands to support him. Such land, in my opinion should not be allowed to be cultivated. Do you want any legislation for this. They should get such legislation for agricultural purposes?—I want legislation.

Do you find members of the societies take away the whole amount that is kept to their credit. Do they take by instalment? What arrangements they do for weeding?—They borrow from other sowkars. Now we have urged on them to get more money for weeding purposes. Now I think this year they may be induced to take some money for weeding purposes also, and not to take away the whole at their credit.

In favour of co-operative societies the members should be given right to transfer occupancy land. In reply to a question by Rao Bahadur Brahma you have said that long leases should be allowed. Can you reconcile both the statements?—The right to lease away physical transfer.

Do you think at present in the occupancy area power of lease is given to occupancy tenants? Can you recommend a period in favour of societies?—Yes. It should be above 5 to 10 years.

Have you got adatyas shop here?—Yes.

Does it help cultivators in selling their cotton?—It was meant for that but as no self-sacrificing men have come forward to work, it does not work up to mark.

*Seth Narsinghdas Daga:* What is the rate of interest at present?—From 9 to 24 per cent.

You have stated that sowkar charge from 9 to 12 per cent on mortgage or even sometimes at 18 per cent and on personal security 24 per cent?—If the facilities be given to sowkars like those given to co-operative movement, they will also advance money at less rate of interest. If the rate of interest is reduced, he will be able to maintain himself. The cultivators are anxious to have some kind of cultivation so far as possible and not to work as field labourers.

If a man having 20 acres of land works himself and with his family members on the field can he live in comfort on the income of this holding?—He can somehow make both ends meet.

*Chairman:* You have painted a rather black picture of the patwari of the Central Provinces. During our enquiry in Berar, a member of the Legislative Council, who came before us as a witness, assured us that nowadays there were practically no cases of dishonesty or misbehaviour by patwaris in Berar and for that reason he advocated a very wide extension of the present system of taccavi advances. Would you not be able to agree with this view?—No.

Could you cite any instances of malpractices by patwaris?—Have you any personal knowledge?—I cannot give instances about malpractices. But I can say that they are not so careful about recommending.

How much taccavi was advanced in your village last year?—Last year there was no taccavi, but the year before last there was one instance, in which

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taccavi was granted on the recommendation of the patwari for digging a well; but nothing was done. The money was not used for the purpose for which it was granted.

Would you suggest that the patwari was in any way responsible for this?—Yes. The patwari recommended the grant. My complaint is that the patwari sometimes recommends taccavi when he ought not to and sometimes he refuses to recommend when he ought to.

As regards the question of granting some form of right of transfer to the tenants who now hold no such rights, your objection apparently is that, if such rights were granted, the money-lenders would obtain the land. Is that not it?—Yes.

It has been suggested to us that it would be desirable to introduce a Land Purchase Act whereby those tenants who desire to acquire the right of transfer could do so by paying a certain sum to the malguzar. Do you think that there would be any objection to this?—It may be good to the malguzar; as regards the interests of the tenants, it is not good.

It may be good to the malguzar; as regards the interest of the tenants, it is not good.

You do not agree that the ordinary individual is the best guardian of his own interests?—No.

You favour the policy of perpetually keeping the Indian agriculturists in leading strings. You are not in favour of granting them any further freedom of action?—No; unless they are sufficiently educated.

You think that no further rights should be granted in rural areas until education is more advanced?—Yes.

You are aware, I imagine, that the Government has granted the right to vote for the purpose of electing representatives to the Legislative Council to all tenants paying a rent above a certain figure. To that extent Government has recognized their fitness to be the ultimate arbitrators in the Government of the country. Would you consider this to be a mistake?—No.

You think that the tenant is fit to be the ultimate arbitrator in matters affecting the Government of the country as a whole; but is unfit to manage his own private affairs?—He may be unfit for the present; but this will teach him how to use his votes. I am of the opinion that he is not fit to do either.

As far as I can gather, you have not made any study of the science of banking?—No.

There seems to be some doubt in your mind as regards the complete divergence between long-term and short-term loans. I imagine you are of the opinion that the co-operative credit bank which carries on its business upon short-term deposits can also extend its activities to making long-term loans on mortgages?—It is not my view.

You will agree that either the co-operative bank nor any commercial bank which carries on its business on short-term deposits should lock up its resources for long periods?—Yes.

Therefore to that extent it is necessary to have a mortgage bank to meet the demand for long-term loans?—Yes.

You have also stated that the members of your co-operative societies are in the habit of taking advances up to their limit and then proceeding to take further loans from the local sowkars; that is to say, that up to now the efforts of the co-operative credit movement in the Nagpur district has not succeeded in inculcating the principles of thrift and co-operation among the members of the societies?—Not very much.

Therefore you would not be able to say that the movement has been very successful?—It has begun to show signs of success since recently.

You have stated, what is after all a very common phenomenon in the world of finance, that a number of members who previously deposited money with you have withdrawn it for the purposes of depositing it elsewhere at higher rates of interest. Are you of the opinion that, if all the other Central Banks adopted a common rate of interest on deposits, you would receive the same amount of deposits as before?—Yes. They would not have sent their money from Nagpur to Berar.

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Are you aware what rate of interest the joint stock banks, e.g., the Allahabad Bank, grants on deposits?—I think it is 4 per cent.

Do you think that your present rate of interest is too low or not?—We do not require money now and we have reduced our rates of interest. The rate of interest depends solely upon our own demand for money and the current rate in the market.

Would you agree that as long as one keeps up a high rate of interest on deposits, there is no hope of reducing the rate of interest which is charged to the borrowing members?—Yes.

Would you agree to the proposal to finance all co-operative credit societies from the Provincial Bank through its branches and to do away with the local Central Banks or to transform such Central Banks into branches of the Provincial Bank to obtain uniformity in procedure?—It is necessary to have Central Banks. I would favour a greater co-ordination than at present exists.

As regards these honorary workers and paid employees, would you agree that there are at present a large number of educated persons in India out of employment?—Yes.

Would you be prepared to say that these honorary activities are to some extent taking the bread out of the mouths of the unemployed?—I do not think so.

As regards legislation to prevent the cultivation of poor land, this seems to be another restriction on the tenants. Would you agree to the passing of such a law? Why?—Yes. Because some land is necessary for grazing purposes.

You do not take the wider view that restrictions of this kind may have a harmful reaction on the moral of this nation as a whole. Would you not be in favour of an endeavour to make the individual cultivator more self-reliant? Do you not think that your proposal is rather re-actionary?—It is better if people think for themselves.

*Chairman:* Thank you, Mr. Patwardhan.

**MR. V. V. KALIKAR, B.A. LL. B., Pleader and Landlord,  
M.L.C., Nagpur City.**

**Part I.—Agricultural credit and credit facilities for small industries.**

**Reply to the Questionnaire.**

**QUESTION 1.—**The agriculturist obtain finances from the various sources enumerated below :—

- (a) From professional money-lenders, big malguzars, who combine money-lending business on a large scale with their agriculture and also co-operative societies to a certain extent.
- (b) From malguzars, local petty money-lenders, Pathans and co-operative societies
- (c) Besides from those in (b) from Government in case of the failure of the monsoons. The malguzars also help their tenants in the event of the failure of the monsoons, but his advances are usually made in kind. Except the Government all others advance also for the ceremonial purposes.

**Rates of interest.**—Rates of interest vary according to the class of persons or institutions advancing money. For example, the malguzars and professional money-lenders usually charge 9 to 12 per cent. Government loans are advanced at something like 6 to 8 per cent. Co-operative societies charge 9 per cent to the societies, whereas the ultimate borrower gets the money at 12 per cent. Latterly, attempts are being made to reduce this charge. Pathans are the most usurious money-lenders and they charge exorbitant rates of interests varying from 24 to 36 per cent.

Average loans are for short periods and are usually repayable at harvest, but the professional money-lender is not so very keen on the recoveries. The Pathans having limited capital, force recoveries at harvest. Long-term loans advanced for capital expenses or ceremonial purposes range over three to five years, and sometimes over 10 years so as to bring them well within the time limits of law as they are usually secured by mortgages.

**Nature of security.**—Petty advances are made on personal securities on the strength of promisory notes or money receipts, but for big advances usually mortgages of transferable lands are taken. As regards co-operative societies, especially those in Berar, the tendency is to secure all advances by mortgages as there is no knowing when the borrower might pillar with his property. Advances against house property in villages is extremely limited specially in Central Provinces. In Berar, however, house property has some value and advances are made there against by local money-lenders. Sometimes advances are made against crops, but as far as money observations goes, such advances are few in number. Whenever such advances are made prices of the commodities are settled beforehand, and the agriculturist has much to lose. Examples are not wanting of advances also, being made on the pledge of ornaments, but as the average agriculturist is a poor man, the extent of such advances is limited and usually does not go beyond the satisfaction of emergent needs. For sums that are well within the paying capacities of the borrower, co-operative societies do not insist on mortgages. They depend for the return of their money on the character and industry of the man, the virtues which count above everything is co-operative organizations. Pathans are not very particular about security. To them the thumb impression of the ignorant borrower coupled occasionally by securities is sufficient. It is also observed that in order to maintain a permanent custom, a village Bania or the agents of cotton brokers advance money to the agriculturists on the strength of the stock produced.

References have already been made above to the part played by the various agencies mentioned in the question. However to supplement the above one may say that the Imperial Bank does not finance agriculture directly. Money-lenders living in cities having the branches of Imperial Bank sometimes pledge their Government securities or discount their hundis and raise funds at a comparatively lower rates of interest at a time when the money is not required by the Imperial Bank for the commercial purposes. However, the number of such people is and

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will always be limited in the present development of the Imperial Bank of India, branch banking. Joint stock banks contribute a still less share in this respect. Co-operative banks and societies cater approximately for 5 per cent of the total needs. As regards the indigenous banks and bankers, I have to submit that though their number exceeds that of the joint stock banks in this province, their field is also limited. They do not come into direct touch with the rural population unless they are professional lenders first and bankers next. It is the money-lenders, malguzars and other dealers in money that finance the agriculture mainly and there being no co-ordination among these various agencies, the borrowers find themselves at the mercy of their vagaries. Their own resources being limited and of a proprietary nature they try to make as much as possible out of their capital. Besides the above financiers one English company has been working in this province (Imperial Chemical Industries India, Limited). It has opened depôts at various centres, but I do not know about the volume of their business. I would incidentally remark in this connection that some of the provisions of the Indian Companies Act must be made applicable to such foreign companies so that they should be required to submit their financial statement to the Director of Industries.

My idea is that a district like Nagpur must have been requiring about 1½ of a crore of rupees. I calculate it thus. I take the total number of villages to be 2,000 and each village consisting on an average of 50 families having the incidence of debt of Rs. 100 per head.

The extent of the grain advance is not known. The terms of such advances are that the grain is advanced on the *sawai* system, repayable in kind at the harvest which period usually ranges between four to six months.

*Defects of the present system* have been incidentally pointed out above. To recapitulate and add a little more one may say that the usual borrower being drawn from the ignorant class he has no sense of the money market. He is attached to this or that money-lender and he is deprived of the advantages of competition. The money-lender having his eye upon his profits and increase of his working capital, he is indifferent to the interest of the borrower. The borrower not being able to examine the accounts of the money-lender he often falls a prey to the mischiefs of the agents of the money-lender. It is also found that the borrower has to pay some tip to the middleman to arrange credit. Though the rural borrower has best security to offer, he is deprived of the money belonging to the urban population which is waiting for investment. The Imperial Bank by its constitution is precluded from making long-term advances. Secondly, it is not allowed to make advances on mortgages of landed property. Same is the case with commercial banks. Special kinds of banks are therefore absolutely necessary. Co-operative banks can solve this problem to a great extent, but they are not making much progress. I think land mortgage banks are a great desideratum and the same, if worked on sound lines, will contribute a responsible share to the rural finance. Similarly, the policy of joint stock banks must be liberalized and also their number increased.

At present, as already stated, there is no co-ordination between the various financial organizations. Money-lenders' place in the market is what it used to be years back. His sphere and outlook remain unchanged. For this a general national system must be evolved as they have in foreign countries. I am not, however, in a position to describe the details of this system.

**QUESTION 2.**—Generally, villagers take their crops to the neighbouring markets, purchasing their small requirements under barter system which is now not much in vogue on any appreciable scale, though for petty things it is still resorted to. Very often the agents of the grain dealers residing in small towns make their purchases in villages wherefrom the corn is removed to their headquarters or carried to the grain market which is either a big village or a taluq place. From taluq places in turn the corn is distributed in all parts of the country wherever it is in demand or sent to Bombay wherefrom it is exported.

The possibilities of forming pools and of general co-operative effort for marketing the produce have not been investigated by me. However I think they are limited in a tahsil like Umrer where the general standard of intelligence of the people is low. The experiments could be tried in Katol, Saoner and Nagpur tahsils. I want to emphasize this point as the system, if successfully evolved, would do away with the middlemen. Co-operative organizations could be utilized for this purpose, but it is doubtful whether the credit organization

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would take this up as an auxiliary activity. I for one think that independent societies should be organized for this purpose and before a step is taken in this direction, considerable education and propaganda is necessary. I am informed that stray attempts have been made in some of the cotton-growing districts such as Akola, Buldana and Amraoti for disposing of cotton through adat shops. Agricultural associations also contribute their share, but their activities are extremely limited in this respect. Recently, an adat shop has been started in Nagpur also. Co-operative Department should encourage this sort of activity.

At present credit facilities for marketing produce are practically non-existent. The credit facilities that are required for financing the produce are these. The average agriculturist is badly in need of money as soon as his crops are harvested. It is absolutely necessary that he should hold over his crops till better prices prevail. For this he must be advanced some money to satisfy his immediate needs on the hypothecation of his produce. Agricultural Department should come to their aid. Government should erect godowns at some central places where the agriculturists should stock their grain and it should be disposed of under the supervision of the staff of the Agricultural Department when fairly good prices are quoted in the market. The reason why I am recommending the Agricultural Department to take up this activity is that they are by virtue of their expert knowledge best fitted to grade the produce and sound the condition of the market. They also know the scientific methods of preservation. The banks, bankers, merchants and dealers play no other part in the process of marketing except that of providing the finance themselves, but then their hands do not reach the agriculturists. I would urge upon them to encourage all genuine organizations of the agriculturists and give them the necessary facilities. It is also possible for the co-operative and agricultural organizations to keep the people acquainted from time to time by issuing bulletins of the rates prevailing in the markets. These bulletins should be delivered at places where there are post offices from where it should be made obligatory on the patwaris to take a few copies and explain them to the villagers.

Internal trade is financed by the indigenous banks and bankers and big merchants and sometimes even by money-lenders. The joint stock banks and the Imperial Bank also make advances against stocks of grain. Agents of the exporting companies also play their part. As regards the financing of the foreign trade, I know that in this case it is the exchange banks that play an important roll. Such as foreign companies like Ralli Brothers and Japanese Companies play an important part. As a matter of fact, if I mistake not, there are hardly any Indian organizations that deal in foreign export.

Facilities for internal remittances are hundis, cheques, demand drafts, telegraphic transfers and postal insurances.

QUESTION 3.—The average prices of land are as under:—  
Factors affecting the land:—

	Rs.	
Cotton soil	300	per acre.
Paddy bundhans	100	do.
Wheat soil	100	do.
Juar soil	50	do.

Factors affecting the value of land:—

- (1) Fertility of the soil.
- (2) Proximity of land to the village.
- (3) Proximity to the town or a railway station.
- (4) The facilities of irrigation.

In (a) and (b) the determining factor is competition among bidders, whereas in (c) the needs of the purchaser and the seller are the deciding factors. The points mentioned above also have been responsible in fixing the prices. Similarly, the tenure of land counts a good deal.

QUESTION 4.—Occupancy holding, majority of these holdings are of this character in Central Provinces, cannot be mortgaged. There are also restrictions on the transfer of sir land. No mortgage bank as such has yet come into existence though sometimes back a co-operative committee has brought out a report on land mortgage banks. The conclusions of the committee have not yet been a

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practical proposition. The committee in question has recommended starting of two banks in Berar as an experimental measure and I hope the Government will give the idea its necessary support. The co-operative banks under their present constitution cannot adequately solve the question of long-term loans though they are not debarred from rendering such help as is compatible with their limited means.

Secondly, the indigenous banks and money-lenders also play a prominent part in financing the long-term loans, but they are not adequate to the needs of the province. Moreover the terms on which they are advanced weigh heavily upon the borrowers.

It is therefore absolutely necessary that special organizations called the land mortgage banks must be started in the province on the lines suggested by the aforesaid co-operative committee. Such banks already exist in Native States like Baroda and Mysore, as also in the Punjab, and I would request the local Government to make a study of these and like organizations obtaining elsewhere and contribute its share in solving the problem of the indebtedness of the Indian peasantry.

*Methods of work and raising capital.*—(1) Co-operative banks raise their capital by accepting long-term deposits. They also utilize a portion of their share capital in financing such loans.

(2) Money-lenders and indigenous bankers generally finance from their resources. The bankers, however, also accept deposits from the public and utilize them in advancing long-term loans.

In order to ensure the interest of those who advance money on the security of mortgages for long periods, including the land mortgage banks, the records of rights maintained by the revenue officers must be able to show the transfer of properties, by sale, mortgage of gift. For this a memorandum certifying the registration of documents in the Sub-Registrar's Court must be forwarded immediately to the revenue officers who in turn must make it incumbent upon the patwaris to make the necessary entries in the jamabandies.

(a) As regards making any entries establishing ownership of property, it is submitted that any measures of rules going beyond the present practice would complicate matters and vitiate administration of law by the civil courts.

(b) Present procedure in this respect need not be simplified in favour of the mortgage banks.

(c) The facilities which are at present extended to co-operative banks and societies may also be extended in favour of the land mortgage banks. As regards the sources of capital of the land mortgage banks, I am not in a position to express any opinion. I can only say this much that the interest on the debentures, if at all issued, should be guaranteed by the Government. This will facilitate the sale of debentures. The Secretary of State has guaranteed the payment of interest in Bombay and it has been a great help in raising of the funds to the Bombay Provincial Co-operative Bank. Similarly, the debentures must be included among trustees securities and that will be rather a helping factor in the sale of debentures. I would also propose that Government should each year set apart a portion of its funds to be lend out to the agriculturists through the agency of the land mortgage banks charging interest at a rate not exceeding what the Indian Government pays on securities.

QUESTION 5.—I could submit to the committee an estimate of the indebtedness of one of my malguzari villages. It is approximately correct. The information has been gathered partly from my record and partly from enquiries made from residents of village.

Chinnazari is a small village in Umrer tahsil of which I am a malguzar. It has a population of 200 souls having 50 dwelling houses. I have to pay Rs. 457-3-0 as land revenue.

(a) Mortgage debt is only Rs. 116.

(b) Nil.

(c) Rs. 200 borrowed from a cotton broker on sawai system and the amount is payable on the sale of cotton to him at market rate. Rs. 3,000 have been borrowed on personal security on simple money bonds.

In addition to cash advances, there are also advances in kind to the extent of 20 khandis.

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**Purposes of debts—**

- (a) No prior debts.
- (b) Rs. 1,000 for marriage and other ceremonial purposes.
- (c) Nil.
- (d) Nil.
- (e) Ten khandis grain for seed and two khandis for maintenance  
Do not borrow for manure.
- (f) Nil.
- (g) Rs. 400 for permanent improvements.
- (h) Rs. 300 for cultivation of fallow lands.
- (i) Rs. 500 for house building.
- (j) Rs. 200 for the purchase of bullocks.
- (k) Rs. 516 balance, for maintenance.

The above loan is mainly due to the malguzar. The usual rate of interest charged to the debtors by the malguzar is 9 to 12 per cent. Generally a penal clause is inserted in the terms of loan that 4 annas per cent higher would be charged in case of three defaults in payment of the kista. People generally pay interest regularly. Instalments sometime fail.

There are in all 37 tenures of whom 24 are inhabitants of the village and 13 are outsiders. I have not noticed latterly any efficient farmers turning into tenants-at-will or for a period.

**QUESTION 6.**—I shall take each of the subsidiary industries seriatim. I am referring here to the conditions of Nagpur district, but occasionally I shall speak in the light of my knowledge of other neighbouring districts.

**Rice-milling.**—In the first place majority of the villages in Nagpur district do not grow rice. It is only Umrer and partly Ramtek that grow it. In villages they have their crude method of rice-milling and it is done for local consumption. In big villages like Bhiwapur and Mandhal (Umrer tahsil), big grinding wheels are used, but the power used is man power and the industry is owned by people who are not necessarily agriculturists. I hear of the rice-milling in its real sense being started in Mandhal where they are going to set up machinery. In tahsils like Goodia, however, the industry is carried on modern lines, but not again by agriculturists.

**Dairy-farming.**—This is carried on not in the sense we ordinarily understand. Nearly 10 per cent of the rural people keep a buffalo or two each and add to their income by turning the milk into ghee.

**Gud-making.**—This is carried on in parts of Ramtek tahsil, but comparatively it is more extensive in Bhandara and Chanda districts. Here too the number of people engaged in this industry is limited.

**Garden produce.**—Mangoes, guava, berries, plantains and oranges are the usual produce of garden and there are several people supplementing the ordinary agricultural income by growing these.

**Cotton-ginners.**—Confined to big people capable of employing machinery. Old hand-ginning presses have almost disappeared. While sugar-refineries are seen nowhere. Other industries such as hand-spinning and biri-making and others stated in the question are confined to particular classes who are mainly non-agriculturists.

Besides the above sources of income there are others which may be mentioned. They are not industries, but they are a source of additional income to the agriculturists. For example people living near railway stations ply carts; people living near stone-quarries work as labourers; some people pick up mahua, tendras and other fruits and similarly there are others who collect biri leave and make biris and also make green leave dishes (*patrawali*).

Each one of the above mentioned industries is capable of improvements both in extent and quality, for which the Agricultural Department should ramify its activities. Question of finance is not so important today as of an educative propaganda and practical demonstrations. However in some of the industries such as rice-milling, gud-making, dairy-farming and weaving better finances and close supervision are likely to bear good results. Co-operative organizations will be able to do good deal in this direction. A detailed study of the possibilities of

each must be investigated and I would even go to the length of saying that the question of subsidiary industries deserves an independent investigation. My experience is that for children and old ladies there is sufficient work for the agriculturists all the year round; only that they are to be taught how to utilize their time best.

### Part III—Investment habit and attraction of capital.

**QUESTION 1.**—The existing banking resources are fixed deposits, savings bank and current accounts opened by people with co-operative banks, joint stock banks and the Imperial Bank. The first and the last accounts are opened with the private bankers also. So far as I am aware, this province has not felt the dearth of capital for financing the trade and commerce of the province.

All the aforesaid banks and bankers and also the postal departments have been instrumental in encouraging the savings and investment habits. Similarly, co-operative banks and societies have also exercised a potent influence in encouraging these habits. People feel a sort of affinity, specially because of the objective which consists in financing the agriculture for the co-operative banks. This is so far as the urban population is concerned, but in villages, big and small, these facilities for savings and investments are still wanting. Village post offices are not within an easy reach of several villagers and even if they are, rural people are not attracted towards them owing to ignorance. To quote figures there were 10,730 post office savings banks in 1923 to nearly 5 lakhs villages on that date which gives one post office savings bank to 50 villages. They therefore naturally resort to gold and silver. The village co-operative societies must be made capable of attracting the savings of people, at least those that are situated near the headquarters. They must be allowed to maintain the 25 per cent of the savings as the till money and for 75 per cent they must obtain cash credit from these financing banks. This will be possible only where there is a member or two who are literate. Instances are not, however, wanting where the village co-operative societies have attracted fixed deposits, but even here again the financing banks must take all precautions and see that the societies do not allow their credit to be shaken. Illiteracy of the rural population always acts as a stumbling block in any progressive movement and it is felt more keenly in the progress of co-operative movement, where maintenance of the proper accounts is an important factor. There is yet another alternative; special thrift societies may be started at various places both in the urban and rural areas and that would be another agency for encouraging the saving habits of the people.

Indians on account of their social customs and traditions invest a portion of their savings in gold and silver in the form of ornaments. We usually find among the critics both of East and West a tendency to find fault with this system and nick-name it is hoarding habit. As a matter of fact much could be said on either side. Even Europeans are not free from these habits, and in addition they also invest a good deal in furniture and rich clothes which as money's worth are not serviceable in time of need. In justification of our Indian brothers it could be said that considering the facilities available for saving in villages, the majority of the people of India live in villages, I think this tendency is excusable. There is also another reason why this tendency still prevails. Credit being not ordinarily available without security, people pawn their ornaments in moments of dire necessity and obtain money. Especially during the time of failure of monsoon the ornaments serve them as reserve money and thus fall back upon it.

**QUESTION 2.**—In view of the lower yield on Government securities and their fluctuating prices according to the conditions of the money market, the postal certificates are very popular among people of limited means, so much so that during the past few years they have attracted nearly 20 crores of rupees.

I have very little to say about the increase of interest as I think, as compared to those on Government securities it is quite good.

The Government itself is a great banker, a function which in India the States never performed. And as such the Government has entered into competition with several bankers and money-lenders. I should have not been sorry for this if the money had been spent by Government in nation-building departments. Efforts should therefore be made to make at least a portion of this available for the country's direct economic needs.

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**QUESTION 3.**—At present the Government securities are purchased through post offices, Imperial Bank of India and other banks. When new loans are floated there are special arrangements for their purchase at the treasuries and at any branch of the Imperial Bank of India. But as regards those that have ceased to be so, they are purchased through brokers in Bombay, Calcutta and other places, where stock exchange exists. I do not think that small agriculturists are in need of any of the facilities in question as he has little or no interest in. He produces as much as is necessary and more often than not even less to make his two ends meet. Otherwise the indebtedness of the Indian agriculturist would not have become so proverbial. If some of them are fortunate enough to lay by something, they purchase gold and silver, build cattle sheds, do a little money-lending or aid a plot of land to the property.

Various groups of people have various habits. Usually the non-agriculturists are better off financially than agriculturists. The weavers are by nature podgial. The Muhannadana live in small numbers in villages, and those that do, they are generally labourers and duffers. The upper class are very prudent. The poorest man is the agriculturist. Some of them who are not bad and can save a little, keep their money with themselves in their own vaults or underground. But the buried wealth of India has now nearly disappeared. There might be solitary instances of a miser here or there who resorts to this archaic and crude method.

Much capital is made of the hoarding habits of the people of India both by our own men and those of the west who are given ordinarily to understand that India has much hoarded wealth. Even taking into consideration the figure of Rs. 200 crores, which is said to be representing the figure of the hoarded wealth, the average strikes at Rs. 7 per head. This money is no doubt unproductive and lying idle, but if we could take into consideration the investments of the people of the West in luxuries, furniture, clothes and ornaments it would be found that the money of the most advanced people of the world is being uneconomically employed. Our Indian misers have at least this satisfaction that if they cannot use it the posterity would use it productively.

Yes. The farmers lend to their fellow-agriculturists, but on very usurious terms. Whenever the agriculturists have a prosperous year some of them spend their surpluses over ceremonial functions such as marriages. Others make provision for bad years by purchasing gold and silver and add a little to the property or replace their bad bullocks by good ones or build cowsheds, or liquidate their old outstanding debts.

**QUESTION 4.**—I have very little information on this point. I can, however, see that the abolition of stamp duty must have helped a good deal in developing the cheque habit of the people. I think in order to stimulate this habit Government servants drawing handsome salaries should be paid by means of cheques, so that they should be inclined to open accounts with banks and make their own payments by cheque. I really regret to find that as one author has rightly said: "This is the only country in the world where vernaculars are at a disadvantage in the matter of cheque account. I would also add that the rank ignorance of our people even of the rudiments of reading and writing, is also responsible for the slow growth of the cheque habit."

#### Oral Evidence.

*Nagpur, the 11th February 1938.*

**Chairman:** I understand that you are a big malguzar?—Yes. I own about thirty villages in four districts of the Nagpur Division. I am the member of the Legislative Council for Nagpur West (Rural).

**Do you also do money-lending?**—Yes, on a very small scale. I finance only my own tenants.

**We note that in your village, which you have mentioned in your written memorandum, the indebtedness of the tenants is comparatively slight.**—Yes, so far as that village is concerned.

**Is that village situated in the rice tract?**—Yes.

**Am I right in saying that during the last five or six years the rice tracts have had good years?**—Yes.

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I think you will also agree that agriculture is of necessity a very uncertain profession and that the outturn is bound to vary from year to year and that in India variations are even greater than elsewhere and that, therefore, it is impossible for any agriculturist to draw up a precise budget of income and expenditure?—Yes. Even educated persons cannot make any accurate budget of their income.

Whatever he gets from his kharif or rabi crops must suffice for his expenditure throughout the whole year till the next crop comes?—Yes.

What do you consider then to be the original cause of indebtedness. Would it be correct to say that even the careful agriculturist may be compelled to borrow money if a succession of bad years comes?—Yes: if there is a succession of three or four bad years. So far as my experience of my villages goes, I find that those tenants who are very careful and who are industrious are not in need of any loans if there is a succession of two bad years; but if there is a succession of three or four bad years, they require loans.

Therefore a good and industrious agriculturist puts by sufficient for one year's reserve?—Yes, mostly in kind.

But we have found, as a matter of fact, that in many parts of the province, quite a large number of the agriculturists, excluding those who are hopelessly indebted, habitually borrow money for purposes of sowing, weeding, ploughing and other operations, which they repay if they can when the harvest comes?—My experience is that a larger portion of the debt incurred is for marriages and other social customs. Careful and industrious agriculturists do not require any loan: while ordinary agriculturists who do not know the improved methods of agriculture and who are not careful about their expenses naturally require loans every year. In every village of mine I see that 20 per cent of the tenants do not require any loans. The difficulty is that some of the tenants have not learnt the habits of thrift and therefore they spend much over marriages and other customary habits.

As regards borrowing of money, circumstances may arise when it is advantageous for a man to borrow. I would suggest the case of a tenant who, if he does not borrow money, is compelled to sell his crop in a hurry at a low price. Therefore the mere borrowing of money is not a bad thing, provided he can get money at a low rate of interest and expend it on some profitable purpose. Would you not agree to this?—Quite so. But he must not be habituated to getting loans every year. I will prefer a man who does not borrow money, rather than a man who borrows and makes profit out of it.

You will agree that our two main functions would then be (1) by the development of the thrift habit, to reduce the number of persons who habitually take loans, and (2) to endeavour to improve credit facilities and lower the rate of interest on which money can be borrowed by those who are still compelled to borrow money?—Yes: so far as the rate of interest in my part of the province is concerned, I do not think that it is too much.

You state that the professional money-lender is not very keen on his recoveries: for that reason it has been said by many persons that he is more popular with the agriculturist than other financing agencies who are more strict in recovery. Is that so?—Yes. The professional money-lender who lends money to the agriculturist naturally gives it on his credit and he thinks that he will be able to recover the money. Though not very keen in getting recovery, he would not allow the period of limitation to expire. On the other hand, Pathans and Rohillas are very unpopular, because they use unfair means, while the professional money-lender would go to the court of law.

Could you tell me what class of persons borrow money from the Pathans and Rohillas?—Those who go to them are those tenants with such poor credit that no other money-lender would lend money to them. Also the illiterate classes of agriculturists and those who are not industrious are more liable to be tempted to borrow from the Pathans, who do not look to the credit of the borrower and therefore think they can easily recover their money by unfair means and these people fall prey to this mischief. I am against these Pathans and Rohillas lending money and I would like to abolish them, if possible.

Do you take any part in the co-operative movement yourself?—I have recently become a director. I think the movement is doing some good to the agriculturists in our parts at least.

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Would you at least concede that the mere fact that the Central Banks have been able to collect in deposits a large amount of money, from urban areas, which would otherwise have been hoarded, for distribution to members of societies in rural areas has been of itself a considerable service to the agriculturist?—They are doing service in their own way. But there is scope for more improvement in the methods of the movement.

You have alluded to the question of hoarding and you have said that 200 crores are said to be the maximum hoarded. If this money were deposited in a bank would not the depositor get some interest and would not this sum be available for financing agriculture, etc.?—It is our duty to endeavour to try and get it for the use of others if we can. There should be no risks in depositing.

You have said that Government itself is a great banker. Is it as regards taccavi?—Yes.

Do you think that Government advances enough taccavi or not?—My opinion is that Government is not giving as much taccavi as is wanted.

Apart from the details do you admit that the principles of taccavi are not bad?—Yes, I accept this, but there must be some improvement in the method of advancing taccavi loans and some care ought to be taken so that the needy agriculturists will get taccavi. I have come across cases where needy agriculturists do not get it.

*Vice-Chairman:* But do not a majority of needy cultivators get taccavi?—That depends on officers. I cannot say about other districts, but so far as my district goes, I find some get, but there are many cases in which needy agriculturists do not get.

*Chairman:* I will suggest to you that this is not really the legitimate duty of the Tahsildars. He has many other duties to attend to and it is not really possible for him to look into this as he ought to, and that for large taccavi operations we should require some special staff?—Well, I think he ought to get malguzars and other persons to help him.

You are of the opinion that post office savings banks are too few and far between?—Yes.

Suppose we extend the selling of cash savings certificates to the village schools and school masters or licensed vendors; do you think it would be possible to extract a certain number of saving certificates to responsible persons to be kept for sale and would that serve our purpose?—It will be a matter of time to popularise cash certificates among peasants. If persons know that they get interest for deposits in banks and they can withdraw money at any time, savings banks department would be more popular.

It has been suggested to us that we should not encourage post office savings banks in rural areas, because it is said that the money collected in rural areas thereby is actually employed to finance urban industries and commercial undertakings outside rural areas, and that rural savings should be employed as far as possible in the area from which it was collected?—I have not considered that point, but I do not see any objection to the money deposited in rural areas being utilised outside that area if it is not wanted there.

Would you, on the establishment of a land mortgage bank, prefer the issue of savings cash certificates by the mortgage bank or by post offices?—On the establishment of land mortgage bank I would not prefer the post offices to do it.

Have you any recollection that savings campaign by which large sums of money were collected for the war loan in the time of the War?—Yes.

Do you agree that the large amount invested was particularly due to the interest taken by the local revenue officers?—Yes.

Do you not think that if the revenue officers take the same interest, large sums might be deposited in savings?—Yes.

Would you have any objection to the executive officers taking interest in this movement?—No. I would not.

You propose to add some columns to the jamabandi, so that when a mortgage is registered a note must be promptly entered in the columns of the jamabandi to that effect?—Yes, that is my idea. I think it will go to reduce the litigation amongst the peasants.

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At present occupancy tenants have not got rights of transfer in their lands. Are you in favour of granting the rights of transfer?—I am not in favour of granting such rights without any restrictions.

What restrictions would you suggest?—As an instance I would suggest that the transfer should be subject to the sanction of the Deputy Commissioner. Malguzar should have a right of pre-emption, etc.

Would you allow an occupancy tenant to mortgage his land in favour of land mortgage bank if and when it is started?—I would not. My idea is not to allow a tenant to borrow money as far as possible, because I do not want the tenants to lose their lands.

I will suggest to you that you do not seem to be anxious for the malik-makbuza and absolute-occupancy tenants. Why should you be so anxious on behalf of occupancy tenants?—Malik-makbuza and absolute-occupancy tenants are in fact losing their lands now. But if the malik-makbuza, absolute-occupancy tenants and malguzars get some money from banks, it would do some good to them. My only idea is that nobody should lose his land.

The occupancy tenants are in possession of land for so many years. Could you tell me why then there is no improvement in their economic condition?—There is indebtedness, but though we do not see improvement on a large scale still I find that they are realizing that they must use their land in such a way as would be beneficial to them.

*Vice-Chairman:* Are you aware that there is no lack of detailed programmes for starting various industries, but the real difficulty is that there is utter lack of desire on the part of people to exert themselves during their leisure hours?—I do not agree with that view. There is a desire to utilize their leisure hours, but there is no guide.

Do you not think as a result of lack of general education there is not that tendency to make the most of our time?—That is a general proposition and I cannot dispute it.

Does it not follow then that immediate provision of finance for such industries or a mere setting up for a department of cottage industries for distributing hand-bills is not going to solve the problem so long as there is not a change in the angle of vision?—It is certainly right, but you have to create that vision.

You know that a certain element of rural population is engaged in this cottage industry? If you import fresh people into these industries do you not think that you will displace those who are engaged already and create a fresh problem of unemployment?—I do not think that they will be displaced. If the industries are managed on sound lines there is large scope for the absorption of the products.

Many witnesses have told us that a genuine cultivator has really no spare time, because he has to be on his field throughout the year for performing various seasonal operations. Do you agree to this?—I do not agree to this. There is some leisure left to the agriculturists and they can utilize that leisure for other purposes. In fact my experience is that when the agricultural work is over they themselves take to these industries.

Do you admit that it is very difficult to secure that mental and manual versatility for these people which will enable them to make the most of their spare moments? There is much loose and vague generalization on this subject?—I agree.

You do not suggest that the present money-lender is swayed more by his desire to make more profits than by his desire to pay a fair dividend?—That is not the case with several money-lenders.

What would you think the percentage would be?—It is only petty money-lenders who do that.

Do you agree that mere supply of cheap credit without teaching the people thrift will not solve the problem of indebtedness?—Yes.

Is not the responsibility of teaching thrift more or less beyond the sphere of bank institutions, apart from the co-operative institutions?—Yes. It is also the business of co-operative societies.

*Rao Bahadur K. V. Brahma, G.I.E.:* In your written statement you have summarized the defects of the system of banking. I agree with you to some extent. Do you further agree that in order to eliminate or to minimize this evil it is

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necessary that the factor of personal greed or advantage should be eliminated or minimized? Are you therefore in favour of passing any measure which will enable the formation of money-lenders' associations? Suppose we organized small associations of five or seven persons and made them work under the Co-operative Societies Act so that they may get the advantages of that Act, would you favour such an organization?—I have no objection.

Do you think that such associations will be of any good to agriculturists?—If agriculturists have an easy access to such an association, I am sure they will be of immense value.

Do you think that money-lenders would object to such associations?—I do not think any reasonable money-lender would object.

There is a large class of agriculturists who require long-term loans. How do you propose to advance loans to these men if they cannot make use of the land mortgage banks?—They will have to depend upon malguzars.

Do you expect the present arrangement to continue for them?—Yes. I am of opinion that an occupancy tenant does not require long-term loans.

Is it not your experience that even occupancy tenants are indebted to such an extent that they cannot be expected to pay their debts within short period of one or two years?—My personal experience is that they can pay within three years.

So in your opinion this question of long-term finance does not arise in the case of occupancy tenants. Is it?—Yes.

In another part of your statement you have given us a scheme about marketing. I entirely agree with what you have said there. Do you not think that this method proposed in your system will not result in any loss to agriculturists?—No. I do not think so, because I presume that under my scheme the Agriculture Department of Government will sell the crops of the agriculturists.

Who will be responsible for the loss or gain entailed on account of selling the crops at any particular time?—I think the Agriculture Department should take up that responsibility.

*Vice-Chairman:* Do you assume that there will be a properly trained commercial expert who will dispose of the produce at the right moment?—Yes.

*Rao Bahadur K. V. Brahma, C.I.R.:* Is it your idea that owing to the lack of these facilities the cultivators have to borrow money at a higher rate of interest?—Yes.

Just as you advocate some facilities for marketing the produce of small cultivators will you advocate some facility for big dealers of commodities, for instance, cotton merchants, who want to have their produce held back under another system which we call warehouse system?—I have not given any thought to big merchants and I cannot say anything.

I will just explain to you the system. There are licensed warehouses and the warehouse-keeper grants a receipt for the commodities stored at such warehouses and if that receipt is taken over to a bank, it advances money on the strength of the certificate of the warehouse-keeper and any man who is in possession of that passes on the receipt as a negotiable instrument and eventually the cultivator can wait for favourable time for selling his goods. Do you think that such a scheme would be advantageous?—I do not think there is any objection.

As regards thrift habit, your complaint is that Government is not doing what is possible for it to do. In regard to this may I know if you would favour the idea if Central Banks were to issue certificates similar to postal cash certificates being sold by the village societies to persons who want to deposit their money?—I would favour such a scheme.

*Mr. P. D. Pandik:* You have stated in reply to a question by Rao Bahadur Brahma that the occupancy tenant does not require long-term loans. But supposing an occupancy tenant requires such a loan, would you leave him to the mercy of the sowkar who is indifferent to the interests of the borrower?—Yes. Only petty money-lenders advance loans on very high rate of interest, knowing that the occupancy tenant is in need of money and there they take advantage of his need. So only to avoid this and get over this difficulty if the malguzars are financed from the land mortgage banks, they will treat their tenants sympathetically. Do you mean to say that there should be another agency than

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malguzars?—I do not say that. I have no objection if the cultivator is financed by co-operative societies or village organizations such as suggested by Rao Bahadur K. V. Brahma.

Can you tell me the percentage of cases in which the land has gone into the hands of sowkars owing to the right of transfer in Berar?—I cannot say anything definitely. But I am managing my father-in-law's land, about 200 acres, in Berar and I have seen fields changing hands every third or fourth year. While in Central Provinces occupancy land is inherited by generations.

*Professor A. C. Sen Gupta:* You say that a cultivator is attached to one or the other money-lender. You also say that there is no competition? Do you not think that if a cultivator goes to a different money-lender, there would be competition?—These would be, but then there are not many money-lenders in a village.

As regards occupancy tenants, you would admit that they are as much cultivators as absolute-occupancy tenants and malik-makbuza holders?—Yes.

Does it not follow then that their requirements must be the same as those of absolute occupancy tenants?—Yes.

May I know the reason for your suggestions that an occupancy tenant does not require long-term loans like absolute occupancy tenants and malik-makbuza tenants, because long-term credit is required when a man wants to dig wells or for irrigation or to embank his fields or to make other improvements which require money or for marriages and other social ceremonies. If an occupancy tenant is such a cultivator as an absolute-occupancy tenant and a malik-makbuza tenant, does it not follow that he will require long-term loans as the other classes of tenants do?—I look to this question from one point of view, namely, an agriculturist should not lose his land. An occupancy tenant cannot borrow to a very great extent, because he knows that he cannot mortgage his lands and therefore tries to manage within his means. So if an occupancy tenant is allowed to borrow without restrictions it is just probable he will have to lose his lands.

But do you agree that he requires long-term loans such as anybody else?—My experience is that he does not require.

You are against the occupancy tenant getting the right of transfer, because you think that thereby he will lose his lands. Are you prepared to put restrictions upon malguzari rights for the same reason?—Yes. I am also in favour of restricting the transfer of malguzari rights.

You also propose that cultivators should hold back their produce and sell it at favourable opportunities. Do you not think it is rather a dangerous thing for an average cultivator to follow?—No. I do not think so.

I put it to you that the cultivator, considering the rate of interest he pays, should sell his produce at any prices he can get rather than allow the interest to multiply? Do you agree to this?—No. I think he will lose by that.

In reply to a question put by the Vice-Chairman you advocate the opening of a new branch in the Agriculture Department for holding back the produce and selling it at right moment. This will require large amount of money. Wherefrom do you think this money could be got?—From cultivators only.

Do you think that taking all these things into account, i.e., the high rate of interest, the expenditure to be incurred on the new department and consequent risk of holding back the produce, the cultivator will really profit from the scheme suggested by you?—Yes. Provided their produce is sold by an expert as suggested by me at proper time.

Can you give us any idea of the area under cultivation in your village?—I will give you the exact figure.

*Rao Bahadur M. G. Deshpande:* You have said that the professional money-lender is not very keen on recoveries. May I know why?—By saying that he is not very keen on recovery, I mean that he does not use unfair means for recovery like Pathans and Rohillas.

*Chairman:* Is it not a fact that if they can recover the interest regularly, money-lenders are satisfied and do not bother about the principal?—Yes. But the money-lender takes care that he does not lose his amount by negligence.

*Rao Bahadur M. G. Deshpande:* You say that co-operative banks and societies approximately finance 5 per cent of the total agriculturists. May I know who finances the remaining 95 per cent?—Sowkars and malguzars.

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You say that the occupancy tenants should not get the advantage of land mortgage banks. What remedy do you suggest for those people who would not be getting such advantages?—I have told that malguzars will lend money at a very low rate of interest, if they themselves are financed by the land mortgage bank, he will deal with his tenants sympathetically.

Do you think that there is cordial relation between malguzars and tenants?—I think their relations are not so straitened as are depicted. All the same I think that malguzars will be able to treat them sympathetically because they have to deal with them.

You know that it is said that malguzars look to the lands of their tenants and that is why they are taking nazranas, etc. Do you not think that under the circumstances, the tenants should take money from other sources?—If they can get money from other sources, I have no objection, but I do not agree to the view propounded that malguzars always desire to take the lands of the tenants.

You say that they should approach the Deputy Commissioner and take his permission. Would you explain this?—Just like the absolute-occupancy tenant, in whose cases prices are settled by court in case of disagreement on this account.

You say that the borrower has to give a tip to the middleman. Will you explain this?—There are certain mischief-mongers who deal in these things. They settle the business with the money-lenders. I carry on money-lending at Brahmपुरi in the Chanda district. My agent is there. If my agent is not an honest man, these mischief-mongers or middlemen take some tips for themselves and also pay the agent and arrange the loans.

Do you not think that thereby they will try to deceive you also?—Yes. He tries to deceive both the parties.

Are you in favour of forming pools? Do you think that the formation of pools will not bring loss to our cultivators, because they will get less price for their cotton?—I have not considered the question of pools or combinations of gins and presses.

Do you think that the issuing of bulletins will be of any use, as regards prices and rates?—If the tenants are more educated, there will be some good from these bulletins.

Were you not a member of the Irrigation Committee?—Yes.

Do you think that the agriculturists really get any benefit from irrigation?—Yes. You cannot cultivate rice without irrigation.

Have you heard any complaints from these people?—Yes, they have so many complaints about water-supply, etc.

As regards other industries, you have said only about the Chanda district. Do you think that tenants in Nagpur and Wardha find time for other industries?—The Wardha tenants are fully engaged with their cotton, wheat and juar crops. In Chanda and Bhandara districts tenants have spare time.

It is said in some places that there should be no foreclosure in mortgages and there should be the condition of sale only. Do you subscribe to this view?—It is a very difficult question and I have not considered it.

Chairman: Do you think that in the past the use has been made of irrigation facilities?—The tenants could not make the best use of irrigation facilities owing to insufficient water-supply.

Do you not think that the Agricultural Department is adequately co-ordinated with the Irrigation Department?—No. We have recommended that these two departments should work in co-operation.

Do you not think that the Agricultural Department have given any material benefit to cultivators?—Not yet. Their work should be more widened and the officers of the department should approach the cultivators directly and teach them to adopt new methods of agriculture. It is being done now on a very small scale. Similarly the Veterinary Department has not succeeded in lowering cattle mortality.

A complaint has been made that all these three departments are working in water-tight compartments and that there is no co-ordination in work. Do you think it is necessary to co-ordinate them more closely so as to obtain a common policy?—Certainly. If these three departments worked in co-operation with each other, there will be some good to agriculturists.

*Rao Bahadur M. G. Deshpande:* Are not the malguzars inculcating the habit of thrift among their tenants by not giving them transferable rights in land?—Yes.

*Chairman:* When a tenant knows that his property cannot go from him in attachment, he has no incentive to repay his debts. Is it not?—A man who takes into his head not to repay his debts will do so under any circumstances. He can transfer his land to his relations and seek the aid of the insolvency court. But so far as cultivation is concerned, I think that a man who thinks that he will be safe with his property will give more energy to cultivation and will cultivate more economically and will produce more and there will be less chances of his incurring debts.

*Seth Narsinghdas Daga:* You stated that an association of bankers would be an advantage to agriculturists. Who will control the individual members of the association?—There must be rules and regulations for the association. The individual members must agree to be controlled by outsiders, if necessary.

What advantages will agriculturists derive from an association of money-lenders who will as a body have the same aim as an individual?—The agriculturists will have facilities for borrowing.

At what rate do agriculturists borrow from money-lenders in your village? At what rates do you yourself lend money to your tenants?—From my experience, they do not take at a rate higher than 12 per cent. I lend to my tenants from 9 to 12 per cent.

RAO SAHEB G. K. KELKAR, Deputy Director of Agriculture  
Southern Circle, Nagpur.

Reply to the Questionnaire.

### Part I—Agricultural credit and credit facilities for small industries.

**QUESTION 1.**—The main source for the agriculturists to obtain loans for the purposes specified is the *malguzar* of the village or a *Bania* carrying out money-lending business. This loan is obtained both in kind or cash, the former procedure being adopted for loans for seed or for grain required for house consumption. Loans for other purposes are obtained in cash. *Taccavi* loans are also occasionally obtained from Government and from co-operative district banks where societies exist, but this forms only a small fraction of the total liability incurred by the cultivators for all their needs.

Rates of interest varies from 25 per cent to 50 per cent, the condition for loans given in kind being that the grain is to be returned at harvest. Standing crops are not generally mortgaged. Loans in cash are granted either on personal security or by mortgaging land or ornaments. The rate of interest varies in such cases from 1 to 2 per cent per month or even more according to the financial condition of the borrower. The period for such loans varies according to the requirements.

The cultivator generally obtains his loans as mentioned above from the *malguzar* of village, *Bania* or some indigenous banker. *Taccavi* loans and loans obtained from co-operative banks form a small fraction of total liabilities. Imperial Bank or joint stock banks have practically no dealings with the cultivator.

The present system of granting loans at the current heavy rate of interest either in kind or cash is harmful in the interest of the cultivators on account of the heavy interest which they are required to pay. Such loans go on accumulating quickly and considering the fact that the cultivator has to face some bad seasons no chance is left for him to get the loans redeemed within a reasonable time. To remedy this state, co-operative banks should step forward to grant loans at a reasonable rate of interest. There should also be organizations, like seed unions, in the villages of cultivators themselves. The latter scheme if worked well and developed, would probably be the cheapest source of readily obtaining loans for the agriculturists.

There is no co-ordination amongst the various credit agencies, neither there appears to be any possibility on account of clashing of interest.

**QUESTION 3.**—It is difficult to state the value of land per acre as it varies according to the quality of the soil position and its location. Lands near big cities and towns as well as *khori* lands near about the village are generally more costly than the rest. Rs. 100 might, however, be taken as an average price for land in the rice tract and Rs. 200 for land in the cotton tract.

Sales in the event (a) and (b) would generally fetch a less price than what would generally be obtained by private negotiations as mentioned in (c).

**QUESTION 4.**—Lands with ordinary occupancy right cannot be mortgaged. There are few land mortgage banks so far providing long-term loans.

**QUESTION 5.**—The present indebtedness of the cultivator is largely due to the heavy charge of interest which rapidly increases by compound interest and in the event of the cultivator not having paid his instalments on due dates.

Amongst other causes of indebtedness may be mentioned occasional failure of crops due to bad seasons, heavy mortality among cattle due to epidemic diseases and social customs about marriage. It is generally noticed that a cultivator incurs expenditure beyond his means for the last purpose. It is observed that lands do pass from the hands of efficient farmers to that of money-lenders owing to enforcement of old debt. It cannot be said that this state of things exists in the famine zone only, as other items leading to indebtedness are common everywhere. Heavy burden of indebtedness is certainly a handicap in the way of a progressive cultivator to achieve improvements.

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**QUESTION 6.**—Many cultivators turn paddy into rice at time and then take it for sale in the market instead of disposing of it in the form of paddy. Gur-making and garden cultivation are practised where irrigation facilities are available. Weaving is done by a particular class of cultivators called Mahars. The occupation of carpet-making and basket-making are practically in the hands of non-agriculturists. Industries of dairy-farming, sugar-refineries and hand-spinning are not practised. Cotton ginneries could be seen near about big towns and other important centres. These are generally owned by business men or some wealthy malguzars.

The cultivators could be encouraged to put more crops under garden cultivation by increasing facilities for irrigation with loans on very easy terms of repayment. In the cotton tract ginneries on co-operative basis could be established in some typical villages. It would be in the interest of agriculturist to devote his time only to his land by growing some irrigated crops in his spare time, instead of his taking to any of the non-agriculturists work which might result in deterioration of his land.

### Part III—Investment habit and attraction of capital.

**QUESTION 1.**—Postal savings bank, co-operative central bank and the Imperial Bank of India are the institutions used for investing savings. Advantage is also taken of the facilities offered by way of post office cash certificates. For want of enough branches of savings banks, sufficient facilities do not appear to be provided for the cultivating classes in the villages to invest their savings which are utilized for purchasing gold or silver or even buried underground.

**QUESTION 2.**—More propaganda is needed in making the postal cash certificates popular in the villages. This can only be done by opening branch offices in villages themselves, as the cultivators do not take the trouble of going long distances to invest their savings. As things stand at present, most of the deposits invested in savings bank are from people residing in towns and cities.

**QUESTION 3.**—Some of the farmers who are well off do lend money to their fellow agriculturists on terms which are analogous to those of village sowkars. A well-to-do cultivator would invest his surplus money in purchasing cattle, acquiring more land, furnishing better housing accommodation and in purchase of gold and silver.

**QUESTION 4.**—Use of cheque books is only limited to people who stay in cities and who have got money transactions with big banks like Imperial or Allahabad Bank.

**QUESTION 5.**—Banking and investment habit is no doubt of a very slow growth in India. General tendency of the people being to invest money in gold and silver, acquiring immovable property or even burying surplus money under ground for the sake of safety. Illiteracy of the people is one of the primary causes which have led to some of the kinds of investments mentioned.

There are only two branches of the Imperial Bank in this division, viz., at Wardha and Nagpur. The utility of these banks has not so far come to the notice of the village living population.

#### Oral Evidence.

*Nagpur, the 15th February 1930.*

**Chairman:** What is the area of your jurisdiction?—For the present I am in Berar. I was previously in charge of the Southern Circle which includes five districts.

Can you tell us the ordinary cost of cultivation of rice per acre?—I have not got figures with me. I can supply figures of our costs on the Government farm.

Do you manure?—Yes. We do.

Your costs are relatively high?—Yes.

An ordinary cultivator would not get such good results unless he spends money on manuring?—No.

Apart from manuring what other improvements have you made?—We have made experiments with irrigated rice varieties whereby we get better results. I will file a statement showing the outturns for the last five years.

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How much do you think an ordinary cultivator would spend in cultivating? Have you considered the cost per acre of rice, including transplantation and cutting and manuring?—Rs. 25 to Rs. 35 per acre for rice. When it is Rs. 35 it includes the water rate.

How much would be returned?—The outturn will be about Rs. 35 (unirrigated early crops) to Rs. 50 (of irrigated late crop). The average value of our outturns during the last five years was Rs. 68-11-0.

*Rao Bahadur M. G. Deshpande:* Were you ever in the Chanda district as Extra-Assistant Director of Agriculture?—No.

Have you got any idea about rice cultivation in Chanda district?—Yes.

*Chairman:* You think that the outturn in Bhandara and Balaghat would be better than in the Mul tract of Chanda?—I think so.

As regards manuring, has the department introduced any new measures?—We have experimented so far about sann hemp manure. It seems probable also that ammonium sulphate will be useful for rice for which experiments are being carried on. It appears that if the price of ammonium sulphate does not rise, it would be economic to use it.

You have not gone beyond ammonia. Have you ever heard of ammophos?—Yes. We have tried this fertilizer during the last two years. These fertilizers are being tried in various places: but we cannot say yet whether it will be economical to use them.

*Vice-Chairman:* One of the most important duties of your department is not only to make experiments and research but to bring to the notice of the cultivator the results of your experiments and to convince him of the utility of the improved methods and implements. It is this sort of work that led to the spread of iron ploughs in Berar. I say that even with your present staff it is possible to organize such demonstration on a large scale in a larger number of villages. Do you agree?—No. I do not agree.

For example, I think your Extra-Assistant Directors of Agriculture and Agricultural Assistants can take up a larger number of demonstration plots in a larger number of villages every year and show it before their eyes how improved methods of manure are paying. Is it possible?—We have already a number of demonstration plots and seed farms.

Do you not think that this is being done on a very inadequate scale?—I do not agree with it. We are doing it on a sufficiently large scale. We have got about 100 to 150 seed farms in each district.

I suggest that some of the existing methods of work and ways of the demonstrations are academic and theoretical, for example, you publish literature on the results of experiments in English. Do you not?—They are also published in vernaculars. We have got bulletins, etc.

Have you got any pamphlets showing all the cultivator's needs, for instance, improved methods of manuring, implements, etc., in handy and compendious form?—Yes. We have got some implements, etc., are absolutely demonstrated and information is given as is required.

Do the agricultural authorities visit a village once in three or four years?—Not exactly.

Are their visits few and far between?—Yes, in some cases.

And the effect of such visits is extremely ephemeral. Is it not?—If the staff is much more strengthened, it will be still better.

*Chairman:* Do you think, having regard to the small staff of Agricultural Assistants which you have for carrying out propaganda work, etc., it would not be better if the staff of the district, including Extra-Assistant Commissioners, Tahsildars, Revenue Inspectors and patwaris, were made to take part in the same work?—It would be better and we should be able to do more propaganda work than we can do at present.

Do you agree to the proposal that there should be one officer of the Agricultural Department in every district who should be assistant to the Deputy Commissioner for agricultural purposes?—I do not think that he should be under the control of the Deputy Commissioner, because there are several items of work which will have to be carried out by the department and for which he

RAO SAHIB G. K. KULKAR.

will have to take direct orders from the department and not from the Deputy Commissioner.

Is there no other reason to your objection?—Control should not be with the Deputy Commissioner.

Is not an Agricultural Assistant in the district subordinate to the Deputy Commissioner?—He is not controlled by the Deputy Commissioner.

What is the cadre of Agricultural Assistant?—There are two cadres, one on Rs. 60, and higher cadre Rs. 80 to Rs. 250.

How do you think the work of the Police Department would go on if there be no superior police officer in a district to control a Sub-Inspector? Will the work go on well?—That is different in nature. Their staff is different. We have got very small staff.

Cost of cultivation per acre for paddy (irrigated transplanted grown on Government Seed and Demonstration Farm, Waraseoni, district Balaghat).

(Average for five years 1923—1927)

<i>Detailed head.</i>	<i>Cost.</i>
	Rs. s. p.
Preparing seed bed	... 1 5 9
Ploughing and levelling	... 5 12 3
Repairing bunds	... 0 10 3
Transplanting	... 4 10 0
Hand weeding	... 1 3 9
Irrigating	... 0 9 9
Watching	... 0 1 6
Harvesting	... 2 0 6
Threshing and winnowing	... 3 9 9
Manuring	... 1 7 0
Cost of manure	... 8 0 0
Cost of seed	... 2 8 6
Irrigation charges	... 3 4 3
<b>Total</b>	<b>... 35 3 3</b>
Output per acre	... 1,918 lbs
	Rs. s. p.
Value of output	... 68 11 0
Net profit	... 33 7 9

Item of land revenue is excluded as no such charge is incurred for the farm which is a Government institution. A sum of Re. 1-8-0 might be taken on the expenditure side to bring the figures on a level with those of cultivators. Net profit would in that case be reduced by Re. 1-8-0.

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**Mr. G. A. BHONSLE, Manager, Central Provinces and Berar  
Provincial Co-operative Bank, Limited, Nagpur.**

Reply to the Questionnaire.

**Part I—Agricultural credit and credit facilities for small  
industries.**

**QUESTION 1.**—At present the main sources of finance for the agriculturists of this province are the money-lenders and the co-operative banks or societies. Government also plays its part in the matter of financing agriculturist, but this they do during the times of flood or famine. As regards the Imperial Bank of India, it does it though in an indirect way. That bank has granted cash credit facilities to the Provincial Co-operative Bank which sometimes use them for financing the requirements of its constituent Central Banks. As regards the joint stock banks, the part played by them is negligible. The cotton bazar adatyas many a time help the agriculturists—mainly cotton-growers—during the harvesting time as an inducement to them to sell their cotton carts through them.

The co-operative societies, wherever they have been established, help the agriculturists—

(a) for expenses during cultivation, and

(b) for their other needs such as for payment of land revenue, maintenance and ceremonial expenses.

As co-operative societies receive finance for short periods they do not advance it for capital or permanent improvements. For these purposes loans are made only by Government.

The rate of interest charged by co-operative societies in different places vary from 10 to 12 per cent per annum, while those charged by money-lenders, merchants and adatyas vary from 12 to 24 per cent per annum.

The co-operative societies advance money to their members generally for a period of two years and on personal security. But instances are not wanting now in Berar where Central Bank insists on mortgages of land being executed by members in favour of their societies and assigned by them in their turn in favour of the financing banks. The sowkars advance money on security of ornaments or mortgages of land or houses.

The main defects of the present system of agricultural finance are that the borrower is illiterate and rates of interest he has to pay are much higher than his industry can bear. These defects are aggravated when the agriculturist has to deal with a money-lender whose manner of keeping accounts remain a secret to the borrower. He tries to extort from his illiterate debtor as much as possible. Unless the agriculturist is educated the sowkar's dealings with him will in majority of cases continue to be far from fair.

Another defect that is noticeable in the agricultural finance is that finance is not available to the agriculturist on fair reasonable terms for the improvement of agriculture.

There is at present no co-ordination among the various credit agencies in this province.

**QUESTION 4.**—In Berar the ryotwari system of land tenure prevails and there are no impediments to mortgage of land and agricultural holdings. Such is not the case in Central Provinces where major portion of land is held by ordinary occupancy tenants, who cannot transfer their holdings either by mortgages or otherwise.

No banks of the province provide long-term credit. Last year the Central Provinces Government appointed a committee to investigate the possibility of forming land mortgage banks in the province. The committee have recommended in their report establishment of two land mortgage banks, one at Mehkar and the other at Morai, as an experimental measure. I suggest that land mortgage bank should be established as recommended by the committee. As that committee's report will be available to the Banking Enquiry Committee, I need not repeat their recommendations here. However, I should like to emphasize that the debentures of land mortgage banks should be made trustee securities

**Mr. G. A. BHONSLE.**

and the interest thereon be guaranteed by Government. I am sure that with these two privileges alone, the debentures of land mortgage banks will be very much popular. The Central Provinces Land Mortgage Banks Committee have recommended the issue of debentures by the Provincial Bank who will be responsible to the debenture-holders for payment of interest. If the Government guarantee the payment of interest only, it will never incur any loss on that account.

**QUESTION 6.**—There are, I believe, no subsidiary industries allied or supplemental to agriculture in this province. I am of opinion that hand-spinning will enable the agriculturists to make some income, provided facilities for the marketing of yarn are provided by Government or other agency. Next to hand-spinning match industry will enable the agriculturists to utilize their spare time productively. This industry will best thrive under State management, because the State is the owner of extensive forests and has a big staff of chemists. It should open depôts in suitable places for the manufacture of matches. The depôts should distribute matches and other raw materials to the villagers who should return them in complete match boxes. As the matches are articles of necessity, this industry will give employment to several thousand people of the country.

**QUESTION 7.**—At present one finds no co-ordination between various financing agencies in this province, which is one of the reasons why the agriculturists are incurring more and more debts. If the members of societies borrow from sowkars, the societies can seldom know it and hence the co-operative finance, though it is expected to be regulated on sound lines, is not so done for want of co-ordination between the two. The system can be remedied by strengthening co-operative societies, by close supervision and guidance and by meeting all their legitimate needs. I am inclined to recommend that co-operative societies should be empowered by law to inspect the accounts of money-lenders on behalf of their members and to repay their debts. I would also recommend that legislation of the type of the English Money-lenders' Act should be undertaken, making provision for their licensing and registration and for regulation of the rates of interest to be charged by them.

The co-operative movement of the province is not faced with any difficulty with regard to finance for short-term inasmuch as the apex co-operative bank has for the last several years been carrying heavy surpluses. The main difficulty is that the money borrowed by the agriculturists is unproductively spent. This tendency can be removed only when he is educated as to how he should utilize the loans. The co-operative institute and Central Banks have been putting their efforts to train him in this direction, but general illiteracy has been a great obstacle in their way. The Government should at an early date introduce a general scheme, in consultation with local bodies, to remove illiteracy.

The movement has not yet tackled the long-term finance and hence it is not possible to enumerate any difficulties.

The co-operative banks on account of their strong financial position have been able to attract deposits at comparatively low rates of interest. Thus they compete with joint stock and other banks in respect of deposit business.

As regards other banking business, they are practically debarred from doing it and hence the joint stock or other banks still stand masters of the situation.

It is desirable that some more concessions should be granted to the co-operative movement to stimulate its growth. These concessions are justifiable inasmuch as—

(a) There is a limit imposed under the Act on the rate of dividend to be paid to shareholders.

(b) The profits of the village societies remain intact and their reserves indivisible.

(c) Each man has one vote irrespective of his share.

(d) The movement helps an industry which is the backbone of the country and which gives much larger income in the shape of land revenue than any other source.

In addition to concessions at present enjoyed by co-operative societies, the following may be given :—

(a) Exemption from super-tax on profits and income-tax on securities, on the same ground on which the present exemption from the tax on profits is allowed.

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(b) The debentures of the co-operative banks should be made trustee securities and the interest thereon should be guaranteed by Government.

(c) No money order or insurance and registration charges should be charged from remittances made to and by the village co-operative societies.

(d) Telegraphic transfers should be issued at par to co-operative banks or societies for remittance to be made for genuinely co-operative business.

(e) Publications of the Government of India and local Government should be made available to co-operative banks and societies at concession prices.

The co-operative societies at present do not meet all the needs of their members; this is because they many a time are found not utilizing the borrowed money for purposes for which they borrow the same. As said elsewhere, unless sense of responsibility is created in them by general education, this drawback is not likely to be removed. At present the co-operative movement of this province has got supply of more money than what it can utilize co-operatively. Unfortunately, the movement has been passing through critical times, because about 25 per cent of the societies are either under award or liquidation. There are no co-operative societies established in the province for traders. The Provincial and Central Banks should be allowed to give financial help directly to traders. Separate department should be opened by these banks for financing their requirements.

A few years ago the department registered co-operative societies of metal workers of Bhandara, but they failed one by one. The only co-operative society of individuals that has made progress is the weavers' society of Basim in Berar.

I am of opinion that the Provincial Co-operative Bank should finance primary societies through its branches to be opened at taluq towns or other central places of importance. If this is done, agriculturists will get money at cheaper rates than what they are required to pay under the present system of co-operative finance. The reason is that the Provincial Bank on account of its wide credit can get money at cheaper rates than those paid by Central Banks. Besides this advantage, the Provincial Bank will be able to make some additional income in the form of commission on exchange business carried with the help of its branches.

## Part II—Indigenous Banking.

**QUESTION 1.**—With regard to indigenous banking, I beg to distinguish between the indigenous bankers who carry on business in cities or important towns and who does practically all sorts of banking business and the professional money-lenders of villages or towns doing only the money-lending business. As an instance of the former I may cite the instance of the firm of Seth Bansil Ahirchand who carry on practically all branches of banking business. The village money-lender combines money-lending business with other business. He trades in commodities required by his locality, purchases agricultural produce from his debtor and others. He makes advances either in money or in kind and receives the principal and interest likewise.

The urban bank is of great help to the Imperial Bank of India or joint stock banks inasmuch as the latter can without any fear discount hundis for the former and make profit for the transaction. In fact the business of discounting hundis is done by the Imperial Bank of India mainly with their help. They also finance the inland trade which they do by means of advances made to merchants.

**QUESTION 2.**—As already said, the urban banker makes advances to merchants to enable the latter to finance the harvesting of crops. They make advances against the security of cotton or grain pledged with them, leaving some reasonable margin to meet market fluctuations. The indigenous banker assists industry only to a small extent.

**QUESTION 3.**—The larger bankers borrow money from the Imperial Bank of India or other joint stock banks endorsing the hundis of their constituents. They also make short-term deposit with them during the slack season. The big bankers in cities and towns act as treasurers to the Imperial Bank of India, Government and co-operative banks. There are instances where co-operative banks have received cash credit facilities from their treasurers for temporary accommodation.

KHAN SAHIB K. E. J. SANJANA.

There is a standing complaint that the Imperial Bank of India does not adequately finance the indigenous bankers or merchants and that the non-Indian merchants are dealt with more favourably.

QUESTION 4.—The hundis used by the indigenous bankers are "Darshani" (demand bills) and "Mudati" (usance bills).

QUESTION 5.—The indigenous banker makes advances either in cash or in kind. He advances on security of ornaments, land, house property and sometimes on personal security. The big bankers in cities make advances on security of Government paper, stocks or shares. They make either short-term or long-term loans. For long-term loans security is generally land or house property which is duly mortgaged to them. While short-term loans are made on personal security or security of ornaments produced.

The loans in kind or cash are made during autumn on *sawai* system, i.e., they are repayable immediately after the crops are harvested with the addition of 25 per cent. The latter of course represent interest. The indigenous bankers of big towns get their funds either in the form of deposits or from the Imperial or joint stock banks. They receive deposits at rates varying from 6 to 7½ per cent. Some of the big bankers get money at 4 per cent per annum on savings bank or current account. The small bankers have to depend upon their own accumulated capital for financing the needs of their clientele. They cannot approach any bank for help.

QUESTION 6.—The rates of interest charged by village money-lenders vary according to the credit of the borrower, productiveness of the land, the competition of the money-lenders and co-operative societies. The rate of interest varies from 6 per cent to 36 per cent per annum. As said already, the agriculturists have sometimes to pay *sawai*, i.e., interest at 25 per cent rate for a period of four to five months.

The rates which the agriculturists have to pay at present can be brought down by extending co-operation to all parts of the country. If co-operative organizations are strengthened, they will play the most important part in the sphere of agriculture finance of the country. No other agency is fitted to deal with the problem sympathetically and to the advantage of the agriculturists.

The reduction of rate of interest on loans is bound to have salutary effect on condition of agriculturists. But steps should be taken by Government to educate them in the rudiments of three R's and elevate them by moral education. Unless this is done, the savings, if any, will not be utilized by them for productive purposes.

QUESTION 7.—I think that the bankers are sufficiently protected in law, because they take all sorts of precautions as regards security, etc., before advancing money to their constituents. As the business is done by the *sawkars* for their own interest, I am not in favour of extending them any special facility.

Prejudices do prevail against some of the Marwaris and Pathans whose ways of doing business are far from being just.

QUESTION 8.—The bankers will be more serviceable to the community when their functions are co-ordinated with those of co-operative banks and the best way to do it is by linking them with urban co-operative banks or Central Banks.

At the outset any measures that will be introduced by the Government for regulating the operations of indigenous banking community will be viewed by them with suspicion. So measures for regulating them should be brought into force gradually.

QUESTION 11.—The indigenous banking system of village or small towns should be linked with co-operative banks who, as said already (*supra*), should be empowered to do general banking business. If influential indigenous bankers are taken on the directorate of these banks, the former will have full confidence in the latter. These banks should supplement the capital of the *sawkars* to enable the latter to meet the needs of their clientele.

The indigenous banking system of big towns and cities may be linked in the same manner either with the Central Banks, the Imperial Bank of India, joint stock banks or the Provincial Co-operative Bank.

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**QUESTION 12.**—The indigenous bankers of cities and big towns have no use for their money during autumn and hence they try to invest it somewhere profitably. The capital of the big money-lenders utilize it profitably all the year round. The capital of the big money-lenders of cities does flow into the capital town for short-term only during autumn. This flow can be checked only when co-operative organizations for agriculturists are established in each village or groups of villages. When this takes place their money will flow into co-operative banks who will be able to utilize it in making short-term loans for cultivation purposes.

### Oral Evidence.

*Nagpur, the 15th February 1930.*

**Vice-Chairman:** Do you think that apart from the co-operative financing the Central Banks in the province are in a position to get into touch with the ordinary money market by general banking business?—Some of the Central Banks will be in a position to do general banking business.

How many of the 34 banks?—Only two or three.

Why?—Because they are not properly staffed and they are not run on true banking principles.

You have had occasion as Manager of the Provincial Bank to take action on irregularities of Central Banks?—Do they resent any criticism?—Yes. At least I have got two instances.

What about the men that are on the staff?—Neither well qualified nor efficient.

You therefore think that even with the present system of directors and working committees in the Central Banks a higher standard of qualification of the staff will improve the working of these banks?—Yes, I think so.

Do you happen to have a personal experience if the rate of interest has been reduced as a result of the spread of co-operative movement?—Yes, this movement has helped to reduce the rate of interest on loans.

Would you advocate Provincial Bank carrying on ordinary banking activities?—Yes, I do.

In what direction you think the Provincial Bank can expand its activities now?—The Provincial Bank should have two departments, one for maintaining co-operative business and the other for general banking business.

Have you any suggestions to make with regard to the way in which you can bring the Provincial Banking into contact with the ordinary money market?—Yes. We should have organized co-operative banks all over the Province. At present co-operative movement is helpful to the agriculturists only. We have not yet tackled the problem of opening banks in big cities and towns for helping ordinary traders. Ordinary traders get help from money-lenders. These should be helped by co-operative banks.

You know that these traders are urban people who are comparatively averse to form co-operative societies. Are they not?—Yes. They are averse. But they will be quite ready to receive financial help from us.

How many years have you been the Manager?—For over eleven years.

**Professor A. C. Sen Gupta:** Do you not think that it is dangerous to have two branches of a co-operative bank—one dealing with ordinary banking and the other with co-operative banking. Suppose this system fails, what would happen to the whole co-operative movement?—If banks are managed on sound banking lines, I do not apprehend any danger.

Do you know that banks are sometimes required to be closed on account of misappropriation of money and you know that Specie Bank failed on account of misappropriation?—Yes, I do.

**Vice-Chairman:** Have you any suggestions regarding Imperial Bank co-operating with the Provincial Bank and Central Banks?—Yes. I have stated at the beginning of my note that the Imperial Bank of India used to grant cash credit for co-operative movement, but this facility has now been withdrawn by that bank.

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On what ground have they withdrawn it?—They have not said anything about it.

The Imperial Bank does not consider the amount advanced against bonds of societies to be as liquid as other loans are. Do you think such apprehension is justified?—No. The thing is that primarily the Provincial Bank is responsible to the Imperial Bank of India and so long the Provincial Bank is able to maintain sound position there should be no apprehension in the mind of the Imperial Bank to say like that.

You will agree that the reputation of the Provincial Bank will depend to some extent upon the Central Banks. Do you agree?—Yes, I do. I am, however, of opinion that the Imperial Bank of India depends mostly on the combined financial position of the Provincial Bank and Central Banks.

If I suggest to you that most probably the apprehension has ground on the part of the Imperial Bank that the standard of management of the Central Banks is not up to the mark and as a result of such apprehension they have withdrawn this privilege. What have you to say?—I have to say nothing.

Do you think such apprehension is justified?—No.

*Seth Narsinghdas Daga:* On page 502 you have written: "I am inclined to recommend that co-operative societies should be empowered by law to inspect the accounts of money-lenders on behalf of their members and to repay their debts. What do you mean by that?—Some money-lenders keep no accounts and that sowkars decline to give details of accounts. I have no experience of money-lenders refusing to show accounts regarding societies' debts, but I have experience of money-lenders doing so in the case of individuals.

On page 504 you have stated that Marwadi Banias and Pathans do not deal fairly. Do you think so?—Every one knows about the dealings of Pathans. There are cases in which Marwaris also have taken bonds for Rs. 200 paying actually Rs. 100 in Bombay. I do not know the state of affairs in this province.

*Chairman:* Can you get ample money nowadays on deposits at  $4\frac{1}{2}$  per cent?—Yes.

Supposing the land mortgage bank is started and debentures were floated with good guarantees, can we get money at  $4\frac{1}{2}$  per cent?—Debenture loans as such will be long-term loans and we cannot expect to get long-term loans at  $4\frac{1}{2}$  per cent.

Have the deposits with your bank become *de facto* long-term loans?—Yes.

Have you ever heard of premium bonds?—Yes, I have heard.

Do you think they would be popular?—I cannot say. There are many lotteries nowadays. And it is just possible that people having fancy for lotteries may go in for such bonds. You can take advantage of the people's inclinations.

KHAN SAHIB K. E. J. Sanjana, B.A., Bar.-at-Law, Deputy Commissioner, Bhandara.

Reply to the Questionnaire.

### Part I.—Agricultural credit and credit facilities for small Industries.

QUESTION 1.—The expenses during cultivation are met from borrowed capital either in cash or (generally) in kind. These loans may be called short term, because they are taken in kharif tracts in May and repaid in December—January and in rabi tracts in October and repaid in May. Though the loan is for a few months, interest is charged for full 12 months. Capital or permanent improvements are made only by well-to-do malguzars who are generally local sowkars as well. They, therefore, do not require any borrowed money for them. Improvements carried out by the bulk of the agriculturists are made in spare time with the help of the members of their family and one or two labourers on daily wages for which no loans are borrowed.

Perhaps 10 per cent of the tenants may be borrowing small sums to pay their rent on the due date, but these loans being of very small period—generally up to the time the borrower has disposed of his raw produce—the rate of interest is about 25 per cent. On failure of monsoon Government advances loans to selected malguzars and well-to-do tenants for improvements, the underlying idea being that the malguzars would open local petty works and support their labouring population and smaller tenants, while the well-to-do tenants would improve their fields and support themselves on the loan borrowed. For ceremonial occasions every one, whether malguzar or tenant, has to go to a sowkar. These loans may be from Rs. 50 borrowed by a Dhimar or a Marar on his small *badi*, to Rs. 2,000 or even over by malguzar on the mortgage of his village share.

The rate of interest in Bhandara district varies from 12 to 36 per cent per annum. The nature of security given is generally land or village share. Standing crops are rarely given as security as is perhaps more common in cotton growing districts. In many cases the only security offered is the hereditary indebtedness coming down from the time of the father or grandfather of the borrower. The borrower's needs are irresponsible. Either he will share at times or give up his land if he cannot get an advance to tide over a crisis, e.g., payment of rent or revenue on due date, marriage or death ceremonies, litigation or repayment of instalment due on an old debt. Such loans are raised on mortgaging land, house property, cattle, ornaments or share in village. Government Banks—Imperial and joint stock and co-operative banks play no part practically in the rural economics and finance of this district. For everything the borrower has to depend on the local sowkar who may be his own malguzar or petty village shopkeeper or an outside firm like that of Ganpatrao Pande, Butti, Chitnavis or Naik. My idea is that the rural indebtedness of this district cannot be less than Rs. 60,00,000. This figure may roughly indicate the amount of money required for various purposes set down in the question. It is certain that all this indebtedness may not be for the actual expenses of cultivation. The reasons of indebtedness of agriculturists are agricultural losses due to uncertainty of monsoon, cattle disease, loss of man-power during the agricultural months due to malaria, fevers, bowel ailments and other diseases, thriftlessness and fragmentations of holding making their cultivation uneconomic. There may be no practice of borrowing money on actual standing crops, but the way agricultural operations are carried out at present when crops are reared on borrowed capital leads to serious obstacles in the way of improving the material condition of the agriculturists. It cannot be doubted that this moving in a vicious circle cannot be stopped till the excessive preponderance of agriculture, which is not economically sound, is replaced by development of industries thereby decreasing pressure on land. This is manifest in this district in tracts where *bidi* and rice-husking factories and manganese mines exist.

The grain advances are given on *sawai*. The borrower at times gets even less than what he is supposed to have been advanced. The produce goes back to the sowkar in repayment of his loan for cultivation, maintenance and ceremonies, and rent (if he happens to be the malguzar as well), leaving just enough for the grower to subsist till the next year comes for borrowing a fresh loan.

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This perpetual indebtedness which practically makes the farmer only a "serf" on the land is mainly due to lack of health, lack of education, lack of thrift, energy and initiative and utter lack of "economic sense". The cure for these evils is (a) better farm production, (b) better marketing facilities on co-operative basis, (c) better and easier means of security manures and seed, and (d) better credit facilities. Co-operative credit societies may play some part in the uplift of the people, but I believe that Government should play a greater part directly in furnishing facilities for capital, seed, manure and actual disposal of crops as is done in French Indo-China and Dutch East Indies.

QUESTION 2.—In this district the farm produce is either taken to the market personally by the farmer, or a middleman known locally as bhusari who visits villages and buys the farm produce off the hands of the producer. The important centres for disposing of farm produce are Tumsar, Gondia, Lakhni, Bhandara, Pauni, Adyar and Lakhandur. As farmers stand at present, there are no chances of disposing of farm produce through pooling of co-operative credit societies. Owing to the very small area of holding in this district, marketing of farm produce on economic basis is a very difficult problem. With all the resources and strength of organization even British farmer is reported to be drifting before the current of the world economic forces, because he has to market his produce under unfavourable circumstances due to competition from more organized agricultural countries like United States of America and Canada. The three main factors for making agriculture a paying proposition are (a) farm economics, (b) production marketing and (c) man or machine power. Unfortunately in India and in particular in this district all these three factors work consistently against the farmer. In the first place to make farming pay itself the holding must be of sufficiently large size to form an independent unit. From very brief calculation made by me I find that the average size of the holding comes somewhere between 8 and 10 acres. According to Dr. Mann, the average area of a holding in South Bombay Presidency is under 5 acres, while in Bengal according to Mr. Thompson, the average area is 2.15 acres. It therefore becomes increasingly difficult with these fragmentations to make a holding work at profit. A farmer could spend as much money and time in marketing produce from a holding of 25 acres as he would on produce from one of 5 acres. The smaller therefore a farm the higher is the ratio of cost of marketing. The second factor is marketing facilities. Here, as shown in answer to question 1, the greater portion of the prospective harvest is held in mortgage to the village sowkar. The farmer therefore cannot hope to receive the full benefits of the current prices. The disparity between the profits made by the middleman and the purchaser and the price which the farmer receives is notoriously large. The farmer may perhaps barely get a return of 4 to 5 per cent on his investment in actual farming, while the trader and the middleman make at least 10 to 12 per cent on their venture. It is therefore very necessary to have as few middlemen as possible between the grower and the actual consumer. This can be done through co-operative societies for disposing of farm produce. The third factor is man or machine power. This point need not be laboured here, because we are concerned with marketing chiefly, but it may be said in passing that the production in India depends directly on the physical fitness of the producer and his dependents, because no machine power is employed in agriculture.

The export trade in farm produce is in the hands of a few Marwadis, Kachhis and local Banias of the district. They issue "darshani" and "Mudatti" hundis on rates from 4 annas to 8 annas per cent. These are generally issued on Bombay. They are readily accepted in Bombay or Nagpur, and no difficulty is experienced in their being encashed. At times they are endorsed and thus form security for goods. The system of bills or advances on stock known to English and French bankers and men of business is unknown in this district. Its absence accounts for much locking up of capital at times. According to Mr. Gubbay, this system seems to be unknown even in Presidency towns thereby handicapping banks both joint stock and private.

I have not studied the principles on which licensed warehouses are worked in United States of America. I am therefore unable to offer any opinion. As stated already, Government must take hand at the raising and marketing of produce in a purely agricultural country like India where the state is considered to be the main prop in man's existence.

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**QUESTION 3.**—The value of dhan producing land ranges from Rs. 10 per acre in the zamindaris of the Sakoli tahsil to Rs. 150 per acre near Gondia and Tumsar. On the other hand, "Dufasali" land is sold up to Rs. 250 per acre. Land producing only crops fetches anything from Rs. 25 to Rs. 100 per acre.

The factors affecting value are situation, soil quality, irrigation facilities, local demand and pressure on land, and proximity to rail head. Cases of sale of land for non-payment of revenue by Government are almost unknown. Experience shows that sales through courts in execution of civil court decrees being about 25 to 50 per cent less than the actual market price of holdings. The figures quoted above show market value.

**QUESTION 4.**—The Central Provinces Tenancy Act works as a brake on sale of tenancy land and may be called an impediment. I have never seen the actual working of any land mortgage bank though I have read some literature on the subject. Any opinion given would therefore have only an academic value and nothing more. But I believe that the bonds of such banks should have Government guarantee.

**QUESTION 5.**—Special enquiries are being made in the district of the existing indebtedness of the agricultural classes. I have already given different causes which contribute towards the indebtedness of the agriculturists. It is difficult to say definitely the extent to which indebtedness increases on account of compound interest, but ordinarily principal is said to be doubled in the course of 10 years by compound interest. But it would be incorrect to say that indebtedness is the only cause for the bad plight in which agriculturists generally remain. I have already stated that fragmentation of holding is an important factor. I give below figures from five villages to show how the rural population is pressing on land, thereby making it increasingly difficult to make it remain above the level of subsistence.

*Number of tenants holding land.*

Name of village.	From 1 to 5 acres.	From 5 to 15 acres.	From 15 to 40 acres.	Over 40 acres.
1	2	3	4	5
Parnawada ...	18	34	3	2
Bhojapur ...	6	21	16	3
Bhilewada ...	21	32	11	8
Sukli ...	21	45	17	6
Mohgaon ...	26	51	46	8

These figures show that nearly 33 per cent of the tenants may be classed as labourers who hold only nominal land. The bulk of tenants hold less than 15 acres of land, their holdings being not economic. Any adverse circumstances like partial failure of crops or visitation by insects and locusts throw down a large portion of them below the level of subsistence. Once this happens they either go "under" permanently or require 6 to 7 good seasons to get free of extra indebtedness. The excessive sub-division of land which has increased progressively under British rule is a very serious evil. Dr. Mann gives the following interesting figures about average size of holdings in Poona district in the last 150 years:—

Year.	Average size of holding.
1771	... 40 acres.
1818	... 17½ ..
1828—40	... 14 ..
1915	... 7 ..

Unless a stop is put to this system, there appears to be no chance of improving the economic condition of the agriculturists. The amount of family labour expended on land is very great and the smaller the holding the greater the waste of family labour per acre. But, if the holding decreases below

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an economic size as a result of sub-division, a large part of the family labour remains idle or is wasted. The joint family system and Hindu Law are to a great extent responsible for this wastage and for creation of fewer workers and more idlers and drones.

With the existing Tenancy Law there is not much danger of land passing in the hands of the creditors, because creditors know that it is more profitable to invest capital in money-lending than in agriculture. They therefore allow the land to remain with the tenants, but take the larger share of the produce of their labour, leaving just enough for their bare subsistence. Then again the tenants know that any attempt made for improving their crop does not benefit them. They therefore adopt a policy of drift, and make their land pay only enough to meet their requirements which are generally extremely limited, their standard of living being very low. The "robbery of soil" also goes on from year to year. Harvests are sown and collected without the soil being enriched by manure. The average yield per acre of wheat in India is 800 lbs. against 1,925 lbs. in England which has not very fertile soil and 2,400 lbs. in Belgium. Intensive cultivation is practically unknown which increases productivity of land with decreasing manual labour.

In passing it may perhaps be stated that the prolific birth rate accounts for indebtedness. It is difficult to imagine what the condition of the rural areas would be if the high birth rate were not compensated by high child mortality. The very idea of "child welfare" in India at times sounds grotesque and certainly economic.

QUESTION 6.—The district being caste ridden subsidiary industries generally remain in the hands of the castes which are allowed to carry them on under caste rules. *Bidi*-making has been great boon to this district, but this industry is practically in the hands of the Mahars. The *Bidi*-workers are generally Mahars, while the owners of the Factory are generally Marwadis, Gujrathis Kachhis and Banias. In certain tracts of this district rice hand mills are worked for turning dhan into "Poha". This work is generally done by Dhimars and Marars. Similarly, basket making in the district is monopolized by Burads or Basods. Weaving and spinning as usual remains with Koshtis and Mahars. The very idea to take to spinning or weaving if suggested to a Kunbi or a Teli sounds funny to him. I believe that any attempt to impose this useful cottage industry on rural population as a side show is likely to meet with failure.

The rural population should be encouraged to grow sugarcane, groundnut, vegetables and fruit: but here also the conservative spirit comes in the way, because only a Kohli is considered to be successful cane-grower, or a Marar vegetable or fruit-grower. Owing to unscientific farming cultivation has reached the stage of diminishing returns, while the number of peasant-proletariate has correspondingly increased. The presence of landless population cheapens labour and delays the introduction of improved tools and implements. For balancing this superfluous population dairying, poultry farming, fruit growing and rope and basket making on co-operative lines with State aid seem essential. For all these undertakings better irrigation facilities in shape of large and small tanks and wells, and grazing facilities in Government forests are essential. It would be fundamentally wrong if an attempt is made to convert India which is an agricultural country into an industrial country. All that is required to commercialize agriculture, and support it with the aid of such cottage industries as would appeal to the people at large. On an average an agriculturist spends 150 days annually in idleness. He should be kept employed during this long period of leisure so that he could add to the material wealth of the country.

QUESTION 7.—It would be idle to give any exact figure required at this moment for financing co-operative movement in this district. Unless the spirit of co-operation grows any amount of money advanced to societies would be simply thrown away. The growth is likely to be slow, but it is likely to succeed in the long run, if not in the present generation at least in the generation after next. There being no joint stock banks in this district no competition exists. The existing attempt is praiseworthy, but perhaps too slow. It should be under the control of one Development Commissioner who should be entrusted with co-operative movement, rural sanitation and rural uplift. The small traders and men in industry do not need any help for the present but cottage industry and professions like cloth and niwar-making, dairying, bell metal-making and potteries do require help from co-operative movement.

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As for the Usurious Loans Act and Money-lenders' Bill for the Punjab, my opinion is given below.

## Part II.—Indigenous Banking.

QUESTION 1, 2 AND 3.—See my opinion on Money-lenders' Bill. The part played by banks in the financial life of this district is extremely inconsiderable when contrasted with that which is played by the local sowkars. The agriculture of the district is wholly financed by the sowkars and the relations between lending and borrowing classes are so complicated that it seems that the whole structure of society would collapse if one or the other were removed.

QUESTIONS 4, 5, 6 AND 7.—My Superintendent of Land Records, Mr. Kolte, has under my instructions made enquiries on these points and has supplied necessary information in his replies.

QUESTIONS 8 to 12.—The only way to combine and co-ordinate indigenous banking with joint stock or Central Banking would be by creating popular co-operative banks, as is done, I understand in Germany and Italy. These banks, I am told, advance money on land or cash credit account, or goods and discount bills. The shares of Italian Banks are said to be of only 100 lire and and the dividends are limited by law. They take special interest in the savings of smaller cultivators who are allowed interest on a liberal scale. They also allow creditor a sliding scale to people who had nothing to offer as security except personal security. Such banks may perhaps prevent money from going to Presidency towns, but I doubt if there is such movement (of money) in this district.

## Part III.—Investment habit.

QUESTION 1.—There are no banking resources in the district except the fluid money in the hands of the sowkar. The existing institutions for investing money are co-operative banks and post offices, but they do not seem to have attracted any money from the rural population. This can only be done by propaganda and infusion of saving habit in place of "hoarding habit" which is universal. This hoarding habit is an outcome of the past history of the country which was subjected to periodical foreign invasions which made people believe that there was nothing so safe as burying gold and silver or turning it into women's ornaments.

QUESTION 2.—Postal savings banks would be popular provided people were taught how to use them and shown the benefit derived from them.

QUESTION 3.—No reply.

QUESTION 4.—To talk of cheque habit would be ridiculous, because such an idea is far too remote from the mind of the people. I understand this habit is unknown outside England and United States of America. Cheques are not readily accepted in France or Italy and at times they take weeks before they are cashed. The use of cheque book implies considerable education and high development of commerce. The idea of grafting such a system in agricultural India should not be entertained in near future.

QUESTION 5.—Investment and banking habit would necessarily be of slow growth and the rural population has nothing to invest. The sowkar class would not invest in banks, because they can get better returns from their rural clientel. Opening of branch of the Imperial Bank in this district would not encourage or assist agriculture, because there would be a wide gulf between two when the life of an agriculturist is "a long drawn question between a crop and crop".

*Copy of letter No. 925-C, dated the 5th October 1929, from the Deputy Commissioner, Bhander, to the Commissioner, Nagpur Division, Nagpur.*

With reference to your endorsement No. 2752-A, dated the 10th September 1929, on the subject of legislation for controlling the operations of money-lenders in this province, I have the honour to offer my opinion as follows:—

The banking system in India and in our province in particular can be divided into two distinct systems, namely, (1) banking done by banks working

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on joint stock principles and (ii) by private bankers working on private account and outside the provisions of the Companies Act. The question before us is whether by legislation and by other safeguards, the second system could be brought in line with the first and thereby guarantee more security to the borrowing classes. The joint stock banks generally confine their activities to cities which are commercial centres. These branches generally draw funds from the investing public which are remitted to the chief commercial cities like Bombay and Calcutta for being advanced to recognized firms and merchants on proper securities. These branch banks never tap for funds or advance loans in rural areas to agriculturists, petty traders, Public Works Department and forest contractors and persons dealing in agricultural and forest produce. As a result this banking is done by the local Mahajan and sowkar. The rates of interest of these sowkars are generally very high. This is unavoidable, because there is no competition from joint stock banks, and the security which is offered to cover an advance is in most cases not suitable and acceptable to a bank. In the vast majority of instances the business offering is on the basis of the borrower's general credit position, without giving a security any particular assets as cover for the loan. As a result, these local sowkars play no small part in the financial life of the country, both rural and urban. Being in intimate touch with their borrowers, and knowing all about their circumstances a position which a joint stock or co-operative bank could never acquire they practically monopolise the banking business in their hands.

The sowkars are of various types, namely, (a) established firms like the Chitnavises, Butis and Ghatate, (b) local shop-keepers and middlemen who do banking partly on their own and partly on borrowed capital, (c) malguzars and well-to-do tenants in villages who generally advance grain, and (d) petty local money-lenders in towns who advance a few rupees to the extremely needy on rate of interest ranging from 25 to 100 per cent. The common rate of interest in this district on land security is from 12 to 24 per cent according to the season and reputation and credit of the borrower. The opportunities for cheating an ignorant borrower are greater in case of agriculturists than in case of persons borrowing money for business. In an average village the sowkar advances loans for seed, bullocks, wages and special loans for ceremonies. The loans advanced for purely agricultural work are generally in kind. The element of fraud is therefore much less in them than in cash loans given for marriages, pilgrimage, litigation or death ceremonies. In advancing these loans, *sawai* interest is added to the principal before the execution of the bond and perhaps even the principal is not advanced in full. As for instance, if a man borrows Rs. 100, he has to execute a bond for Rs. 125 and he actually gets Rs. 95, Rs. 5 being deducted for *dharmadaya* tips to Munims and other middlemen negotiating the loan. Some safeguard is necessary in such cases. The agents of big firms and local sowkar shop-keepers classes as (i) and (ii) above are the worst offenders in this respect. The (iv) class men do not count, because that evil is generally confined to urban areas where petty Marwaris and Kabulis advance loans to menial servants and daily wages earners. The third class of money-lenders are guided by strong local public opinions and are generally amenable to reason on interference by Panchas appointed by the lender and borrower.

The borrowing classes can be protected either by direct legislation as in Punjab or by formation of local Mahajan or sowkar chambers whose findings should be recognized in courts of law and who should be registered under the Companies Act. This latter arrangement could perhaps work better than mere legislation which can be evaded in various ways.

In a highly commercial country like England where standard of education is high and where people are accustomed to banks and bank deposits, much of the actual money lending is done by joint stock banks. The clientele of the money-lender or pawn broker generally consists of factory and mine workers, and impecunious young men with no credit and less security. The Money-lenders' Act therefore would not cut at the root of the complicated financial system of that country. The Punjab Act is not before me, but I have read the discussions on the bill in the Punjab Legislative Council which were on communal lines and I consider that the Act is not likely to cut much ice. It may give some amount of security to the borrowing classes, but the wily money-lenders would not find it difficult to devise new means to frustrate the operation of the Act. Instead of the proposed Act, spread of education and co-operative move-

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ment with more co-operative banks competing with local sowkars for rate of interest, more land mortgage banks with marketing facilities for disposal of raw produce development of "economic sense," facilities for supply of good seeds and manures and of marketing farm produce on co-operative lines would better safeguard the interest of the agricultural borrowers. I would also suggest that the newly amended Usurious Loans Act be enforced more rigidly with special rules framed for the guidance of the judicial officers, and the law of *dam dupat* made universal.

#### Oral Evidence.

*Nagpur the 14th February 1930.*

**Chairman:** You are the Deputy Commissioner of Bhandara. How many years' service have you put in?—I am now Deputy Commissioner, Bhandara, I have got 22 years' service and have served in most parts of the Central Provinces and also in Berar.

You say that the present average holding of 8 to 10 acres in Bhandara is an uneconomical holding. Your meaning is that under present methods of agriculture it is uneconomical. You do not mean that it is so if intensive cultivation is introduced,—Yes.

Therefore would you agree that if it is impossible to increase the size of the existing holdings, our first object should be to try to increase the output of the existing holdings by some form of intensive cultivation on approved methods?—Yes.

As regards the Bhandara district, which do you consider to be the first need for improving crop outturns?—Rice is the principal crop. The outturn depends on manuring. Farm manure is quite inadequate. The general use of some good artificial fertilizer is the most urgent need.

Could you tell us what steps have been taken by any private or official agency to your knowledge in your district to meet this urgent need?—So far nothing has been done.

Do you think that if any artificial fertilizer which was economically paying was introduced into the district, the cultivators would not make use of it?—There would be certain opposition to begin with. But when it was found that it was a good thing, people would take to it.

You have recommended in your written reply the introduction of a development department?—Yes: I strongly believe in that.

One of the first duties of this department would be presumably to attack this question of fertilizers?—Yes.

How would you explain the absence of an attempt, during the past many years, to meet what is after all a crying need of your district?—I cannot explain why no attempt has been made. I am very strongly in favour of some sort of Development Board. There should be co-ordination between the different departments of Government and also some village uplift work. A campaign for improving conditions in rural areas is urgently necessary.

You say there is great need for co-ordination. Could you, from your own experience as District Officer, give any example of the lack of co-ordination to which you refer?—For instance, some times cultivators introduce good cattle and bulls purchased from the Agricultural Department breeding farms: but the Veterinary Department are not even aware of this fact. They take no steps to see that these cattle are maintained in good condition.

In another part of your statement you have suggested that the rural population should be encouraged to grow sugarcane, groundnut, etc. I suggest to you that it might really, in the long run, be more profitable if cultivators were encouraged to concentrate on their existing forms of cultivation and to improve it. Do you approve?—Yes. I believe there is a wide scope for horticulture which should be developed.

As regards indebtedness in your district, it appears to us, from our enquiry that it is mainly due to losses in bad years and to improvidence in good years coupled with high rates of interest. One aspect of the case which we have asked to pay special attention to is the problem of developing the thrift habit. Do you think that up to now either any official or non-official agency, possibly the co-operative credit societies, have attempted to encourage this habit?—No.

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Do you think that if we started a thrift campaign, like a savings week, we might achieve good results?—Yes: but this campaign should be carried out throughout the year.

This campaign might also be associated with some kind of savings certificates?—Yes.

The main object of the land mortgage bank would be to borrow money to lend out to cultivators in rural areas. To that extent you would agree that it would be preferable to have savings deposited with the land mortgage bank when formed than with the post office savings bank, by which money is devoted to non-agricultural purposes?—Yes: I approve of this.

What is your own opinion as to the principal cause of indebtedness?—Want of foresight is the principal cause. This is a boom year and people are spending lavishly on marriages.

One of the witnesses told us that one of the causes of indebtedness in the present year is the passing of the Sarda Act?—It is true.

I understand that you had some connection with the formation of co-operative societies. Could you tell us the kind of direction which you received and the way in which you worked?—Our idea was to form societies and I myself and Rao Sahib Nuthmal formed fourteen societies in one evening in the Raipur district. This was done more or less under the direction of Government.

When you formed these societies, did you enquire into paying capacity and financial stability of each member?—We made a sort of an enquiry. But everybody was willing to join the society, because they knew that they would get money later on. The members were mostly of Chamar caste who were *bona fide* agriculturists. In those days the idea was to spread the movement as quickly as possible. The present position of the movement in Bhandara is not very bad. We have been weeding out bad societies and members of such societies have not derived any benefit from these societies. There were about 90 societies formed, of which 30 are at present under liquidation.

It has been suggested that if the co-operative system were carried out in the proper way, it would be the best agency for advancing money to agriculturists on short term loans. How long, do you think, would it take before this movement could spread to the doors of every agriculturist?—About two generations at least. Under favourable conditions it should spread within 50 years. We have to make some other *interim* arrangement if we are to improve the financial condition of the agriculturists.

Do you think that the time has now come when it is desirable to grant occupancy tenants the right of transfer?—They do not want it. Probably they are afraid of the sowkars.

*Vice-Chairman*: Have you not seen in the course of your experience as Deputy Commissioner that the Agricultural Assistants do not do a full day's work?—It depends on the tract they are moving in.

Do you not think that the Agricultural Department should have many more demonstration plots in many more villages than they have at present?—Yes, I think so.

Have you ever tried to influence their activities?—Yes. I have been taking them on tour. They willingly come. They carry samples and give practical demonstrations and preach like missionaries.

You will agree that, with the average tenant seeing is believing and, as soon as he is convinced that certain methods will bring him more profit, he is sure to take to them. Are experiments shown before their very eyes?—It is not possible.

On page 507 you have said that it cannot be doubted that this moving in a vicious circle cannot be stopped till the excessive preponderance of agriculture is replaced by development of industries thereby decreasing pressure on land. This is manifest in this district in tracts where *bidi* and rice-husking factories and managanese mines exist. On page 509 you have said that it would fundamentally be wrong if an attempt is made to convert India which is an agricultural country into an industrial country. All that is required is to commercialise agriculture and support it with the aid of such cottage industries as would appeal to the people at large. I understand your meaning is that we should not encourage large industries, but only small cottage industries?—Yes.

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Do you know that the taste of the local consumers has now out-grown the quality of the products of these cottage industries and that is why, for example, the weaving industry is not doing well?—I do not think so. In villages people generally go in for cheap things.

To that extent do you not think that these cottage industries cannot be revived effectively?—I agree that weaving could not be revived.

Besides it is also clear that these cottage industries cannot be developed amongst that section of the people which is not given to them by tradition and custom?—Yes.

*Vice-Chairman:* Is it your view then that there is no scope for development of subsidiary industries amongst the agriculturists proper?—Yes. The chief trouble is how to do away with their idleness.

Have you any suggestions to make?—No, there are many difficulties. The main thing that is needed is a change of heart amongst the agriculturists. And I think it to be a hopeless affair.

Would you agree if I say that an incentive to increase their income can only be created by giving them free and compulsory education?—That is the only solution.

Would anything else be a mere patch work?—Yes.

*Chairman:* It has been stated before us that "the vice of education" has ruined the agriculturists? What have you to say to this observation?—I do not agree with that.

Some people have complained to us that as soon as the boys of agriculturists get educated they begin to dislike agriculture. Do you agree with it?—I do not believe that.

*Vice-Chairman:* You say in your written statement that the Imperial Bank, co-operative banks and joint stock banks play practically no part in the financing of the district. Do you know that the Bhandara Co-operative Bank is doing something in this respect?—Well it is. It is about 1/100th part of the needs.

Do you think that the members of those societies which you formed in Raipur were heavily indebted at the time?—No.

Have you also found from your experience that unless you admit indebted agriculturists you cannot get proper nucleus for society?—I think that is the idea of the movement.

*Chairman:* Is that the idea of the movement?—Yes. Otherwise a man who does not want money would not join the society.

Was it at one time the idea of the movement to pay off all old debts?—The idea is to teach people to incur as little debts as possible.

*Vice-Chairman:* Do you know that a large number of primary societies have been organized in the Bhandara branch?—Yes.

Do you think that non-official workers have now realized to a greater extent the dangers of their laxity in the past?—Yes.

Have you any suggestions of yours to make for improving the working of these movements?—I have none.

Have you felt a greater need of Government control?—I think Government should not interfere at all.

Can you make any suggestion for attracting a larger number of honorary workers into the ranks of the movement?—That is a very delicate problem.

Would you agree that inspite of the tenants not being anxious to get these rights of transfer such rights would be good in order to facilitate working of the land mortgage-banks?—Yes. If we want to make land mortgage-banks a success we will have to.

*Chairman:* It has been stated before us that the absolute-occupancy tenants and *malik-makbuzas* tenants are not more heavily indebted than occupancy tenants?—I have seen these figures and I think the indebtedness is just the same perhaps.

Does it not follow then that there is no reason to believe that the occupancy tenant will lose his land if he is given rights of transfer?—Not because of that. I think occupancy tenants are rather more heavily indebted. There is a slight difference.

*Vice-Chairman:* Has it ever come to your notice that the rate of interest charged to an absolute-occupancy tenant is less than that charged to occupancy tenants?—There is no such difference. The village loans generally go by personal credit.

*Professor A. C. Sen Gupta:* You think about 10 per cent of the tenants borrow small sums of money to pay their loans. Is it not?—Yes.

If the Government arrange their kist in a way that they would have to pay after they sold their produce would that facilitate repayment?—Yes.

You say that people borrow money at 25 per cent. Do you mean for the whole year or seasonal?—It is for the whole year, though generally loans are repaid as soon as the cultivator gets money.

Is it your opinion that Government should advance taccavi loans more liberally?—Yes.

When you come to the fragmentation of holding do you mean fragmentation or sub-division?—I mean sub-division. Fragmentation is really necessary in sub-divisions.

Do you think that the members of cultivator's family supplement their income by some other work?—Yes. Every family supplements its income.

You object to the joint family system, but there would have not been joint family system then if in any family there were five brothers the holding would have been divided into five parts. Do you think it would have been good?—No. What I mean is that the eldest son should get the holding and the other sons should go out and earn their living. I want the law of inheritance to be modified.

When you talk about the increase of population being the cause of indebtedness in this province do you think there has been a large increase in the population?—Luckily influenza and other epidemics have prevented this from being the case.

You say on an average an agriculturist spends about nine months on fields. Do you make this statement on your experience?—Yes. This is my opinion. In the tract where one crop is grown cultivators waste much time. While in tracts where two crops are grown cultivators are generally busy for a longer period in the year.

About which district of the province you are speaking?—Practically all the districts because in all the districts there are certain tracts which grow one crop.

What do you think of Berar. We had certain witnesses before us saying that cultivators could not find time in the whole of the year. What do you think about it?—I do not think so.

*Chairman:* Would you tell us what do you think to be the ordinary outturn of dhan in the Bhandara district?—It comes to about (net profit) Rs. 20 an acre.

Do you include rent in this?—Yes. It includes everything.

How much would be the gross outturn?—The gross outturn would be about 5 khandis.

*Rao Bahadur M. G. Deshpande:* It is suggested that in Bhandara the rents are recovered by the malguzars before the due date. Is it a fact?—It must be occurring in a very few cases.

Do you think both the kists are recovered at the same time?—At times tenants pay voluntarily.

But do you know of cases in which malguzars have insisted upon tenants to pay two kists at once?—Rarely there may be a case, but generally tenants themselves pay.

Do you find any improvement in the cultivation of rice?—No. They are following the same old methods.

Are you of opinion that Agriculture Department has done nothing in improving conditions of agriculturists?—I have never said that they have done nothing. They are doing their best, but their staff is inadequate. I would like to have one agricultural assistant for each Revenue Inspector's circle.

How do you say that there is no co-ordination between the three departments—Agriculture, Veterinary and Co-operative societies?—That is an every day experience.

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Do you know that there is a Board of Agriculture?—Yes. The Board is at Nagpur.

In spite of that do you think it is not functioning?—It may be functioning; but there are no visible signs in the villages.

Is there no complaint in the districts that agriculturists are not getting fuel from Government forest?—In certain districts there is this complaint.

In what way?—By recommending to Government that sufficient fuel should be given. Such experiments were made in Chhattiagarh, but failed.

Chairman: Do you think it would be practicable to import coal?—No. Because it would not compete with cow-dung cakes. Even fuel does not compete with cow-dung cakes.

Seth Narsinghdas Daga: In your written statement you say that sowkar recover the full amount of money even though loan is returned after three months or after 12 months. Will you please explain?—Yes. The general practice is that if a cultivator returns money to a money-lender say even after three months, he is required to pay interest for 12 months. As he cannot be sure of keeping this money with him for 12 months, he has to return it as early as possible;

In your written statement you say that advances are granted on prospective harvests and as the crops are mortgaged the cultivators are compelled to go to sowkars and consult them. What is the meaning of this? Is it compulsory for the cultivators to sell their crops to those sowkars only?—Yes, because his crops are mortgaged and he has to pay the money he has borrowed from him.

You say the rate of interest charged by money-lenders ranges between 25 to 100 per cent. Is it from your personal knowledge?—Yes. I have made statement with regard to petty money-lenders and I have seen cases amongst them in which the rate of interest would go up to about Rs. 300 per cent even.

On page 512 again you write the rate of interest is generally very high. Does this refer to petty sowkars or to other indigenous bankers?—To petty sowkars.

On page 513 you say that the law of *Dam Dupet* should be made applicable to all the tracts?—Yes.

But on page 512 you have written wily money-lenders would even then devise new means to frustrate the operation of the Act. If this is your opinion, do you not think that the application of the Act will not be beneficial?—It will certainly give some benefit. There is bound to be some benefit.

Chairman: Thank you very much.

Mr. R. P. KOLTE, Superintendent, Land Records, Bhandara.

Reply to the Questionnaire.

Part I.—Agricultural credit and credit facilities for small industries

QUESTION I.—(a) (i) The agriculturist in the district almost generally goes to an indigenous sowkars for a loan either in cash or in grain, but mostly the latter and in a very few cases to co-operative banks.

(ii) Loans are very seldom raised for capital and permanent improvement. As a rule these are made only by such people who afford their own cash which will bear a larger percentage of the expenditure involved. The small balance required is raised by loan from local sowkar. It is only by taccavi loan that such works are carried out by people who cannot afford their own cash, but such instances are very rare on account of the insufficient allotment at the disposal of district authorities for the purpose.

(iii) Loans for these purposes are raised from local sowkars and sometimes from co-operative banks.

(b) (i) Loans raised for expenses during cultivation are mostly in the form of grain and are repayable on crops being gathered (period of nearly six months) at *sawai* (i.e., at compound interest). No security is as a rule taken for this kind of loan.

(ii) Loans for capital and for permanent improvement are in the form of cash. The rate of interest varies according to security from 12 annas to Re. 1 per cent per mensem.

(iii) The other special needs described in question I (c); the rate of interest is from Re. 1 to Rs. 3 per cent per mensem, nature of security being either personal or landed. Penal interest is as a rule charged for failure to pay either the interest or the instalment of the loan within the stipulated time. Except in hard pressed cases, security of standing crops is not accepted even for small amounts as there is danger of the debtor removing the crops without the knowledge of the creditor.

(c) Government in normal times practically plays no part in agricultural finance in the district. No kind of banks except co-operative have any kind of operations in this district. There are 125 societies of the co-operative bank in the district. Rs. 65,000 is the amount of agricultural loan given to the people during the last three years. The societies are increasing, but very slowly. One lakh of rupees is the amount of deposits of the public in the Central Co-operative Bank. Indigenous sowkars and money-lenders almost do the whole of the agricultural financing of the district. Merchants and dealers except in a few cases roundabout Tumsar and Gondia do not take any part in agricultural financial operations.

(e) Grain advances are made on personal or landed security at interest which is practically the same in all cases and which is 25 per cent repayable nearly in six months, i.e., grain is usually borrowed in June and July and returned to the sowkar from November, i.e., on harvest.

(f) (i) Usually the agriculturists reserve some portion of their own produce for seed for fear of getting mixed seed from sowkars granary. The rate of interest of 25 per cent, i.e., of *sawai* for six month is very high. The agriculturist has to pay over and above the *sawai* a surcharge meant for the maintenance of the measurer and a general servant who looks after the granary of the sowkar. Besides the above referred to surcharges, which are common to all sowkars, some of the bigger sowkars also charge some miscellaneous exactions, i.e., dole for elephant maintained by the sowkars.

(2) Dole for dog maintained for the protection of the granary. So that in these cases interest goes up to nearly 30 per cent.

(i) In this district sowkars are not grain dealers and therefore the advances of grain that they make do not affect the disposal of crops by the tenants.

(2) The main facts of the present system of finance, so far as the sowkar is concerned, are the unregulated character of the financial dealings, the lack of any sense of social responsibilities on the part of the sowkars and also the economic dependence of the agriculturist on the sowkars their illiteracy and lack of knowledge of accounts or legal procedure.

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(3) It is one of the defects of the present system that the rates of interest which the agriculturist as a borrower has to pay are much higher than his industry could bear. Another defect was that finance is not available on fair and reasonable terms for the improvement of agriculture and it becomes therefore impossible for those interested in better farming to raise the standard of agricultural industry.

(g) There is no co-ordination between the various credit agencies in the district. On account of the lack of this co-operation the agriculturist do not resist the temptation of taking loans from several sowkars, at one time and thus find themselves loaded with debt beyond their paying capacity.

QUESTION 2.—(a) There are two methods of marketing the principal crops of this district—(i) tenants going directly to centres of trade which are Gondia, Tirora, Tumsar, Lakhni, Lakhandur, Paoni and Bhandara. (ii) Petty merchants locally called *bhusaris* tour about the villages, purchase grain and sell them to bigger grain merchants.

(b) There are no possibilities at present for want of general education and spirit of joint working.

(c) No special facilities except those mentioned in reply to question 1 are in existence. No facilities are necessary except that the *bhusari* system is further developed. If loan either in the form of grain or cash is available to the agriculturists on easier terms, he will be able to afford to wait for the disposal of his grain till the prices are better.

(d) No reply.

(e) Banks do not play any part in this district during the processes of marketing local bankers (or sowkars) and merchants advance loans on easy terms to approved *bhusaris* who deal in grain.

(f) For internal remittance hundis, money orders, currency notes through registered post are the only forms.

(g) Nil.

(h) Only hundis are used and that too by the merchants. Agriculturists do not use such means.

(i) Nil.

(j) (i) Hindi payable at sight, (ii) and second can wait a time.

(k) Nil.

(l) Hundis from the district are to a very small extent discounted locally. Most of them are sent to Bombay and some to Nagpur. They are also held by merchants and commission agents.

(m) Instruments of ownership of goods and produce are not here used for raising money.

(n) No reply.

(o) No reply.

(p) No reply.

3. (a) Value of dhan land per acre Ra. 40 to Ra. 150 and in case of *dafali* upto Ra. 250, *kathan* Ra. 40 to Ra. 100.

(b) Situation, quality of soil and demand for land in that part are the factors affecting value.

(a), (b) and (c) land sold through court brings less value on account of—

(i) Sale being held at headquarters and away from the land.

(ii) Absence of sufficient bidders.

(iii) Want of better advertisement.

(iv) Insufficient knowledge about the quality of the land and burden thereon.

(v) General ignorance of the people if burdens on land auctioned for non-payment of revenue are obligatory.

(c) There is not much room to criticize the private sale.

4. (a) Yes. The Central Provinces Tenancy and Land Revenue Acts impose impediments to mortgage of lands and agricultural holdings. There are no land mortgage banks in this district. Co-operative Bank does some financing to agriculturists and its extent is described in answer to question 1 above.

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5. (a) and (b) In mauza Adyal there are four malguzari and 172 tenants. All malguzars and 130 tenants are indebted.

(c) By making enquiries on the same lines for the whole district.

(e) Debts are due to all facts mentioned in the question.

(f) Indigenous bankers and professional money-lenders.

(g) In my opinion indebtedness is due to growth of debt by compound interest and interest not having been paid is about 50 per cent of the total indebtedness. Besides cost of production (i.e., wages, etc.), is proportionately much more than the outturn.

(h) (i) Want of foresight and thrift.

(ii) Expenditure in ceremonies and funerals.

(iii) People are loath to increase income by industry and hard work.

(iv) Standard of living being very low they do not strive to earn more than they easily get.

(j) It is already said above that rate of interest charged is high, i.e., from Re. 1 to Rs. 3 per cent. The interest is more often than generally calculated at compound interest after the expiry of the period fixed for repayment of the loan.

The sowkars give small books worth 2 annas to the debtor which is used as a receipt book for *khat* instalments. *Warkaris* are employed to make recoveries of *purja* loan, etc., sowkars seek help of civil court to enforce repayment of loans if all other measures for recovery fail.

(j) No.

(k) Indebtedness is much less in irrigated tracts than in other tracts.

(l) No.

QUESTION 6.—(a) Mahar agriculturists do cloth-weaving, some Mahars *lac*, businessmen do agriculture as a supplementary business.

(ii) Sellings of fuel from jungle.

(iii) Cutting of fuel in towns.

(iv) Cutting on a very large scale.

(v) Some agriculturists even do *bhusari* business.

(vi) Labour in manganese and *bidi* factories.

(vii) Agriculturists who do gardening are mainly *Marars* by caste.

The subsidiary industry of weaving is yet in the most primitive stage. This industry is dying on account of mill competition.

(b) Government should encourage this industry by providing improved hand-looms and making arrangements for the supply of yarn, etc.

(c) (i) Hand-spinning and weaving.

(ii) Poultry. This industry can be carried on with advantage in the *Sakoli* tahsil and other parts of the district where that is already in existence though in primitive stage. The difficulty is that there are no good transport facilities and they cannot get good outturn in money.

(iii) People should be educated or encouraged to grow fruit-bearing trees, e.g., of lemon, plaintains, guavas, etc., which bring them fairly good income.

(d) Only hand-spinning and weaving require organization and credit facilities, which at present are not in existence in the district. Help of All-India Spinners' Association may be sought in this matter. This enterprise may as well be taken up and encouraged by the co-operative banks who should be rendered expert advice and guidance by Government.

7. (a) No such thing in this district.

(b) to (e) Nil.

(f) (i) It is necessary to grant financial concessions in order to stimulate the growth of co-operative movements. In the first place their income should be exempt from the income-tax and their shares and debentures and also deposits should be treated on par with other securities under the Trust Act. Thus the co-operative bank will be able to receive deposits from sources which at present have to send them elsewhere under the existing law, e.g., minimum balances of local bodies.

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The investment of the aforesaid amounts practically out of the district and thus out of the reach of the agricultural class, debar the people from use of the money. Another result of this will be to increase the credit of the co-operative societies thus bringing more local savings as deposits to it.

(ii) Training to the agricultural borrowers in the use and functions of credit is necessary. The value of any system of credit depended not only on the efficiency of the lenders, but also on the efficiency of the borrowers. This kind of education can be supplied only by an agency which identified itself wholly with the borrower. Hence the importance and value of the co-operative credit. It was only through such a system that they could use credit as a means of fertilising agriculture and preventing it from sinking into a lower level of economic inefficiency.

(c) In this district co-operative movement has not been able to touch even the fringe of agricultural finance. Co-operative movement has not so far helped traders and industries except for a short time about 10 years ago when it helped Koshis and found itself at a loss. In my opinion there is a great future before the co-operative movement, provided it is organized, financed and pushed up by proper education and propaganda and by proper persons.

(h) It is very necessary to make specific provision to protect the interest of farmer to repay his debt by instalments to be recovered from the produce alone and not by selling the property. It may be suggested that the Usurious Loans Act should be amended with a view to fixing a particular rate of interest although the contract rate might be high and only licensed money-lenders should be allowed to do business with certain legal conditions.

(i) It is very necessary to take the action proposed in this question. Legislation should be introduced on the lines of Punjab Act whereby the money-lenders would carry on their business after obtaining license. It may be suggested that the Act may further be amended by introducing the rule that copies of accounts should also be sent to the officer in charge of issuing such licenses to keep a complete check on the money-lenders. It does not mean that the sowkars be altogether rooted out, but it is desirable to bring them in lines with modern methods.

(f) Nil.

## Part II—Indigenous Banking.

**QUESTION 1.**—There are no indigenous banks as such in this district, but there are individual bankers doing a large business. Except a few Marwari bankers, the other recognized bankers of the district do business of lending money only, very seldom receive deposits and do not deal in hundis. These local sowkars do a large business in money and grain. The local bankers played an important part, particularly in the economic life of the villagers. They had been there through all the political and social vicissitudes and still they continued to be an important factor. It became possible for the agriculturists to obtain a loan from these bankers on personal security, because the sowkars knew their families and financial circumstances, credit, and habits of the borrowers.

**QUESTION 2.**—The local bankers practically do not take any part in financing trade and industry. All the finance of the agriculturists is, however, done by them.

**QUESTION 3.**—(a) It is very difficult to estimate the amount of capital invested in indigenous banking, but it can safely be assumed to amount to several lakhs.

(b) The volume of their business is also very large.

(c) Compared to the volume of business that they do, the expenditure required by them to run their business is rather disproportionate. The employees being low paid men, their profits are not much affected. But on account of the low wages given to their employees, the debtors have to make good the loss of the employees by giving them something over and above the interest, e.g., wages from annas 2 to annas 6 to "warkaris".

(d) Local bankers operate independently of each other. There is, however, no rivalry between them. These bankers have no connection with the Imperial and other banks in the province.

(e) Nil.

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Hundi are of 2 kinds (i) "Darshani", i.e., payable at sight. It is on a stamped form issued from Government treasury. These supply bills will be given only in even hundreds of rupees and the minimum limit is Rs. 1,000 unless in any special case the Deputy Controller of the currency fixes a small maximum (Resource Man. P. 60, Art. 161). (ii) Another hundi is of time-limit. It is on a printed (private) form of the bankers or sowkars.

Rate of hundi is rather high in business season, i.e., during the months of February or March to May (even up to annas 8 per cent). During slack season i.e., during monsoon rate of hundi is low (even to 1 anna per cent).

In this district there are nearly 19 sowkars (almost all of whom are Marwaris) who do this hundi business and in majority of cases they are "Darshanis". These sowkars or bankers have business outside the district in the province and out of the province. But this business of hundi does not extend to agriculturists.

*Promissory notes.*—There is absolutely no danger to the sowkars in getting promissory notes while lending money to borrowers and the creditor can command money from the debtor at any time or even it can be sold. The same thing is not true in the case of *purja*. The sowkar can get the interest on promissory notes as on *purja*.

QUESTION 5.—(a) There is no such custom, but some sowkars make advances in commodities and either accept cash or finished articles in return. This is applicable to yarn and cloth only.

QUESTION 6.—(a) For *mahin khat* rate of interest is *sawai* or nearly 18 per cent per annum. For ordinary *purja* Re. 1 to Rs. 2 per cent per mensem. For grain Rs. 25 to Rs. 30 per cent per mensem. The tendency in the district is for the rate of interest to mount up, the reasons being carelessness on the part of debtors to repay loans at stated periods.

(ii) Tendency on the part of debtors to take loans from several sowkars at the same time.

(iii) The last but not the least is the use by the debtors of the provisions of Insolvency Act. Provisions of Central Provinces Tenancy Act making tenancy land not liable to attachment and sale is the main reason of the lowering down of the credit of the debtors and the opportunity thereby obtained by them of taking the help of Insolvency Act.

(b) As a matter of fact it is surprising in the face of Central Provinces Tenancy Law how the sowkars dare make large advances to agriculturists. Organization alone will not suffice to bring down the rate of interest, but the remedies suggested in answer to question 7 (f), (g), (h) and (i).

(c) Yes. Reduction of rate of interest would be beneficial not only to the agriculturists, but also to sowkars (on account of security of loan).

QUESTION 7.—(a) No.

(b) Yes.

(c) The Insolvency Act is being misused by the borrowers. This is a general view held by the sowkars whose complaint is that the courts view such applications from borrowers with sympathy. The provisions of the Tenancy Act come in the way of the majority of the borrowers as it reduces their credit.

(d) On pretty sound lives.

(e) Some such discussion is made above in answer to other question.

QUESTION 8.—The only way to make local sowkars more serviceable to the community is by introducing competition among them. The total resources of indigenous bankers are not sufficient to meet the demand of the district and they are thus able to dictate their own terms to the borrowers consistent with the safety of their loan. If more financial agencies, either Government, semi-Government or co-operative, are introduced, there seems to be some likelihood of improving indigenous banking.

(c) No.

(d) The general system of accounts is the ordinary well-known native system of accounts. It is not necessary to describe it here in detail but it is perfect.

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system and the account of each customer can be seen and known without any trouble. But as a rule it is not open for inspection of the customers unless the latter are insistent and inclined to be troublesome.

(e) It is not likely that indigenous bankers would like any measures calculated to regulate their operations and giving publicity to them. In fact many customers would themselves not like that the operations of the sowkars, so far as they are concerned, should be made public.

QUESTION 9.—Local bankers make a profit of 6 per cent per annum on average on their capital after allowing all the charges and losses. Making allowance for all the facts mentioned in the question, a well established sowkar like Chitnavis, Buti or Naik, etc., on an average gets his capital doubled in nearly 10 years and the other sowkars get about Rs. 500 profit on Rs. 1,000 in nearly seven or eight years.

QUESTION 10.—Local bankers are not able to meet fully all demands for accommodation as their working capital though fairly large is not quite sufficient for the needs of the district. Hence co-operative and Government help is sought. It is also true that local bankers sometimes refuse loans on account of the unacceptable nature of the security offered or owing to insufficiency of their working capital.

QUESTION 11.—It is necessary that the indigenous banking system should be linked with central money markets and provincial capital.

(b) Any of the three remedies suggested should be introduced.

(c) Local sowkars would not welcome the idea of a rival bank amongst them.

(d) In fact such a competition would be welcome for reasons given in answer to question 8 (a) above.

QUESTION 12.—(a) No.

(b) Question does not arise.

(c) Question does not arise.

### Part III—Investment habit and attraction of capital.

QUESTION 1.—(a) and (b) Nil.

(c) The only institution for encouraging savings and investment habits are—

(1) Post office savings banks.

(2) Postal cash certificates.

(3) Co-operative bank.

None of these three are, however, taken advantage of except in urban area and that too by educated people. The influence of co-operative societies and banks has been practically nil in this district.

(d) Looking to the habits of savings and consequent investment of the people the facilities provided are sufficient.

(e) Yes, by opening more postal savings banks.

(f) Yes, the tendency of the people is yet to invest in gold and silver their savings or profits, the reason being that they can satisfy personal vanity and money can easily be raised either by sale or by pawning. Banking and investment habit in the district has been of very slow growth. The system is not yet well understood by the people and the failure of banks in recent years made them lose their faith in such banking business. The prominent idea has therefore been to engage one's money in safe investment as land (buildings in towns or), in the alternative to lock it up in the shape of gold and silver ornaments. This tendency could only be changed, provided public opinion is educated by systematic propaganda organized by people in whom trust could be reposed.

Another suggestion to encourage the investment habit is that the money raised by Government from the post office savings bank and cash certificate should be utilized in the centres where it is raised.

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QUESTION 2.—(a) Postal cash certificates are popular to people who have knowledge of them.

(b) The reduction of rate of interest on them is likely to come in the way of their popularity. Again the rule of non-payment of interest for a period of less than a year reduces to some extent value of this investment. It is therefore necessary to allow a reasonable interest for period of within a year. Besides propaganda work will increase their popularity, provided the above abuses are removed. Existing terms of issue do not seem to need any change.

(c) Yes.

(d) Mainly educated.

(e) Yes. Propaganda work and issuing of pass-books in vernacular, and use of the capital in the centres where raised.

(f) No competition in this district.

QUESTION 3.—(a) and (b) Nil.

(c) People keep their money either hoarded or in purchase of gold and silver.

(d) Nil.

(e) Yes, they do on the same terms as other sowkars do.

(ii) By purchase of land and improving fields and in ornamenting their family members.

(iii) Money is more evenly distributed in this district and its working capital has increased.

QUESTION 4.—Payment by cheque in this district is done by local bodies only, and cheques are issued on Government treasury. There are a few local bankers who receive deposits and upon whom cheques are issued by the depositors.

QUESTION 5.—(a) Yes.

(b) Because the people have not always enough for investment in the banks, and for reasons given in answer to question 3 (c) and question 1 of Part III.

#### Oral Evidence.

Nagpur, the 14th February 1930.

Seth Narsinghdas Daga: On page 519 you write something about the high rate of interest and you say that though the rate of interest appears on paper to be low still in actual calculation it is very high. What do you mean by that?—What I mean is that the rate of interest in document, though low on paper, is actually very high owing to the deductions made by the creditors.

Can you suggest any remedies to prevent this?—One of the principal remedies for this would be for Government to give larger amounts in taccavi which is really required by the agriculturists for his agricultural purposes having regard to his paying capacity.

On page 520 you complain about the compound interest. If the interest is not paid regularly how can a sowkar avoid charging compound interest?—A sowkar cannot avoid that.

Can you suggest any measure by which this can be prevented?—I do not think so. Nothing can be done unless people are educated.

Chairman: Agriculture has some special need in each district, for instance, the rice lands in Bhandara are said to need special manure. Is the cow-dung manure sufficient for the whole area under rice. Not at all.

You will agree then that in order to increase the outturn and improve the condition of the agriculturists in the Bhandara district it is necessary to introduce some kind of artificial fertiliser?—Yes.

Is any fertiliser sold on a large scale in your district?—The Agriculture Department probably encourage the use of some artificial manure.

Do they really go from village to village selling these things or encouraging their use?—I say an agricultural assistant in Sakoli tahsil giving lectures about the use of new ploughs, but I did not hear anyone carrying fertilisers from one place to another.

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Have you ever heard anyone doing any propaganda about fertiliser?—No.

Is any fertiliser used in your district?—Yes, there are in small areas.

Have you ever heard of Ammophos?—No. I have not heard about it.

Do you think that the tenants of your district would use artificial fertilisers, if they could be sold to them at reasonable price?—Yes.

Is there any shortage of fuel in any part of your district?—No. The jungle is near to all the parts of the district.

Do the people burn cow-dung cakes in large number?—No.

*Seth Narsinghadas Daga:* On page 523 you stated that the net rate of interest charged by money-lenders comes to about 6 per cent and on page 518 you also write that the rate of interest is very high. Do you think that the rate of interest can still be lowered, taking into consideration the net return the creditors get?—I have already answered this point in my written statement.

On page 522 you make some suggestions about keeping of accounts, etc. Do you not anticipate any difficulties if effect were given to this proposals?—No.

Do you know that the rate of interest changes?—It may be changing.

Will you please say how can you think of fixing only one rate of interest in these circumstances?—It is not practicable.

Do you think that there is a tendency amongst the people to buy cheaper things without giving consideration to their durability?—That is not the view of everybody.

Do you think that people are fond of buying fine things?—I do not think so.

In your written statement you make a reference to the competition between the mills and hand industries. Do you mean Indian mills or also foreign mills?—No, sir.

*Chairman:* Do you think that if the import of foreign cloth was entirely prohibited, the Indian mill-made cloth could be cheaper?—I do not think so. The rates will certainly go higher.

Will an ordinary man be benefitted by this?—No. He will not.

*Rao Bahadur M. G. Deshpande:* What remedies do you suggest for having taccavi distributed freely?—More allotments should be sanctioned.

Writing about recovery of rent you stated that it is recovered before the due date. Do you think malguzars insist upon the rent being paid?—Yes. I have seen them insisting upon it.

Have you come across any instances in which tenants voluntarily pay rent before due date?—In some cases I have seen the malguzar also collecting a second kist, i.e., both kists, at a time.

Are you a malguzar?—No. My father is a malguzar.

Have you heard any such cases in your village?—My father is not a landholder. My uncle manages the estate.

*Professor A. C. Sen Gupta:* As regards the utilization of taccavi loans for permanent improvements, you say that there is a very insufficient allotment?—Yes.

Is there no possibility of the money being spent for unproductive purposes when the actual allotment falls short of the requirement?—I agree there is the danger of the money being misapplied.

You say that loans raised for cultivation expenses are mostly in the form of grain. Is it usual in your district to pay for all labour in grain?—It is generally so done.

You refer to the penal interest that is charged in case of default. Are such defaults very common?—They are very common, and therefore the penal rate is the real rate of interest.

As regards surcharge in the case of arrest for the maintenance of a servant and the dote for an elephant, dog, etc., have you got actual instances in mind when saying these?—Yes.

Is it not common for the same cultivator to borrow from different sources? Yes it is common.

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You say that, if the cultivators could get loans on easy terms, they could wait for the disposal of their grains until better prices prevail. Do you think it is a safe thing for the cultivator to do so, generally considering the high rate of interest he has to pay?—At present the cultivator has sometimes to pay rent to the malguzar almost in the beginning of December so he has to dispose of his grain much earlier than he would do and thus his outturn from crops in money is less than his estimate.

*Chairman:* What is the date on which the first kist of malguzari land revenue falls due in your district?—February 15th.

Under the law the rent is not recoverable before January 15th?—Yes.

You mean to say then that some of the malguzars in the Bhandara district illegally recover rents before it is due?—It looks like that.

Many witnesses have told us that the sowkars are not very regular in recovering their debts?—I agree.

They have also told us that very few persons actually repay their debts on the dates fixed. How can you explain what you and many other persons have said that, if the cultivator got more time, he would be able to sell his crop at a better price?—The cultivator gets time to repay his loans, but he does not usually get time to pay his rent, even though the rent is only a small portion of the cultivator's expenses.

The average holding in the Bhandara district is 10 acres and the average rent per acre will come to Re. 1-4-0. Therefore the amount of rent payable on the first kist would not be more than Rs. 10. What is the normal outturn of rice in the Bhandara district?—5 khandis per acre.

Then the value of the crop on 10 acres is Rs. 500. Will you agree that it is not necessary to sell Rs. 500 worth of grain in order to pay Rs. 10 rent?—Yes.

*Professor A. C. Sen Gupta:* Cultivators do not generally sell their grain all at once. They sell small quantities to meet urgent items of expenditure and wait for a better price. Is it not?—Yes.

You say that indebtedness is much less in irrigated tracts than in other places. Have you got personal experience of this fact?—Yes.

That shows that a cultivator borrows when he feels he must and he takes no pleasure in borrowing. Do you agree?—Yes. For cultivation the cultivator does not take the risk of incurring more debts.

Am I right in inferring from this fact that the cultivator borrows when he feels that he must borrow?—Yes.

Does it follow that, if he had the right of transfer, he would not be unduly borrowing money, because his credit had been increased?—From enquiries I have made it appears that the debt on an occupancy holding is not much less than the debt upon absolute occupancy and malik-makbuza holdings in the Bhandara district.

I suggest to you that the mere fact that indebtedness in areas which are more rich and secure is less than elsewhere would tend to show that the main cause of indebtedness among the tenants is not extravagance, but crop failure. Provided the years are ordinarily good, although tenants have good security and can borrow money if they want, they do not become so heavily indebted as tenants who live in tracts where the security is less and the value of the land also is less. A cultivator who irrigates his land has good credit and can raise more loans if he wants. As a matter of fact, experience shows that he has not done so. Is it not?—Yes.

Would you, therefore, agree that extravagance alone is not the main cause of indebtedness of agriculturists in India today?—I agree.

Would you then go further and admit that it is not true to say that the granting of better facilities for cheap credit would result in increased indebtedness?—Many have told us that the mere granting of easy credit facilities would not help the agriculturist in any way. Are you prepared to admit that this view is incorrect?—I cannot answer this question.

Are you in favour of granting rights of transfer to occupancy tenants? Did you or did you not find that the absolute-occupants and malik-makbuzas are able to borrow money at a lower rate of interest than the occupancy tenants?—In

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the Bhandara district there is not much difference in the rate of interest in such cases. However I am in favour of granting rights of transfer to occupancy tenants.

Would you kindly tell me what is the least rate of interest charged in your district?—One rupee per cent per month.

Does a malguzar ever obtain money for less than one rupee per month on mortgage?—A malguzar might obtain loans on less than 12 per cent per annum on mortgage.

Do absolute-occupancy tenants get loans at less than 12 per cent on mortgage?—I have not come across such instances.

What is the least rate of interest on which an occupancy tenant can obtain money?—The average rate is 2 per cent per month.

What do you estimate to be the ordinary net profit per acre from rice cultivation?—Nearly Rs. 5.

Do you agree that the financing of long-term loans to agriculturists is not a business which could be carried by a banker under the proper definition, i.e., by a person who carries on his business upon deposits received from outside?—I agree that it would be impossible to give long-term loans on short-term deposits.

Replying to Seth Narsinghdas Daga the witness said: The loan taken in kind is returned in kind only. There may be a small difference in the price of grain on each of the above occasions.

Rao Bahadur M. G. Deshpande: You have stated that if loans in the form of grain or in cash are available on easy terms the cultivator will be able to wait and sell his produce at a good price. Could you suggest any remedy to advance loans on easier terms?

Have you got any idea of the co-operative movement?—No, I had no part in the actual working of the institution.

Vice-Chairman: From what you have heard from agriculturists, do you think there is a keen desire to secure the right of transfer on the part of occupancy tenants?—The tenants do want this right.

Do you think that, if such right is given, it would encourage reckless borrowing generally or that only a few will do so or that the bulk of the occupancy tenants will make proper use of it?—I do not think they will indulge in reckless borrowing then.

Have you made any personal enquiries into the present condition of the handloom industry in your district?—Yes.

Do you know that a large number of improved looms are working and there is also a general aversion to these, because weavers find it difficult to dispose of the increased output?—Yes.

Have you felt that the real difficulty is that of marketing?—Yes.

Have you any personal knowledge of the affairs of the All-India Spinners' Association and do you know that every year they are losing one and a half lakhs and that their activities are more in the nature of propaganda?—I do not know that the association is incurring loss every year but their activities are more in nature of propaganda.

Chairman: Thank you.

**MR. K. A. FADNAVIS, Landholder, Malguzar, Money-lender and Honorary Magistrate, Mul, district Chanda.**

Reply to the Questionnaire.

**Part I.—Agricultural credit and credit facilities for small industries.**

**QUESTION 1.**—The agriculturist of this district mostly obtains finance from local bankers and money-lenders for necessary expenses of cultivation and for ceremonial purposes. In some cases agriculturists are helped by the co-operative banks. For permanent improvement they seek taccavi loans granted under Land Improvement Loans Act.

The rate of interest ranges between 15 to 24 per cent per annum and the loan is generally taken for one agricultural year. In most of the cases it is renewed. The security is mostly personal and the bankers always take into account the status of the client and the extent of his cultivation before the grant of any loan. In some cases agriculturists take advances on the prospective crop and agree to sell the produce at a certain price, the rate of which is generally 20 per cent less than the forecasted harvest price. Such advances do not carry any interest.

Government do not substantially help the agriculturists, loans being granted only under Land Improvement Loans Act and Agriculturists' Loans Act. This help falls too short of the expectations and the agriculturists have to depend on local money-lenders. Co-operative banks render some useful help, but that too is quite inadequate.

My estimate approximately comes to Rs. 45,00,000. In my opinion this amount of capital would be sufficient for the various purposes in this district.

The approximate estimate of the grain advances in my locality comes to 1,000 khandis of grain. Such advances are generally given on *sawai* system, i.e., 25 per cent, and to be returned at the harvest time. The rate of interest on which agriculturists generally obtain finance is very high and that is one of the principal causes of their heavy indebtedness. As the agriculturist have no other alternative except to depend for finance on the local money-lenders, they have to submit to whatever rate of interest the money-lenders are pleased to dictate. Moreover, an agriculturist generally has no other security to offer except his prospective crops and his honesty. The advances that are taken on the disposal of crops result in the most disastrous way. The agriculturist has to sell the produce of the season whatever be the price. At this time produce from all directions rush into the market and this naturally materially affects the price, which generally goes down. The agriculturist is thus prevented from getting the natural and legitimate benefit of his exertions. I think the only remedy lies in substantially financing the agriculturists, which is only possible by the establishment of a land mortgage bank.

There is no co-ordination among the various credit agencies including Government, though there is wide scope for improvement in this direction.

**QUESTION 3.**—In this district rice land fetches more value than the lands for other crops. The value of rice land ranges between Rs. 125 and Rs. 175 per acre and for other crops Rs. 30 to Rs. 50 per acre.

The principal factors affecting the value of land are as follows:—(1) Nearness to the railway station, (2) nearness to permanent road, (3) nearness to a big village or trade centre where labour facilities are in abundance, and (4) having good irrigation.

There is no marked difference in the value of land in Government auction for non-payment of revenue, sale by a court decree or by private negotiations only, the four factors as stated above govern all the transactions.

As most of the agricultural holdings consist of occupancy rights, it is an impediment to mortgage of lands. There are no land mortgage banks or any other banks providing long-term credit to agriculturists.

Land mortgage banks should be established with a directorate consisting mostly of agriculturists.

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(1) The occupancy holdings should be allowed to be mortgaged with the land mortgage banks.

(2) The debt of the bank and the rent of the holding should be the first charge on the holding.

(3) In event of foreclosure the malguzar may exercise his right of pre-emption by satisfying the debt of the bank or should consent the transfer.

(4) If malguzar does not exercise his right of pre-emption, he should be entitled to a consent money, which should not exceed 20 per cent on the consideration amount.

(b) (1) In event of non-payment of the debt of the bank civil court should pass a decree and order sale.

(2) Duly proved warrant of the bank only should be deemed to be a sufficient evidence for a civil court to pass a decree.

(c) The bank should be exempted from all necessities and formalities of litigation.

*Capital.*—Working capital of the proposed banks should be derived from—

(a) Deposits.

(b) Funds from central institutions.

(c) Debenture bonds.

(d) The amount which Government in Imperial Bank and which does not carry interest should be deposited with these banks.

(e) Foreign life insurance companies which always give the benefit of the amount of the premiums to the foreign trade should be forced to deposit 50 per cent of such amount in these banks.

Not only debenture bonds should carry Government security, but the whole concern of the banks should be guaranteed by the Government.

The Government would get income-tax on the net profits of the bank. Moreover, the prosperity of the agriculturists, which would raise the standard of their living, would compensate the Government more than one way.

*Raising money.*—Land mortgage banks should give 5 per cent interest for fixed deposits, deposited for two or more years and the same rate of interest should be allowed to debentures. Funds from central institutions and deposits of life insurance companies should carry  $4\frac{1}{2}$  per cent interest.

*Lending out money.*—The bank should lend out money to the agriculturists and traders at the rate of 9 per cent per annum.

*Long-term credit.*—The bank should lend out various amounts to the agriculturists on the mortgage of lands. The debt when necessary should be recovered by long-term and by instalments.

**QUESTION 5.**—It is rather difficult to estimate the exact indebtedness of the agriculturists. One of my villages, for instance, Mul, which is of some importance, has got 150 tenants, majority of whom are heavily indebted. Their indebtedness approximately comes to Rs. 9,000 (nine thousand).

In this district most of the lands having transferable rights are mortgaged.

The debt is largely due to professional money-lenders and in most of the cases it is due to the heavy rate of interest, conditional rate of interest and compound interest.

The rate of interest ranges between 15 to 24 per cent and in addition conditional or compound interest is charged when the amount is not paid on due date. The money-lenders generally resort to civil courts for enforcing the payment of the debt.

This intolerable state of things would have turned efficient farmers into tenants for a period or tenants-at-will and even would have brought about their total extermination, but for the inalienable occupancy rights. Lands having transferable tenures have in most of the cases passed into the hands of the creditors. This tendency of passing lands into the hands of the money-lenders is more in the area which is not protected by irrigation and thus more liable to famine. If this process goes on, it would take away from the actual cultivator the incentive to produce more and in an efficient manner.

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**QUESTION 6.**—In the district growing of cane and gud-making is a subsidiary and ancient industry, which gives substantial help to the agriculturists, but it is quite unable to keep pace and compete with the foreign sugar.

It is therefore a painful necessity to impose a duty on foreign sugar so as to keep this gud-making industry living.

The Indian National Congress has opened a subsidiary industry of weaving "khadar" in this district at Saoli near Mul. This industry of spinning and weaving is progressing satisfactorily and gives help to some agriculturists, when they and their family members are not engaged on their home-farms. Such industries should be substantially helped and should be opened at the central places.

Rice mills have been opened at certain important places, which help the agriculturists in placing their rice directly into the hands of the central merchant instead of local dealers.

All these industries deserve to be helped and, as suggested above, an imposition of duty on foreign sugar is of a paramount necessity. If the gud-making industry, which mostly provides work to agriculturists, is not protected, it will bring about their total annihilation.

The scheme of establishing land mortgage banks would solve the problem of credit.

## Part II—Indigenous Banking.

**QUESTION 1.**—Indigenous bankers of this district lend out various amounts to traders and merchants and also to the agriculturists. They lend out for a short or long period, according to the convenience of their clients. They deal in hundis and receive deposits.

In short it has been the only agency from ancient days which could substantially finance the trade and agriculture of the district.

**QUESTION 5.**—Indigenous banker grants loan on sound security or on mortgage. These loans are returned in most of the cases by instalments. If an instalment is not paid at the due date, conditional or compound interest is charged on the instalment which has fallen due. In some cases indigenous bankers grant loans to traders on the security of the goods which are stored in bankers' godowns or warehouses.

Indigenous bankers in this district generally work on their own capital and on the fixed deposits which they receive from local people.

Fixed deposits for one year carry 6 per cent and for two years and more 7 to 7½ per cent interest per annum.

**QUESTION 6.**—The agriculturists of this district have to pay 15 to 24 per cent interest to indigenous bankers.

(i) I think by establishing land mortgage banks, high rate of interest could be brought down, or

(ii) By a statute passed by the local legislature prohibiting the money-lenders from charging exorbitant rate of interest, and

(iii) By applying the rule of Dam Dupat to this province. This rule is already in force in Berar.

The reduction of the rates of interest would decidedly confer great benefit on the agricultural community and would increase its resources. It would bring about their much desired prosperity.

**QUESTION 7.**—There is no noticeable prejudice in my locality against the indigenous bankers.

The bankers are not sufficiently protected in law. They generally have to lose much by insolvency applications.

The bankers should get loans from the Imperial Bank at a low rate of interest.

I think excluding the high rate of interest, all other dealings of this class of bankers with their clients are conducted on sound lines. From ancient times they have been a backbone of finance both to agriculturists and trade.

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**QUESTION 8.**—Indigenous bankers can become more useful to the community provided they are given additional finance. I think a group of indigenous bankers or money-lenders, wherever such co-operation or co-ordination is possible, should be appointed as agents of the Imperial Bank, when such co-ordination is not possible, a single money-lender, who can give adequate security, should be recognized as agent. Such guaranteed firms would be able to show good results and thus to prove of great help to trade and agriculture.

The great advantage of this system would be that the indigenous bankers being local men, know local conditions better. Their overhead expenditure would also be less.

Indigenous bankers and money-lenders keep account in "Bahi khatas", e.g., Mahajani system is followed in maintaining all accounts. The accounts are open to inspection or verification by customers.

I do not think there is any necessity for the introduction of any measures for regulating the operations of indigenous bankers or for giving publicity to the same.

After making allowance for the legal expenses, management charges, losses through default and losses through foreclosure, I think net return to an indigenous banker or his capital comes to not less than 12 per cent per annum.

**QUESTION 10.**—The indigenous banks and bankers are not able to meet all demands for accommodation. They are obliged to refuse owing to insufficiency of their working capital and in some cases on account of the unacceptable nature of the security offered.

**QUESTION 11.**—I have already made certain suggestions on this point in answer to question 8. I would like to suggest further that in each district a local bank with a local directorate should be established. All of these district banks should be connected with Imperial Bank.

Local bank should provide working capital to an indigenous banker to be called agent of the bank after satisfying about his status and taking additional security, if necessary. Local bank should first take an undertaking from such agent that he would lend out money according to the rate of interest to be fixed by the Imperial Bank or by a local bank.

The advantage of this system would be that the agent being a local man, knows local conditions better.

As the rate of interest charged by the bank or its agent would be much less than that of the indigenous banker, the clients would invariably prefer to deal with the bank or its agent, and thus the competition with an indigenous banker would be quite easily avoided.

#### Oral Evidence.

*Nagpur, the 13th February 1930.*

**Chairman:** Will you tell us your qualifications and profession?—I have studied up to F. A. I am the malguzar of Mul and nine other villages in the Chanda district, belong to the very old family of Fadnavis who have been hereditary landlords for generations and political pensioners from the time of the Rajahs of Nagpur. I have also given evidence before the Irrigation Committee.

What property do you hold at present?—I own 10 malguzari villages.

Do you own them entirely?—No. I own five villages in full and 8 annas share in five others.

Are all of them in Chanda district?—Yes. Six villages are round about Mul, two eight miles from Mul and two in Warora tahsil.

How many of these are rice villages?—All these villages are practically rice villages.

Was not your property under Court of Wards?—Yes, about fifteen years before.

Were the debts very heavy?—Yes, but it was owing to my minority that the property was under the Court of Wards and not on account of debts.

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Are you indebted at present?—I am not indebted.

Would it be correct to say as far as these tracts are concerned that they have had very good crops for the last five or 6 years?—Yes, for the last five up to the present year, but this year there was a shortage of rain.

How much land do you cultivate yourself?—I cultivate 300 acres.

What is the cost of cultivation of 300 acres?—The expenditure for rice land would be Rs. 30 per acre. Out of 300 acres 200 is rice and 100 is rabi land. The average charges, including transplantation, etc., would come to Rs. 30 per acre of rice land.

In an ordinary year what outturn do you get?—It is about Rs. 50 to Rs. 60 per acre.

It means that your net profit is between Rs. 20 to 30 per acre. Is it not?—Yes.

Do you include land revenue in your costs?—Yes.

How much land revenue do you pay?—I pay about twenty-nine hundred rupees.

The point which seems to me to be of importance is the difference between the costs incurred by the malguzar or the man who cultivates with hired labour and the man who does his own cultivation himself. Would you please tell me what would be the cost of seed per acre?—It is one khandi for 2½ acres and the ordinary price of a khandi is about 10 rupees.

How many bullocks have you got?—I use bullocks and buffaloes. I have got about 40 pairs of bullocks and buffaloes.

What is the life of an ordinary pair?—The life of an ordinary pair comes to five years. I generally purchase seven pairs every year and owing to cattle disease, etc., I am required to replenish the whole stock in five years. For instance I had to purchase 12 pairs this year.

What is the average price of a pair of bullocks and buffaloes?—The average price of a pair of bullocks is between Rs. 100 to Rs. 200 and the price of a pair of buffaloes is between Rs. 75 and Rs. 100.

Supposing a man has got 15 acres of land what would be his total expenditure?—The man having 15 acres of land will have 6 acres of rice land and nine acres of rabi land, because this is the proportion on my side. Calculating the expenditure on 6 acres of rice land he will have to spend about Rs. 165, while he will make net profit of about Rs. 180 from his rice land after deducting all the expenditure. He will be able to add to this about Rs. 90 from the rabi land. In all it will come to Rs. 270.

What would be the feeding and clothing charges of an ordinary family of five persons?—I think it would come to about Rs. 220.

That means his net margin is about Rs. 50. Is it not?—Yes.

The outturns vary much from year to year, do they not?—Yes.

Although the average margin which we might call his paying capacity would be in one year more than fifty in another year it might be nil. Is it not?—Yes. Fifty is an average.

What would be the value of that man's holding of fifteen acres?—The value would be about Rs. 900. If a man buys about Rs. 900 worth land, he expects to get a certain annual net return on his money, and as agriculture is a very uncertain business cultivator would expect to get a higher interest on his money than on a more serene investment. Do you not think he ought to expect 10 per cent on his money?—Yes. But an agriculturist does not expect it. It is only a big man who expects to get some outturn.

But what would you expect to get yourself, 10 per cent, i.e., Rs. 90 per annum?—Yes, I would.

Your figures show then a man holding 15 acres of land would have a balance of Rs. 50 after maintaining himself and his family. Do you agree?—Yes.

Chairman: Is extravagance on the part of agriculturists one of the main causes of indebtedness?—No. His debts begin from a bad year when he is more or less compelled to borrow for his cultivating expenses.

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Could you tell me what proportion of the tenants of your villages do borrow money on short term?—In Mul about 70 per cent of the ryots are indebted in small sums which they borrow before the agricultural operations begin and which, if they can, they repay when the harvest comes.

Therefore we might say that it is one of the ordinary proceedings of agriculturists to borrow money from local sowkars for purposes of financing operations?—Yes. If the crop is normal they repay the money: if it is bad, they do not repay, but borrow again. They have to pay seasonal *sawai* on these sums. About 70 per cent of the tenants of Mul are indebted, out of which about 25 per cent are heavily indebted and the rest borrow from year to year.

How much money would a man with 15 acres borrow?—About Rs. 100. He has usually to repay Rs. 125. If he does not repay in time, interest at 25 per cent is levied on the total outstanding.

Therefore when once the man gets behind hand after two years he gets into a hopeless condition?—Yes. The debts go on increasing. Whatever he pays goes for interest and the principal remains just the same.

We might assume for the sake of argument that the paying capacity of a man is Rs. 50 per annum. He can in 35 yearly instalments wipe off a loan of Rs. 700 at 6 per cent. But if he owes say Rs. 300 at 24 per cent he cannot even pay interest: while the principal remains unpaid and he becomes hopelessly indebted. Do you realize this?—Yes.

Are there any tenants with 15 acres to whom you have advanced Rs. 200 or Rs. 300?—Yes. They do not manage to pay the principal: but pay only interest. I generally charge 25 per cent per annum as interest.

At any rate, as long as a man repay his short-term loans, he can keep out of debt even though the interest is fairly high: but when once he fails to repay owing to bad crops, and the debt increases, he is not even able to repay the interest unless it is very low and he is given a long credit?—Yes.

Does any institution exist in India for granting people loans for period up to 40 years at 6 or 7 per cent interest?—No.

If a mortgage is executed, what is the usual maximum number of annual instalments for repayment?—Not more than 12 years.

What is the minimum rate of interest in such cases?—For occupancy tenants it is from 12 to 15 per cent.

You will agree then that, when a man's debt increases substantially, there is practically no possibility of his repaying it owing to the absence of any agency for granting really long-term loans at a low rate of interest?—Yes.

You will also agree that this need can only be met by a land mortgage bank?—Yes.

If it is possible to establish a land mortgage bank which would lend money for periods of, say, 30 or 40 years, at rates not higher than 6 per cent, you agree that it would be possible for many persons to pay off substantial debts: but if the rate of interest is even as high as nine per cent, it would be extraordinarily difficult for him to repay any large sum?—Yes.

I would suggest to you that even 9 per cent interest, which you have suggested for the land mortgage bank, is too high having regard to the conditions of agriculture prevalent in India today?—I do agree.

You have stated that about 20 per cent of the agriculturists in your village take short-term loans for agricultural operations on which the rate of interest ranges from 15 to 24 per cent per annum. Is it not *sawai*?—For occupancy tenants it is seasonal *sawai*: while for the absolute-occupancy tenant and *malik-makbuzas* it is 15 per cent per annum.

What percentage of their debts do the tenants repay at harvest in an ordinary year?—I myself finance a large number of my tenants and from my experience I can say that all tenants try to repay their debts in a normal year. In a bad year some do not repay: they keep the money for the next year and pay interest only.

Would you agree that the ordinary agriculturist has no idea of finance?—Some of them do have such an idea. If they have valuable security they would not pay a high interest.

MR. K. A. FADNAVIS:

As regards your recommendations for the land mortgage bank, you have put forward only tentative proposals. Is it not?—Yes.

I will suggest to you that the amount of money which will be required to be raised is so great that it cannot be raised on short-term loans, but should be floated on debentures at a low rate of interest. We must have Government backing and a bank which will have the support of the whole country?—Yes.

You will agree that some such larger institutions than the small district banks suggested in your memo will be required?—Yes.

You do not want the land mortgage bank to go to the civil court?—No.

Do you approve of the form of English mortgage which permits the mortgagee to take possession of the land mortgaged at once without going to civil courts?—The people will take it as a harassment.

Do you think that money will be available for the land mortgage bank at 5 per cent?—Yes. I am myself prepared to subscribe to the loan, if floated. I also agree that 9 per cent is too high a rate of interest for loans advanced by such mortgage banks.

You say that there are 150 tenants in your village and that the total debt comes to Rs. 9,000. This gives a debt of Rs. 60 per head. Could you explain the apparent contradiction between the average debt and your statement that they are heavily indebted?—About 70 per cent of the tenants are indebted and 30 per cent are free from debts. Of these 70, about 15 are really heavily indebted and the rest are indebted within their means.

Are the 30 per cent who are free from debts big tenants?—Yes. Some of them are not wholly dependent on agriculture.

You have referred to the *khaddar* industry at Saoli. Could you explain to me what results have been achieved there?—Formerly they started work with about five or ten people: but now most of the labourers are working there at their leisure hours.

It has been said by a number of witnesses that a real agriculturist has no leisure for subsidiary occupations. But you have raised the question of the agricultural labourers. I understand that you mean that the labourer has a considerable amount of leisure as he is only employed at certain seasons of the year. Could you tell us for exactly how many months he is employed?—For eight months in the year. In the remaining four months he can take to subsidiary industries.

You have stated that loans are usually repayable in instalments and that if an instalment is not paid, compound interest is charged on the instalment which has fallen due. I suggest to you that it is a normal thing for all banks to charge compound interest and it cannot be avoided. As regards the additional interest, you mean to say that penal rate is charged and you object to that. Is it not?—Yes.

You have also stated that the reduction in the rate of interest would decidedly confer great benefits and would increase the resources of the agriculturist. I think we all agree to this: but having regard to the points which have been raised in your evidence, would you be prepared to concede that it is even more important to organize a land mortgage bank to lend money at a low rate of interest for paying off debts, than to reduce the rate on these short-term loans?—Yes. The land mortgage bank should be the keystone of my scheme.

Would you try to abolish the institution of private money-lenders?—We should not attempt to destroy or to interfere with the indigenous bankers because they perform a substantial service in providing short-term loans for seasonal operations.

You will agree that if we opened a land mortgage bank for long-term loans, we should not interfere with them, as they do not really do this long-term business?—Yes.

As regards additional financial support to these indigenous bankers, supposing the land mortgage bank was able to take up the burden of repaying the old debts of agriculturists, do you not think that this will set free a good deal of the money of the sowkars at present locked up. Would it be necessary

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to give them additional financial help beyond this?—They need not be financed any more if their money is released.

As regards your scheme for taking money from the Imperial Bank, have you ever enquired into the terms on which this bank advances money?—No.

Do you take any part in the co-operative movement?—No. I know it is doing some work.

With regard to the mortgaging of the rights of occupancy tenants, you have stated that, in the event of foreclosure the malguzar should exercise his right of pre-emption. If he does not exercise this right, he should be entitled to consent money. If you make him entitled to consent money, he will never exercise his right of pre-emption?—At times the land is valuable and he would like to purchase the land. If the malguzar does not want any undesirable person to purchase the land, he will satisfy the bank and take the land himself or he will enforce his right and take consent money.

*Chairman:* Do you think if he is paid 20 per cent of the prices of the land that would be a fair compensation for his losses of the rights over the land?—Yes, I think so.

It has been suggested by some witnesses that we should introduce a Land Purchase Bill whereby tenants should be enabled to acquire rights of transfer by paying certain sum to the malguzara. Do you think it would be workable?—

I think it would not be in the interests of tenants.

Supposing such legislation is introduced, what would you fix as the prices which the tenants should pay?—I put it at 25 times the rent. I have calculated in my villages and I get Rs. 1,200 as consent money.

How much rent do you recover?—I recover about Rs. 5,000 and odd.

If we gave you Rs. 15,000 down, would you consider that to be a fair compensation for the loss of income of Rs. 1,200?—Yes.

Would not Rs. 15,000 be three times the present rent?—Yes. But at times I get more also.

I would suggest to you that there is a great difference between 3 times and 25 times. Is it not?—Yes. But it would be the selling of right in perpetuity and therefore the amount should be rather high.

*Professor A. C. Sen Gupta:* You say that in some cases agriculturists take advances on their prospective credit? At what time do they take such advances?—

They take such advances before sowing. Do they pay any interest on them?—Yes.

You also say that they generally promise to sell crops to these money-lenders at about 20 per cent less than the normal price. Is it not?—Yes.

Do you think that this is unfair?—Yes, considering that the ordinary rate of interest is *sawai*, this is unfair. The other thing is that the prices are generally low at the time of harvest.

Does he promise to sell the whole produce through his creditor?—No, only as much as would liquidate his debt.

You say you are in favour of allowing occupancy tenants to mortgage their lands to the land mortgage bank. Is it not?—Yes.

Would you give certain option to the malguzar?—Yes. I would like the valuation to be 20 per cent lower.

Do you now think that this is a burden on the cultivator?—I do not think that it is a burden and moreover there is the question of the right of malguzar.

About the rate of interest you say that 12 per cent should be the maximum rate of interest. Do you think that legislation for this purpose would be effective?—Yes.

Do you think that there will be no cases in which a bond for higher amount will be executed for the payment of lesser amount, for instance, the money-lender may give Rs. 80 and take a bond for hundred?—There are black sheep in every fold. We have to pass laws for ordinary people and I do not think there will be many cases of this sort.

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As regards *Dam Dupat* do you know the state of affairs in Berar?—No, I do not.

It has come to our notice that as a result of this enactment the money-lenders renew the bonds and make them appear as new ones and thus avoid going to civil court. What do you say to this?—I do not think there will be many cases like that. The effect of that legislation will be that the sowkar will have to go to the civil court as soon as the amount is doubled. At present the sowkar does not take any action and allows the amount to go to three or four times and then tries to recover. While in Berar he has to keep watch and the tenant also knows that the creditor cannot take more than double. Do you think the law of *Dam Dupat* will benefit the cultivator?—Yes. I think it will benefit them not to such an extent as the law fixing the maximum limit of the rate of interest.

Do the creditors give copies of accounts to debtors?—They do not actually give copies, but their account books are always open for inspection. As a matter of courtesy we are ever ready to show the account books.

*Rao Bahadur M. G. Deshpande*: Have you got any idea about the distribution of taccavi in your villages?—Yes.

Can you say up to what extent taccavi is distributed?—It is most inadequate.

Can you say that the needy agriculturists get the taccavi?—I have already said that the relief is most inadequate so much so that it cannot be called a relief at all.

Can you tell any remedy so that the agriculturists should get immediate relief?—Government should increase the amount of taccavi and the Tahsildar should take into his confidence some men of the locality.

*Chairman*: You have said that an ordinary tenant often borrows Rs. 10 or Rs. 15 per acre for his cultivation expenses?—Yes.

Does he usually repay all the money he borrows at the next harvest?—Yes.

Do you think that if the Government increased the amount of individual taccavi advances, there would be no fear of the amount being lost because much larger amounts are actually borrowed from the sowkars and repaid every year?—Yes, as taccavi is a charge on land the amount of taccavi will always be repaid.

*Rao Bahadur M. G. Deshpande*: Do you think they should have a special officer for distribution of taccavi?—There need not be a special officer, but the distribution officer should consult responsible local persons.

You say that the rate of interest for occupancy tenants is twenty-four per cent for seasonal loans. What does it come to per annum?—It comes to about 36 per cent.

Do you not think that this is an exorbitant rate?—It is.

Do you charge this rate of interest to your debtors?—Yes.

Why do you do that?—Because every body else charges this rate I also charge.

Is it a common practice in your district to take advance on the prospective crops?—It is not very common, but it is custom.

What is the percentage?—About 5 to 10 per cent of people take advances on crops.

Supposing the land mortgage bank does not come into existence what would you suggest as measure to remove the indebtedness of the agriculturists?—I have suggested in my answer that the life insurance companies should invest half of their premium money in such a concern and Government money which is in the Imperial Bank, and which does not carry any interest should also be invested in this concern and it should be the concern of the Imperial Bank and the Imperial Bank should appoint one of their agents in each district through whom this transaction should be carried out. The other alternative suggested by me is to pass an act fixing the maximum rate of interest.

*Seik Narsingdas Dage*: You say that if the law of *Dam Dupat* is made applicable to Central Provinces it will be of benefit. Suppose that a man takes a loan and goes on paying interest every year regularly do you think the law

of *Dam Dupat* would be applicable to such a case?—No. It will not be applicable.

You say that advances are given on prospective crops at 20 per cent less than the normal price. Suppose the normal price per khandi is Rs. 10 and advance is given at Rs. 8 per khandi and also suppose at the time of harvest the rate is Rs. 6 per khandi who will be benefitted?—I cannot answer this question as it is a hypothetical. The rate never goes down below that.

To the question put by the Chairman you have answered that you would prefer to have a bank to be started for advancing loans. Do you not think that if bank took up this business the money-lenders will be displaced?—No. His questions were about land mortgage banks who advance only long-term loans and not about the short-term loans.

You have also stated to a question put by the Chairman that on a holding worth Rs. 900 the net profit is Rs. 50 to Rs. 60. It comes to about 6 per cent. Does it not follow then that a money-lender who gets about 12 per cent on his money will always be unwilling to take land in lieu of a loan he advances?—No. The net profit of Rs. 60 is made by an agriculturist only, because he has to earn his maintenance on that piece of land. This argument will not be applicable to money-lender who has not to earn his livelihood, on the holding and therefore the money-lender gets more.

*Chairman:* What is the present subletting value for these rice lands. Ordinarily sublet value is between Rs. 15 to Rs. 20 per acre.

What is the subletting value of rabi land?—It ranges between Rs. 3 to Rs. 5 per acre.

Can you explain the reason for high value of the rice land?—Because it is a protected area. The profits are about Rs. 30 and subletting value between Rs. 15 to Rs. 20.

Do you think a small tenant with a smaller holding who looks to cultivation himself would get a better outturn than you would?—I think so.

Is it because of the big cultivator being unable to supervise personally?—I do not think it makes any difference. A big cultivator affords to spend more on his home-farm. He engages good bullocks and spends on manuring and improved implements.

Do you get sufficient natural manuring?—No.

Have the tenants in your part spare time which they can utilize in other works?—No. After their cultivation work is over many of them engage themselves in gud-making industry. Other tenants live by hiring carts, etc., and carry the produce to market.

Why is there a big difference between the profits from rice land and rabi land?—The rabi land is high lying land and hence cannot be irrigated. Moreover, in our part Ringni juar does not give a very good outturn.

*Chairman:* Thank you very much.



**MR. P. D. SALWAY, B.A., LL.B., Pleader and Honorary Secretary, Co-operative Central Bank, Limited, Wardha.**

Reply to the Questionnaire.

**Part I.—Agricultural credit and credit facilities for small industries.**

**QUESTION 1.**—The agriculturists obtain finance by the following system:—

(a) For expenses during cultivation from—(1) money-lenders, (2) by mortgage of the produce of the field, (3) by mortgage or sale of household articles, (4) from the co-operative society and (5) Government.

(b) For capital and permanent improvement from—

(1) money-lenders, (2) by mortgage of estate, (3) from co-operative society and (4) by letting out his land.

(c) For other special needs, *i.e.*, failure of monsoon, for land revenue and for ceremonial purposes, etc., finance is obtained from all the above sources except the co-operative society and Government.

The rates of interest charged are from 12 annas to Rs. 8 per cent per mensem. The Robillas charge even one anna per rupee per month. The loans are taken for a period from two months to twelve months. Ordinary loans are repayable in one instalment, while loan on mortgage can be repaid in twelve instalments.

These loans are granted on the security of land or moveable property or good solvent surety.

For default in repayment of loans on the stipulated dates there are the conditions of penal interest, compound interest, sale and foreclosure of the property mortgaged.

Government finances agriculture to a very limited extent. The Imperial Bank advances money on the security of gold, but the people cannot take advantage of it. There are no joint stock banks nor any indigenous banks in this district. The co-operative banks grant loans only to co-operative societies, but even then they cannot meet all demands. The indigenous bankers do some business, but it is confined to the well-to-do class. It is the professional money-lenders who advance money and thereby play an appreciable part in the agricultural finance.

The capital required for the various purposes stated above for this district will not be less than 10 crores.

The grain advances are given on *sawai*.

In a village where 1,000 acres of land is under cultivation the extent of such advances are:—

*Cotton seed.*—12½ khandis purchased or borrowed repayable in cotton at the rate of 10 or 15 maunds per khandi of seed advanced.

*Wheat.*—20 khandis at *sawai* or *dedhi*.

*Juar.*—Four khandis for 300 acres on *sawai*, other seeds are tur, gram, etc.

1,000 acres of cultivated land is distributed as follows:—Cotton 600 acres, juar 300 acres and wheat 100 acres.

The defect in the present system and the reasons for the existence thereof are that there is no limit to the interest charged by the money-lenders and the absence of co-operative societies in large numbers.

Generally, the produce is sold to the money-lender who offers a low price for it, and owing to his pressure for repayment the cultivator is unable to dispose of his crop elsewhere and is thus forced to sell it for whatever price the former may offer. The starting of co-operative societies for selling the produce will afford a great advantage to the cultivators. There is no co-ordination among the various credit agencies and improvement in that direction can be effected by legislation only.

**QUESTION 2.**—The present method of marketing the principal crops, *i.e.*, cotton, juar, tur and wheat, in this district is either by sale in the markets

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or on the spot to petty merchants. Majority of the people sell through the middleman, while some sell themselves. There is a great possibility of forming co-operative pools for the marketing of the produce, but it will need capital and education.

There are no facilities existing at present for financing the products during marketing. In respect of cotton, however, the merchants advance some money but at the time of repayment thereof the cultivator's interest is ignored and the advance is recovered with interest thereon by selling the cotton at a time when the rates are low. Not only this, but the merchants combine together, and as they have the crops in their possession they do not offer a fair price for it.

For internal remittances there are hundis, cheques and money orders in use. There are difficulties in the acceptance of hundis through other agencies and it is therefore necessary to allow the co-operative societies to deal in them.

In order to popularize the hundi system it is necessary to educate the villagers in their use. The co-operative banks should be allowed to have their dealings in hundis and cheques.

There is a need of licensed warehouses, but Government help is necessary, for the successful running thereof.

**QUESTION 3.**—The value of land per acre for different kinds of crops is as follows:—

(1) Best land which produces all kinds of crops is sold at a price from Rs. 150 to Rs. 250 per acre. (2) Medium quality of land which produces cotton and juar is sold for Rs. 100 to Rs. 150 per acre (3) The land which produces wheat only fetches Rs. 75 to Rs. 125 per acre.

The rates of crops in this country are dependent on rates in foreign countries and the price of land fluctuates according to the prevailing rates of grain.

(a) and (b) The value of land in Government auction for non-payment of revenue and that in the event of sale by court decree will be the same.

(c) The value of land in purchase by private negotiation will be more.

**QUESTION 4.**—There are no land mortgage banks in this province. They are necessary. But before starting such banks it is necessary that the legal impediments on the transfer of all lands should be removed.

**QUESTION 5.**—In mouza Ambala (No. 8) of Wardha tahsil we have personally investigated into the extent of the agriculturists indebtedness, but we cannot guarantee about the accuracy of our conclusions. Owing to the general tendency in men not to disclose their indebtedness in full such a figure is always unreliable.

**NOTE.**—The assessment of land revenue on different kinds of land in this village is as follows:—

	Rs.	s.	p.
For sir land—279—41	...	...	302 0 0
Khudkast—3—5	...	...	4 8 0
Malik-makbuza—98—41	...	...	10 3 0
Absolute-occupancy 249—7	...	...	260 0 0
Occupancy—451—96	...	...	} 768 8 0
Mixed—39—56	...	...	
Ordinary—18—32	...	...	

(a) The amount of debt with land as security is Rs. 3,400.

(b) Nil.

(c) Nil.

(d) The amount of debt taken on promissory notes, bonds, etc., is Rs. 35,650.

The purposes for which these debts were incurred appear to be:—The repayment of earlier debts, marriage and other ceremonials, sinking of wells and agricultural improvements and purchase of land or bringing into cultivation fallow lands.

It does not appear that debts were taken for other purposes mentioned in the questionnaire. These debts are due to the professional money-lenders. The Government banks, co-operative societies and indigenous banks do not appear to have any share in them.

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The extent to which indebtedness is due to growth of the debt by compound interest, interest not having been paid, could not be ascertained. It can, however, be said that owing to higher rate of interest charged these debts could not be paid in time.

Unscrupulous money-lenders charge heavy interest; their methods of calculating it and the enforcement of the payment of the debt are not straight. Ignorant and needy people accept all their conditions and execute bonds and their repeated renewals swell the amount of the original debts. In addition to these, the following causes may be narrated for the agriculturists' indebtedness.

- (1) The absence of any arrangement to get loans on low interest. The agriculturists should at least be able to secure loans at 8 annas per cent.
- (2) Non-availability of loans on instalment system.
- (3) Loans not being obtained in time.
- (4) The tendency among the money-lenders of duping the debtors by taking advantage of their ignorance.
- (5) Expenses beyond their assets in marriage and other ceremonials owing to social and religious customs.
- (6) Poor return from cultivation.
- (7) The mania for litigation.
- (8) Unbearable land revenue.
- (9) Absence of any other business supplemental to agriculture.
- (10) Difficulty in getting proper price for their produce.
- (11) Loss of the produce by excessive or scanty rains.
- (12) Costly system of justice.
- (13) Ignorance of the new methods of agriculture.

Methods used for enforcing the repayment of the debts are—

- (1) By private persuasion.
- (2) By obtaining court decree.
- (3) By obtaining foreclosure decree and taking possession of the property.
- (4) By obtaining mortgage decree and selling the mortgaged property and by other means if the sale-proceeds of the mortgaged property are not adequate.
- (5) By obtaining a warrant of arrest and the attachment and auction of immovable property.
- (6) By taking the land for cultivation by private arrangement.

In our part the best of agriculturists and malguzars are turned into ordinary tenants of sir land, having lost their malguzari rights in debts. The land of such tenants as are originally holders of occupancy rights cannot go into the possession of the money-lenders without their consent, but even such people have to surrender their lands in order to maintain their solvency. The absolute-occupancy holdings can be legally auctioned and a tenant can dispose of even without the consent of the malguzar. Under these circumstances it is the occupancy tenant who alone can save his land from the creditors if he wants to deceive them.

**QUESTION 6.**—There are no subsidiary industries allied or supplemental to agriculture existing in this district. Gardening is done in some places, but the income from it being inadequate it is being discarded.

In order to encourage cottage industries it is necessary to impose heavy taxation on the imports of foreign articles, with improved communication the articles produced in the villages should get a better return. The establishment of co-operative societies for sale of such articles will greatly benefit the cultivators. But until the people are able to run these industries themselves Government help will be necessary.

The agriculturists can utilize their spare time in weaving and such other industries. Their living will improve if they get the advantage of good education. For running such subsidiary industries credit facilities are necessary; such facilities do not exist at present. The raising of capital on share basis and Government help are the means to secure such credit facilities. The cost of ralling the marketable articles should be reduced. The agriculturists sustain losses in the town markets. This should be examined and malpractices stopped.

**QUESTION 7.**—The agriculturist cannot obtain long-term loans owing to the inability of the co-operative societies to advance them.

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The capital required for financing the co-operative movement in this district will be between 5 to 7 crores of rupees.

In the absence of sufficient co-operative societies and for want of sufficient capital, the co-operative movement in this district has not succeeded in meeting the financial needs of the agriculturists, the small traders and industrialists. The movement is, however, capable of being highly beneficial if adequately financed.

The enactment of legislation making it obligatory on the money-lenders to supply copies of accounts to the debtors is thought to be necessary by many. But such an enactment will not be very beneficial at present, because in that case the money-lenders will not advance loans freely and if the people are not able to secure from the banks, etc., the full amount of loans required, they will be put to a great hardship. Some arrangement to get copies of their accounts will, however, be beneficial to the debtor.

The financing of co-operative societies direct by the Central Banks will be more convenient.

### Part III—Investment habit and attraction of capital.

QUESTION 1.—The co-operative societies encourage saving and investment habits.

QUESTION 2.—The popularity of postal cash certificates can be increased by opening post offices in the villages and keeping the cash certificates with them for issue.

It is the people in the towns who generally resort to savings banks. If there are post offices in the villages, people will be induced to take advantage of the postal savings banks.

QUESTION 3.—The people in this district as soon as they get the money by sale of their produce or through any other cause first pay off their debts. Out of the balance they satisfy their needs. After this very little money remains with them and whatever remains is not invested in the bank, but kept in the safe or buried underground. Ten per cent of the agriculturists can save something. They lend money to fellow agriculturists. The capital of the agricultural population does not consist of cash but of land, cattle, implements and ornaments. The number of agriculturists who own cash is very small.

QUESTION 4.—There is some growth of cheque habit in the towns, but it is altogether non-existent in villages. For promoting the cheque habit among the villagers it is necessary to increase the means of communication. But unless the smaller industrial concerns increase and a greater need of money is felt in the business dealings, there will be no promotion of the cheque habit.

If the people get acquainted with the different industries, they will be prepared to invest their money in productive undertakings.

#### Oral Evidence.

*Nagpur, the 13th February 1930.*

Chairman: I understand that you are a pleader. Is it not?—Yes. I am a Kambi by caste and my relations have some agriculture in the Wardha district.

How long have you been Secretary of your bank?—Since May last.

Had you any previous experience of the working of the bank?—No.

You have referred to the extent of advances taken for seed, etc., in a village of 1,000 acres under cultivation. What village do you refer to?—That is a general statement, prepared after consultation with the directors of the bank.

Have you any scheme for starting Co-operative societies for selling the produce of agriculturists?—My proposal is that there should be some society which should advance money to the cultivators on the credit of their crops and the society should be authorized to sell that crop directly at their discretion. I understand that there would be many difficulties in this proposal. I do not know whether my scheme is the same as that of the co-operative adat shop in Khamgaon, Akola, etc. I have never heard of such adat shops.

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You say that there are great possibilities for forming co-operative pools for the marketing of produce. The idea of a pool is, I understand, to hold up the crop in order to get a good price. Have you any scheme for this?—By pool I do not mean an agency for wholesale holding up of produce to obtain a good price.

Would you explain what you mean by saying that the merchants combine together and as they have the crops in their possession, they do not offer a fair price for it? You yourself are an agriculturist and I feel sure that you are voicing the feelings of the agriculturists. Could you explain this in more details?—Cultivators sometimes borrow money on the credit of their crops. They place their cotton with the merchants. After some time, when the rates go lower, these merchants ask cotton-producers to sell their produce and give their money back. The producers are bound to sell at a lower rate. This does not happen in all cases.

You advocate the education of the villagers in the use of hundis? What do you propose?—Is one kisan to draw a hundi on another?—It will be difficult. They should be educated by actual practice. I know of a big malguzar who, whenever he wants to send money to outside places, always uses the hundi and saves money thereby.

Do you think it would be a good thing to encourage the cheque habit and the habit of keeping banking accounts by villagers?—It might cause inconvenience in the beginning and therefore may seem not practicable at present. But if it is introduced, it will be beneficial in the long run.

You write that you wish to remove all restrictions on the right of transfer in land. Is it in the case of occupancy tenants?—I do not wish to give rights of transfer to occupancy tenants.

Would you therefore explain what you mean by saying that the legal impediments on the transfer of all land should be removed?—I am not in favour of giving full rights of transfer to the occupancy tenant. I would like the occupancy tenant to be given the right of mortgaging his land to the land mortgage bank when it is established.

With regard to mauza Amabla in the Wardha tahsil, where you have made a survey of agricultural indebtedness, you cannot guarantee the accuracy of your calculations?—No. I admit that a census of agricultural indebtedness is a very difficult thing.

What is the average value of land in this village?—This would be about Rs. 200 per acre. Therefore the approximate value of all land in the village would be about Rs. 2,40,000. You say that the total amount of debt in the village is Rs. 3,400 on mortgaged securities and Rs. 35,650 unsecured, a total of Rs. 39,000. Is it not?—Yes.

The total debts represent 16 per cent of the value of land. Could you tell us how many tenants are there in the village?—I cannot say. I cannot also say how many are free from debt and how many are indebted. But persons acquainted with the village say that the whole village is indebted. I went to this village, because it was reputed to be the most heavily indebted village in the Wardha tahsil. As far as I know, there is no other village in the Wardha tahsil where the total debts amount to more than one-sixth of the value of land.

Later on you have given some other cause of indebtedness. In one place you say it is due to the mania of litigation and in another place you attribute it to the costly system of justice. If we made justice more cheap, should we not be making this mania for litigation more prevalent. Is it not desirable to check this mania for litigation just as we try to check the mania for drunkenness by raising the price of liquor?—I am giving present state of affairs only. Future will take care of itself.

Then you say that in your part the best malguzars are turned into ordinary tenants of sir land. Could you tell us what percentage of the malguzars are so turned?—I cannot give you the percentage: but most of the malguzars I have seen have been reduced to tenants.

Further on you say that the land of such tenants as were originally holders of occupancy rights cannot go to money-lenders without their consent: but even such people have to surrender their lands in order to maintain their solvency.

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What do you mean by this statement?—Although they do not have the rights of transfer, when they have to pay a debt and when they have no other resources, they surrender their land to creditors. In such cases they do not get as high a price as they would if they could sell their lands.

Are you aware that the absolute-occupancy and malik-makbuzas have been in existence since 1864?—Even if they are in existence, they are more heavily indebted.

You say that agriculturists cannot obtain long-term loans owing to the inability of co-operative societies to advance such loans. Would you like co-operative societies to advance long-term loans to agriculturists?—No. My meaning is that at present there is no agency for advancing such loans and societies cannot and ought not to do this business.

You say that the societies encourage saving and thrift. Could you say how much has been saved by the members of societies?—There is only one society in which money has been deposited by members. This society does not borrow from the Central Bank. We have in all 69 societies of which there is only one of this type.

*Vice-Chairman:* You have indicated many causes of indebtedness of agriculturists. You know that a large percentage of agriculturists do not repay their debts in time?—Yes.

You know that this causes difficulties not only to the sowkars, but also to co-operative societies and banks?—That causes more difficulty to the sowkars than to banks. The borrower does not care for his own difficulties, when he is in need.

Why do you say that this causes less difficulties to societies than to sowkars? Is it because societies grant renewal much more easily than sowkars?—No. My experience is that people believe that the Central Bank is a semi-Government body. Therefore they care to repay the banks first.

Would you not agree that generally members pay the sowkars first and the banks later on?—That is not my experience.

Do you know that this bad and irregular repayment is also one of the causes of indebtedness?—Yes. It exists on quite a large scale.

You have said that co-operative banks cannot give long-term loans. For how many years do you think should such loans be given?—From 30 to 40 years.

Does not your bank give renewal frequently up to ten years?—I have not come across such instances up to now.

You know that the overdues of your societies under liquidation and award are very old and this virtually amounts to medium term loans. In practice the loans remain outstanding from five to ten years?—Yes.

I suggest that this is rendered possible by the fact that your deposits are as a matter of fact renewed, although they are for a fixed period?—Yes.

You say that cottage industries can be encouraged by imposing import duties on foreign articles. Do you know that the products of Indian mills or factories are also competing with the products of foreign industries?—I do not think so.

Has your bank got any surplus deposits invested in the Provincial Bank?—No. There is no surplus at present.

If you got more money, will you be able to finance agriculture on a larger scale?—Yes.

*Chairman:* What is the ordinary rate of interest you charge to members?—We charge 10 per cent to societies but at the time of annual accounts, if the borrowers are regular in payment, we charge only 8 per cent.

What rate of interest do you charge on arrears?—Societies charge 12 per cent compound interest.

Do you admit that a loan of Rs. 100 at 12 per cent compound interest will double itself in five years?—Yes.

Therefore if you allow these debts to stand out for five years, are you not doing a great disservice to the borrower?—I think so. We should be prompt in recovery in the interests of the borrower himself.

MR. P. D. SALWAY.

*Professor A. G. Sen Gupta:* As regards the practice of borrowing cotton seed on condition that cotton will be returned, what is the price of 28 maunds of cotton seed at the time of sowing?—From Rs. 40 to Rs. 50 for the best seed.

What would be the price of ten to fifteen maunds of cotton?—At present prices it would be Rs. 35 to Rs. 40.

Is this system of borrowing cotton seed very common?—Yes.

You say that generally the producer sells to the money-lender who offers a very low price. Why do the producers find it difficult to sell their produce in the open market in Wardha?—If they sold it in the market and not to the money-lenders, they think they would not obtain money another time. To keep cordial relations with the money-lenders, they have to sell it to them.

If the cultivator finds that by doing so he losses every year, will he continue to do so? Have you any personal knowledge about the prices they get from sowkars?—I am not speaking from actual knowledge.

You have recommended a heavy import duty on foreign produce. Do you know what would be the effect of this?—Do you realize that this will make the price of commodities higher in the country?—For a time only.

You say that agriculturists in their spare time can take to weaving, etc. Do you know the condition of weavers in the province at present?—It is not very prosperous: but after some years, it is bound to be prosperous. Unless they are started now, I do not know how they would prosper.

*Rao Bahadur M. G. Deshpande:* You have referred to the practice of borrowing cotton seed on condition of returning cotton. Do you know what net profit will the sowkars get from this transaction, taking the price of cotton at Rs. 100 and the price of cotton seed at Rs. 20 or Rs. 25 per khandi?—The net profit will be Rs. 25.

What are your suggestions to do away with this practice?—Agriculturists must begin to purchase the seeds in cash. But the difficulty is about getting credit from sowkars.

Do you not think that in such cases it is better for Government to issue taccavi more liberally?—At present Government is granting taccavi to some extent. It may be more liberal. I am in favour of financing through some responsible and respectable persons to small cultivators.

You have been in touch with the Central Banks for less than a year. You say that in the absence of sufficient co-operative societies and for want of sufficient capital, the movement in your district has not succeeded to meet the needs of the agriculturists. You have an apex bank which finances the Central Bank. Why have you not borrowed from this bank?—Societies cannot be organized easily. There is a dearth of honorary workers and people also have not begun to realize the benefits of the movement. I now realize that it is not lack of capital: but the difficulty of organizing co-operative societies that stands in the way of co-operative finance.

*Seth Narsingdas Daga:* You say that the interest charged ranges from 12 annas to Rs. 8 per month. Who charges such interest?—Money-lenders.

You have also said that there is no limit to the interest charged by money-lenders. Could you explain the apparent contradiction?—Both are correct. In the latter statement I refer to the fixed rate.

In one place you say that generally the produce is sold to the money-lender who offers less, and the cultivator is unable to dispose of his cotton elsewhere. In another place you say that the present method of marketing crops in your district is either by sale in the market or on the spot to petty merchants. Could you explain these contradictory statements?—Those who borrow money from money-lenders sell their produce to them. Others sell it either in the market or on the spot.

You say that the cultivators do not get a fair price will you please state reason for it?—Merchants combine together and as such there can be no competition between them. Further they who have got crops stocked in their possession, do not offer fair price for it.

In your written statement you say that the rate in this country is affected by the rate in foreign countries, as well as you say that the merchants combine

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and owing to this the rate is affected. Which of the two contentions is correct?—What is meant is the rate affected by the foreign market but it also is affected by the combination of merchants.

Will you please say what is the rate of interest between cultivators and non-cultivators?—The rate of interest between cultivators is seasonal *sawai* or annually Rs. 1-8-0 to Rs. 2.

*Chairman:* Thank you very much.



## III.—NAGPUR DIVISION.

## (c) EVIDENCE OF WITNESSES WHO WERE EXAMINED ORALLY ONLY.

**SIR S. M. CHITNAVIS, KT., I.S.O.,** Retired Deputy  
Commissioner, ex-Minister, and President  
of the Central Provinces Legislative Council,  
Nagpur.

*Nagpur, the 11th February 1930.*

## Oral Evidence.

*Chairman:* We are very grateful to you for coming here, because we value your opinion greatly, Sir Shankar Rao. You are President of the Legislative Council and an ex-Minister. Could you tell us approximately the number of your villages?—I own about 150 villages.

Do you finance your tenants?—Yes.

Should we call you an indigenous banker?—Yes. I have extensive money-lending throughout the areas where I own land.

We have, as you know, made fairly wide enquiries in various parts of the province and certain facts have been brought to our notice with which perhaps you will agree. The main thing which has been very noticeable is that agriculture which in all countries is uncertain is much more so in India owing to the great variations in the monsoon and fluctuations in prices. You will agree, I think, that this is one of the main reasons why a large proportion of the cultivators take short-term loans from year to year from their local financier to be repaid when the crop comes?—I agree. These advances are repaid if the crop is good. Otherwise the amount is carried on to the next year.

Under these circumstances would you like to suggest any possible improvements in the financing of short-term loans?—The main thing is to teach the cultivators thrift and honesty.

Do you think that the rate of interest in vogue at present is an unduly high burden on the cultivator?—It has to be high, because you will find that the losses are considerable. When the rate of 24 per cent is charged it may appear very heavy on paper, but when you take into consideration the losses and trouble in recovering you will find that the net profit will not be more than 12 per cent at the most.

Is it your opinion then that the high rate of interest is due to lack of good security?—Yes. There are considerable risks.

Would you agree that for the purposes of reducing the rate of interest the first thing required is to improve credit?—Yes.

Do you think that it is economically desirable to attempt to reduce the prevailing rate of interest?—It can be reduced and it is reduced in the case of good people and honest men. Loans are advanced at 9 per cent and even at  $7\frac{1}{2}$  per cent to such people. It all depends upon individual credit.

Apart from the question of risk and uncertainty, some people have suggested to us that the amount of capital available in some cases is insufficient and that if more money was available this might have the result of reducing the present rate of interest?—I cannot say. There are now new men cropping up of the agriculturist class, etc., and this has had some effect in the matter of reduction of the rate of interest.

One proposal which has been made in regard to these short-term loans is that an effort should be made to link up big malguzars and money-lenders with the reserve bank or Imperial Bank of India whereby these banks would be able to give them money at low rates of interest. Do you think this will be practicable?—I do not think so. Supposing big malguzars get money from the reserve bank, they will have to pay it back on the due dates, but they will not be able to get the money back from their debtors at the stipulated time.

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What period of time do you think would be necessary for recovery of such loans, as will be granted by these men under the above mentioned scheme?—That will vary from man to man. It may take about three years.

May I know whether you carry on your business on your own capital or you also take deposits?—I previously used to receive deposits, but nowadays work on my own capital alone. I have discontinued the practice of taking deposits as I have found it to be not paying.

Leaving for a moment the short-term loan, we find that a certain percentage of the agriculturists have got fairly substantial debts, while cultivators also require money from time to time for buying bullocks, for marriage, purchase of land, etc., etc. It has been suggested that a land mortgage bank should be started for giving long-term loans to these people. Do you think that it will be a good thing?—We have got the experience of the Commercial Bank of India, and we know that it had to close its doors, because its money got locked up and it could not recover the money in time and had therefore to wind up its business.

But the scheme of land mortgage banks is purely for long-term finances. The capital will be raised on debentures?—You will have to look into the title of the map and valuation of his property will have to be carefully made as well as his paying capacity will have to be properly assessed.

Assuming that a land mortgage bank was started you would press the need of trained valuers, etc?—Yes. Without that close scrutiny could not be undertaken.

Do you think from our personal experience that the condition of an agriculturist is really such as to call for some immediate remedies with regard to his finances?—I would not give any definite opinion on this point.

Have you any views on co-operative credit movement?—No; I have not got much experience of the movement.

*Vice-Chairman:* If we put more money at the disposal of the indigenous money-lenders, do you think that it will lead to an automatic deflation of the rates of interest?—No.

Do I understand that the desire for making an income from high interest is so deep-rooted in the indigenous money-lenders that even though more capital is placed at their disposal, they will insist on these high rates of interest?—The indigenous banker will reduce his rate of interest if you will help him in facilitating recoveries. He has to engage many well-paid men to carry on loan transactions. He has to pay heavy income-tax. His risks are considerable. Hence he has to charge higher rates of interest. In my opinion the high rate of interest is due more to the difficulties of recovery than to lack of capital.

It has been suggested to us that any fresh organization of providing cheaper and better credit should take the form of a sort of association of indigenous bankers. Is it worth trying?—It may be tried.

Do you think that by explaining the advantages of such an organization, the money-lenders will take to this organization, or we will have to resort to legislation?—Some legislation will be needed.

Do you agree that the mere supply of cheap credit without effective action for teaching the borrowers thrift will not relieve the present indebtedness?—Yes.

*Res. Behadur K. V. Aravam, C. I. L.:* Do you think that some measure is necessary for controlling this new class of money-lenders which is rising by making it compulsory that money-lenders should have a licence with the conditions that they should furnish accounts to debtors at least once a year and that they should grant receipts or show that the repayment has been noted in the account books? You can do that; but I doubt whether illiterate people will be able to maintain accounts.

I suggest that it can be provided that persons carrying on money-lending business above, say, Rs. 1,000 should only be compelled to have a licence. Would you then approve of this?—You can try that.

Would you favour this in spite of the opposition of the money-lenders?—To keep such accounts, money-lenders will have to incur expenditure and you must allow a rate of interest which will cover this extra expenditure. If this is done, I do not think the money-lenders will object. If anybody is found guilty of malpractices, their licence may be cancelled.

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There is a scheme before us by which agriculturists should be advanced some money against the crops which they produce, just to give them facilities to hold back their crops so as to sell them in the best market. Do you think that this scheme should be tried in Berar or in other parts growing cotton?—That system can be tried.

Then again you are aware that many cotton traders send their bales to Bombay and holding them on till they get good prices and in the meanwhile they obtain money against railway receipts for goods consigned. To facilitate trade a new system, called the "Warehouse System" is in vogue in Western countries. These big traders warehouse their goods in a particular warehouse which is licensed and a receipt is granted. This receipt is made negotiable, by means of which traders obtain finance. The facility in this system is that, when negotiating sales, samples could be shown on the spot and finance is made easy, so that merchants can hold on till the best prices are obtainable. Is this system possible in our province?—This system is worth trying in our province, especially in the cotton districts.

*Professor A. C. Sen Gupta:* When a cultivator, holds back his produce in the hope of getting a better price, he has to pay a high rate of interest on his loan while he has no certainty that he will get a better price, for the price may either become less or go up. Do you not think it advisable under the circumstances to sell his produce straightway without waiting for a better price?—There is a large amount of risk about the price and this system will not be practically useful in the case of small cultivators as in that of the big cultivators.

*Raja Bahadur M. G. Deshpande:* May I know whether the rates of interest depend upon the transferability of land?—Transferable right in land has not been a blessing to the agriculturist.

It is said in some quarters that because tenants have no transferable rights over land, they are not getting loans at cheaper rates of interest. Do you support this view?—They may be able to get loans at cheaper rates of interest with rights of transfer in land; but in a few years they will lose their lands to the sowkars. The transferability of land can do more harm than good.

Are you aware that malguzars are prevented from sub-letting their land for more than five years?—Yes, without sanction, simply to keep the land under direct cultivation. By continued sub-letting the land deteriorates.

Are you aware that occupancy tenants generally sub-let their holdings for a period of one year?—At least in my villages, there is no case in which I have ousted them for this reason.

Do you desire to propose any legislation to the effect that, if an occupancy tenant sub-lets his land for more than a year, his land would be taken as surrendered?—I do not think we should do so.

Are you in favour of raising the period for which the occupancy tenant can sublet his land?—At present the law has put a limit of one year. It may be raised to two or three years. Beyond that, it will be dangerous. If he goes away to other places to earn his living, there is also difficulty in collecting rents.

What is your opinion about taccavi granted by Government?—It does good to the tenants and particularly in years of scarcity, it is certainly a great blessing.

Do you think that the present agency for distributing taccavi is quite alright?—It can be improved.

*Chairman:* It has been suggested to us that the distribution of taccavi should be on a more liberal scale and widely extended than at present. It has also been suggested that in ryotwari areas taccavi is the only suitable form of financing the tenant; some others have suggested that Government should extend taccavi distribution generally. Do you think that it would be a good thing?—Yes, I do not see any objection to extending taccavi.

My information is that during the last ten years, the loss of capital advanced on agricultural loans stands at half per cent. The main question would seem to be whether Government would be justified in interfering with the financing of agriculture to a greater degree than it does at present?—Government ought to interfere, particularly in those backward tracts where other forms of money-lending are not available.

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*Professor A. C. Sen Gupta:* You seem to suggest that, if rights of transfer were given to occupancy tenants they will probably lose their lands?—Not immediately: but in a few years.

What has happened to the absolute-occupancy tenants?—Two Extra-Assistant Commissioners, while they were students at Allahabad, made enquiries and reported that there was more indebtedness among absolute-occupancy tenants and malik-makbuzas than among occupancy tenants and also that there was more indebtedness in Berar than in the Central Provinces. People have, for some reason or other, to take advances for their needs. Take for instance this year. The Sarda Act is to come into force from April next and people are hurriedly getting their children married. Consequently they are incurring debts on a large scale.

*Vice-Chairman:* Do malik-makbuzas and absolute-occupancy tenants at present as a rule get money at a low rate of interest?—They do, to a certain extent.

*Chairman:* We all agree that under present circumstances the agriculturists cannot get on without the local financier and it would be useless to try to do away with him. The question then arises as to whether through any lack of facilities for recovery the rate of interest is higher than it should be. What is your view? Do you think that there is any scope for adding to the facilities of the sowkar?—That will have to be carefully thought of.

Do you think that delays in recovery could be reduced?—I think this will require an increased staff of judges and process-servers, i.e., than at present.

Have you any views on the subject of the co-ordination of work between the Imperial Bank and joint stock banks and big indigenous bankers?—No.

As regards the thrift habit, I think position is that, although tenants borrow money from year to year, they usually repay when a good year comes and there is a certain number of tenants who manage to keep out of debt?—Very few, I think.

Do you think that in a good year the tenants are guilty of unnecessary extravagance?—I think that they are extravagant.

In a good year, their first business should be to repay their old debts and put something by for the bad years. Do you think that there would be more saving and thrift if greater facilities were granted for saving in the way of savings bank, etc.—Yes, with education there will be saving.

Have you any suggestions to make?—One view is that co-operative credit banks might issue cash savings certificates which may be deposited with village societies for sale to members?—It may be tried.

*Chairman:* Thank you, Sir S. M. Chitnavis. We are very grateful to you for having taken the trouble to give evidence.

MR. H. S. STALEY, I.E.S., Principal, Science College, Nagpur.

Nagpur, the 12th February 1930.

Oral Evidence:

*Chairman:* I understand that you are the Principal of the Science College. Would you tell us the various spheres in which you have served in the province?—I have been Inspector of Schools, Jubbulpore, Chhatingarh, Hoshagabad and Nagpur, also on the staff of the Training College, Principal of King Edward College in Berar, Deputy Director of Public Instruction and now I am Principal of the Science College, Nagpur. I have put in fifteen years' service. I have inspected primary schools in every district in the province.

One of the most important questions with which we are confronted is the best method of encouraging the thrift habit among the rural population of India. Does the question of inculcating thrift play any part in the curriculum of the vernacular schools?—As far as I know, there is nothing of this kind in the curriculum.

This side of the question has never been presented to or considered by the department?—No. There are general information lessons and a certain number of moral lessons; but there are no lessons dealing with thrift.

Among the more thrifty nations of the world, say the Scotch, how do you think thrift is inculcated?—I think it is due much to home influence. What I recollect is that this habit is started very early by the use of the post office savings bank. When a child is given a present it is usually deposited in the savings bank.

Do you think it would be possible to amend the curriculum so as to give children lessons in thrift?—What I should think would be quite possible is the introduction, into the Readers, or in the general information lessons, of simple stories bearing on thrift. What we should want would be more or less typical stories and similar stories would be written in the vernacular. As far as I recollect, the Readers were revised in 1920 and, speaking from memory, they are due for revision in 1931. The staff of the Training College could be asked to collect a few stories for the next revision. These should also deal with the danger of extravagance and the need for thrift. I think Indian schoolboys and parents would welcome such stories.

To go one step further, your reply means that in the normal schools also the subject of thrift has not been included in the training of schoolmasters?—No. But if lessons of this type were included in the General Information Readers, then they would automatically come into the course of the normal schools.

I think you are aware that thrift is one of the principles of the Boy Scout Law. Do you think that the scout movement will help to encourage thrift?—

It could do quite a lot of good. I would advocate the extension of the movement in rural areas.

There is next an entirely different question which has been repeatedly raised before us. It has been alleged that vernacular education, presumably primary education, should be given an agricultural bias. It is stated that, when a boy has passed the primary standard, he goes to the town and refuses to do agriculture. Do you think it is possible to give any agricultural training in the primary schools?—No. I do not think it is possible to give any such training in the primary school. The primary school is intended mainly to remove illiteracy. Specialization at a very early stage is a mistake and is bound to fail. The agricultural bias is already there in the case of primary school children. They live in the villages and are brought up in village surroundings.

In these General Information Readers has any attempt been made to impress upon the children the dignity of labour that agriculture is an honourable profession?—I do not think we have any lessons of this type. But it would be an excellent thing to encourage pride in their ancestral profession. This idea is not included in the Readers.

In the Readers an explanation of the accumulative effect of the high rates of interest could also be given?—I agree.

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When we get to the Middle School, do you think there is scope for agricultural vocational training?—No. The Middle School is too low a stage for specialization. I do not think there is any justification for specialization till the boys complete the High School course, which represents the minimum.

Have you visited the Powarkhera school in the Hoshangabad district? What is your opinion on this school?—I have been very interested in this school for many years. I saw it in 1922. I found, at that time, that it was not in any sense an agricultural school; but it was utilized as a short cut for the Hoshangabad High School. Since that time, possibly due to the fact that this was put on record, the agricultural side of it was emphasized and, I believe, it has now been more successful. Previously every single boy had hands as soft as a baby's. I never saw a boy working in the fields. I understand that this has been corrected since and a change in outlook has taken place during the last few years. Agricultural education may easily become a sham; unless it is taken up as a genuine hobby. I think it is out of place in the school course.

*Vice-Chairman:* I suggest that all these ideas about vocational bias and agricultural bias are really patch work and what the country really needs is free and compulsory education. Do you agree with me?—That is the outstanding need, the first need of the country. Another need is to create a wider outlook in the villager.

Will it not put them in a better position to realize their own interest?—It will, certainly.

*Chairman:* Is it financially a practical possibility to give universal compulsory education in the immediate future?—I do not see any chance of a big change early.

*Vice-Chairman:* Do you not think that we could make a beginning on a much higher scale than local bodies?—I am not sure. There are many difficulties in introducing compulsory primary education.

*Rao Bahadur K. V. Brahma, C.I.E.:* Assuming that a scheme is formulated whereby without interfering with general education, which is absolutely essential, it will be possible to create some interest in the boys of primary schools about agriculture. For instance, if the village schoolmaster takes the boys on a half holiday to some field and asks the boys to do some work, the idea that it is not dignified to do manual labour will be wiped out. Do you think it will be of any good for the boys?—It might do them some good. But as far as actual work is concerned, there is a certain amount of it in every school. There are school gardens, some of them are fairly extensive, and in many village schools there are plots which the schoolboys tend, sometimes as show-gardens, sometimes as vegetable plots.

*Chairman:* There is a "Farmer's" proficiency badge in scouting. Is it not?—Yes, there is.

I think it would be quite easy for Normal School staff to see that the Normal School scouts passed this proficiency test. If their attention is concentrated on the need of creating interest in this line, I think much could be done?—I agree. If small prizes are kept for schoolboys' gardens or farms in the agricultural shows and in villages I think it will create interest.

As regards the question of thrift and the saving habit, do you think that the educational staff could not do something to push on a national savings movement on the lines followed in England?—I think the village schoolmaster is the best agent for anything like that.

Supposing we deposit a certain number of cash certificates with schoolmasters do you think we could sell them if we paid some commission to them?—I think it is possible. But supervision would be required.

I understand that you take a great interest in the psychological side of the question. Could you give me your view as to which of the two persons is likely to be induced to thrift one who has rights of transfer in his land and one who has not?—The man who has more responsibility is likely to learn thrift, i.e., the man who has the right of transfer.

Would you go so far as to give the right of transfer to the largest number possible?—From the point of view of thrift I would certainly do it.

Would you agree that no nation can be really great until the individual members of societies are self-reliant?—Yes.

*Chairman:* Thank you. That is all.

MR. H. S. STALEY.

MR. S. B. GOKHALE, B.A., LL.B., Advocate, Nagpur.

Nagpur, the 12th February 1930.

Oral Evidence.

*Chairman:* I understand you have spent many years of your life in endeavouring to improve the lot of agriculturists?—Yes.

You take great interest in agricultural education and endeavour to ameliorate rural conditions?—Yes.

Have you ever considered the problem from the economic side?—I do not think I can claim that: but such information as I can give about village money-lending, etc., I will give.

With regard to the village money-lending, in other words agricultural finance, what are exactly the points on which you will lay stress?—You are well aware of the fact that generally malguzars are engaged in money-lending. They also advance money and in many *hasba* places there are creditors such as Marwaris and Baniyas and persons of various castes who will deal in money and grain and charge sawai, and in that way continue to finance the agricultural community.

I suggest to you in an industry like agriculture, which is so extraordinary uncertain in India, income varies enormously from year to year according to the character of the monsoon and that therefore the agriculturist is constantly in need of some kind of financial assistance to tide over the lean times?—I agree.

Would you agree that the loans which are ordinarily taken by agriculturists fall into three classes? First of all, short-term or seasonal loans for carrying out actual agricultural operations ordinarily repaid at the time of harvest: secondly, mediary loans, e.g., for the purchase of bullocks, performing marriages, etc., loans which cannot be repaid within a shorter period than two or three years: thirdly, we have what are known as long-term loans which are usually larger sums of money borrowed for the paying off of old debts, for making substantial improvements to land, etc.: these can only be repaid over a term of years?—I agree.

You will agree that without the assistance of the local sowkar and village money-lender it would be impossible, under existing conditions of the agriculturist, to carry on his business?—Yes.

You would agree that we ought to qualify any vague statements with regard to agricultural indebtedness by the reservation that a considerable portion of that indebtedness is made up of temporary advances which are taken from year to year. Do you agree?—Yes.

Therefore our main aim would be, under the present conditions, to endeavour to reduce the rate of interest where it is too high and also to encourage the habit of thrift whereby the unnecessary borrowing of money will be minimised, the agriculturists will learn to put by something in the good years for a rainy day. That is to say that in years of bumper harvest he should save enough to carry on his business in bad years instead of borrowing in bad years and paying off in good years as he usually does at present. Do you agree?—Yes. I entirely agree.

Does it not follow then that the inculcation of the spirit of thrift and saving is one of the most important problems with which we shall have to deal?—Yes.

With your long experience and study of agricultural education you might be able to give us more interesting suggestions as regards thrift habit?—In the Central Provinces the position is that all these things depend upon the malguzar and where the malguzar is interested in his tenants and has high aims and ideals you will find the tenantry will prosper.

Do you mean that under a good malguzar the tenantry will prosper and under bad malguzars it will be ruined?—Yes. The malguzar leads the rural population to a great extent, and just as everything depends upon the leader, here also everything depends upon the malguzar. If we can have well educated malguzars, the agricultural population will prosper.

MR. S. B. GOKHALE.

Is it your first aim to educate malguzars only?—No. Not only malguzars, but also other people in the villages. Similarly, I also see defects in money-lenders. They do not take to literary education and for the matter of that they are quite right in neglecting it as it is of no use to them. They should be given education on more commercial lines.

Would you explain this?—The village money-lender is one of the most important persons in India, and he actually finances 75 per cent or 80 per cent of the total population of India. But although the Government has endeavoured to improve every other class of community, no attempt has ever been made to uplift this class or to modernize the methods of money-lenders.

You desire some uplift of money-lenders?—Yes. In this connection I may add that the latest syllabus published by the High School Education Board provides for commercial education; but I have not been able to find out where that education is going to be given, and nobody has yet been able to tell me. The sowkar is one of the most practical man, whatever may be said about him. He has to live according to his own standards. His improvement will depend upon, education and the education which he wants is more or less in the beginning up to the fourth English class. Thereafter his education should be on commercial lines, i.e., he should have commercial Geography, etc., and something about machinery of commerce and finance.

Would you not be prepared to include in that the science of modern banking?—I would rather make it more on the lines of the Sydenham College of Commerce.

Would you be in favour of regulations whereby sowkars will be required to keep regular accounts and grant receipt?—I cannot say anything definitely; but just as there are sharks in every line and not the least in the legal profession, there are some sharks in this line who live by fraudulent money-lending. But I do not think it is general.

Having regard to the great possibilities and chances of dishonesty when dealing with ignorant people, would you be prepared to say that many of the sowkars have shown great moderation?—Yes.

*Rao Bahadur K. V. Brahma, C.I.E.*: You have said that you would like to improve sowkars by giving them education on modern lines. What would you think of scheme by which they would be associated together for the purposes of financing agriculture?—The money-lenders also suffer like other Indians from the evil of not being amenable to form associations. Moreover they do not feel the want of forming into associations as well, as there are jealousies amongst sowkars. And I do not think that it is feasible.

What I want to suggest is supposing we induce sowkars residing in a locality, say, for instance, Hoshangabad, where you have influence to form into an association and carry on financing. These persons who have formed themselves into an association will get all the privileges that are given under the co-operative Societies Act. They will save them from the lengthy process they have to take for the recovery of their amounts, etc. Moreover they will be able to take cash credits from the Imperial Bank of India. In short, they will be organized corporations in law. Do you think that this scheme will not work?—I am afraid it will not work.

*Rao Bahadur M. G. Dashpende*: You know it is said that even the agriculturists are spending money recklessly without any consideration. Can you suggest how we can meet this evil?—I do not agree with this observation. If you take other societies into consideration, they also spend equally badly. A cultivator gets two or three opportunities in his life for spending and we cannot make a grievance about that. I do not think they are spendthrifts.

*Chairman*: Do you think it desirable that so long as the agriculturists are not well educated, they should not be given rights of transfer in their lands?—I should like to answer it with certain reservation. I am not in favour of giving them that right. I have always been hearing about Berar where cultivators have got this right and I have always felt a great anxiety in the matter; but there are men who want some opening in the land and without the right of transfer this land is shut up for any new men to come in. It is possible that if these men of new spirit are allowed to enter into this profession it might be advantageous to a certain extent and I would suggest for instance that within

MR. S. B. GORHAL



6 miles' radius of Nagpur we should have an amendment in the Tenancy Act to the effect that those who can pay so many times or so much will get proprietary rights.

Is it your idea that there should be some enactment on the lines of Land Purchase Bills applicable to selected areas?—Yes.

*Vice-Chairman:* In other words you want that the right of transfer should be conceded in selected areas where tenants are sufficiently intelligent to safeguard their own interests on account of their proximity to large urban centre?—Yes. That is one thing, and another thing is there are some hopeless people who deserve to be eliminated and substituted by better men from urban areas.

*Chairman:* Then may I take it that you favour a land Purchase Bill?—Yes.

You say that owing to transferable rights in Berar you feel great anxiety. Have you any information about the real condition there?—I have tried to find out; but I have not been successful.

If you were informed that, in spite of the existence of the right of transfer from the beginning of British rule, only a relatively small portion of land has gone out of the hands of the cultivators, would you be prepared to change your views?—Yes. My present impression is that a lot of land in Berar has been lost by the cultivators owing to the right of transfer. Perhaps it may be worth while to find out whether, as compared to the Central Provinces, money-lenders have not been able to get at agriculturists more effectively in Berar.

Going one step further, is it not a fact that a large number of malguzars have lost their land to money-lenders?—Do you not then think that it would be a good thing to place restrictions on the transfer of malguzari rights also?—The principle will be carried to a dangerous extent. I would not be in favour of restricting the malguzars doing this. I would let the inefficient malguzar lose his land.

*Rao Bahadur M. G. Deshpande:* Is it not a fact that, owing to the restrictions on the leasing of sir land, Government have recently commenced to curtail the rights of transfer by malguzars?—No. This curtailment is a beneficial restriction.

**SETH HARINARAYAN LAKHANI, Broker, Kamptee.**

*Nagpur, the 12th February 1930.*

**Oral Evidence.**

*Chairman:* Do you do money-lending?—I am a dalal. I do not do money-lending.

What amount of business do you do?—I transact a business of about Rs. 40 to Rs. 50 lakhs.

What is your business?—I am a bill-broker. I deal in *Mudati* and *Darshani* hundis.

Do you get any commission?—Yes. I get 6 pies on *darshani* hundis and on *mudati* hundis I get 6 pies for 61-day bills, 1 anna on 121-day bills and 1 anna 6 pies on 181-day bills.

Do you do business with the Imperial Bank?—Yes. I secure loans to bankers from the Imperial Bank.

*Rao Bahadur K. V. Brahma, C.I.E.:* Is your business place at Nagpur or at Kamptee?—At Nagpur.

Do you get bills for cotton or grain?—For cotton and grain also.

Where are these bills cashed?—They are generally cashed at Bombay.

Are the majority of your bills cashed in Nagpur or at other places?—About 50 per cent of my business is at Nagpur, i.e., hundis pass between two people at Nagpur, while the other 50 per cent passes between Nagpur and Bombay, Calcutta or Madras.

Do you find any difficulty in cashing a bill at sight after it is mature?—No.

Do you deal in bills that require identification of solvency (*Shahajog hundi*)?—Yes.

Is any difficulty felt in cashing such hundis?—No.

Suppose I want to cash a *Shahajog hundi* and I know nobody at Bombay, I will have some difficulty. Is it not?—Yes.

Do you think there is greater facility in dealing with bank demand drafts than in hundis?—No.

*Replying to Rao Bahadur K. V. Brahma, the witness said:* So far as my knowledge of hundi business in Nagpur goes, no difficulties are experienced in the encashment of hundis on account of the insolvency or fraud of persons who have negotiated the hundi, and so far as hundi trade is concerned, we do not see the necessity of any radical change in the Negotiable Instruments Act.

*Vice-Chairman:* You generally introduce borrowers as customers to the Imperial Bank for advances and certify their solvency. Is it not?—Yes. No liability attaches to me.

How do you estimate the solvency of these persons?—The financial position of these persons is determined by the nature of the customers' business and the purpose for which he wants the loan and his landed property and also on his honesty. In such cases I get a commission of six pies per cent as broker's fee for such introduction from the Imperial Bank. There are many other customers who can avail themselves of facilities from the Imperial Bank if properly introduced to the bank. A customer who is only holding landed property is not advanced any money by the Imperial Bank without a guarantee. The Imperial Bank does not advance loans for agricultural purposes. All my customers are businessmen and I have not introduced anybody to the Imperial Bank who is purely an agriculturist. The longest period for which *Usance Bills* are drawn is 180 days. The present scale of stamp duties on hundis and *Bills of Exchange* is very high. If these rates are reduced to the old level of six pies per cent, hundi business will expand. The rates charged by the bank on advances to my customers have varied from 4½ to 8 per cent. In the busiest season the rate is usually 1 per cent above the Bank rate; but in the monsoon advances are made at the bank rate and sometimes below the bank rate. My customers are not allowed to renew their advances, unless the money is actually brought to the bank. Up to now less than 5 per cent of my customers have failed to repay in time.

**SETH HARINARAYAN LAKHANI.**

*Replying to Rao Bahadur M. G. Deshpande, the witness said:* On good security the bank charges interest at the bank rate and on pronotes 1 per cent above the bank rate and in slack season below the bank rate.

*Replying to Seth Narsinghdas Daga, the witness said:* The Imperial Bank also charges *hundawan*. By *hundawan* I mean the charge which is made for discounting bills.

*Replying to the Chairman, the witness said:* The rate of discount on *hundis* is nowadays 2 annas: this rate has fallen since the coming of the Imperial Bank of India. Prior to that the indigenous bankers used to charge 6 to 8 annas. I do not think that the Imperial Bank of India has caused any harm to anybody. But it might have reduced the amount of business and profits of those large indigenous bankers who previously were carrying on this business without competition. I cannot make any suggestions to make the Imperial Bank more useful to the general public. If the money-lenders do not desire to make full use of the facilities offered by the bank, what can anybody do.

*Replying to Seth Narsinghdas Daga, the witness said:* The guarantor generally takes a commission from the borrower. To this extent the borrower stands to lose. The borrower will be benefited if the bank advances money to him on his own security: if the bank did not take the signature of the guarantor, the bank would have greater risk. If the risk was greater, it would be necessary to charge a higher rate of interest. The Imperial Bank charge commission for cashing cheques on their branches to businessmen only. This commission interferes with business, and it will be better for trade if they do not make these charges.

*Replying to the Chairman, the witness said:* The system of mortgage in force in the Central Provinces at present no doubt causes a lot of trouble. When a big man wants to borrow money he has to mortgage his land and register it, and the fact that he has done so becomes public knowledge and he loses his credit and cannot obtain money elsewhere. If the system, which is in force in Bombay, of borrowing money upon assigning the title deeds can be introduced here, it would make money-lending business much more simple and easy for men of good credit to obtain money at low rates of interest.

*Concluding the witness said:* At present there has been an idea that the Banking Enquiry Committee may be injurious to indigenous money-lenders, because their object was only to find out their business secrets for the benefit of the joint stock and Imperial Banks. But during the course of its enquiry this impression is being removed and I hope that some of my friends who are *sawkars* will come and express their difficulties to the committee.

MR. C. A. MALCOLM, I.F.S., Chief Conservator of Forests,  
Central Provinces, Nagpur.

Nagpur, the 12th February 1930.

Oral Evidence.

*Chairman:* I understand that the subject which you would like to put before us is the difficulty of finance for the smaller Government forest contractors. Is it not?—Yes.

Could you explain to us exactly what the position is?—There are many forest reserves where we work timber for the general market. There are others with small reserves and poorer forests, where the demand is local and where we principally sell poles, fuel and grass for local consumption. These numerous small areas, usually of 150 to 200 acres cannot be worked departmentally. We generally mark out these areas and auction them to contractors who fell the poles and fuel and cut the grass and sell it to local consumers. A coupe of this size may be worth Rs. 6 to Rs. 25 and even up to Rs. 30 per cent per acre. The total amount involved might be anything up to five or six thousand rupees per coupe and these coupes are scattered all over the Province. The usual method is to auction these coupes in July and the highest bidder pays a quarter of the bid down and the rest instalments subsequently. After paying, say Rs. 800 in cash, he has got to find money to do the felling, or in the case of grass, to pay the chowkidars and later on to cut the grass, and his sales will probably not commence till November, unless it happens to be on a pucca road.

Would he pay the second instalment by November?—Yes. His whole cost of supervision and felling is added to the two instalments before he commences to earn anything.

Your position is that these persons will not get financial assistance to help them to pay the first two instalments and other charges before they can make money from their contracts. May I know how they get money for these expenses at present?—They have to go to a local sowkar who trusts them and they pay high rates of interest. They say that they usually pay about 14 to 15 per cent for nearly 6 months.

Has it been found that this difficulty prejudices the auction prices at all? Do you think that, if greater financial facilities existed, you would get better prices?—I know we would, because I have myself not demanded of a person who could be trusted, more than a reasonable deposit and then let him pay the second instalment when his sales begin. I have always tried in such cases to keep only enough stuff in the coupe to safeguard the interests of the department. I do not think that, on account of the outstandings, I ever stopped a contractor from felling.

Do you mean to say that some deserving contractors are debarred from bidding?—If their credit is not good they fail afterwards.

What is the defect in the system at present and how do you propose to remove it?—If a bank or some sort of organisation would stand security, it would be enough. It does not matter to Government whether the money comes in October or by the end of the year.

You yourself have no suggestion to make from the point of view of your department?—We must have our money safe. We do not care when it comes in.

*Vice-Chairman:* Are not these forest contractors generally outsiders coming from places like Kathiawar, etc., with a capital of their own?—The majority of them are local men. I am talking only of the small contractors. Calcutta firms with enormous overhead charges cannot pay us remunerative prices. I therefore prefer to support local enterprise.

Do you not think it is possible for the Forest Department to follow, to a much larger extent than is done now, the practice of enabling the contractors to pay their contract money out of the proceeds of their produce? Is it possible to follow this practice on a larger scale?—I do not think it can be done, unless we have got good security.

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*Chairman:* What would be the expenses of a contractor for working a coupe of the value of Rs. 3,000 before he begins to make any money?—In Bhandara I tried to work 87 acres departmentally and the whole cost came to about Rs. 700. One contractor said that he could have done it cheaper.

What would be the gross income of 87 acres?—I think it was in this case Rs. 1,400. The working expenses are more or less constant; but the prices of coupes will depend on the market.

According to you the difficulty is how to finance these small contractors. Is the lease a transferable?—It is transferable with the consent of the department and in all proper cases we agree to such transfers. The contractor cannot sub-let his contract.

*Chairman:* It might be a subject with which the land mortgage bank might deal.

*Vice-Chairman:* Competition for these contracts is limited to the number of contractors who generally deal in this business. Is that not so?—In one year there may be less competition and contractors may get coupes cheaply; in another year there may be more competition and better prices.

There have been cases in which you have agreed to the contract money being suspended because you did not want to ruin the man who had been regularly taking your contracts. Is it not?—Yes.

To that extent you are tacitly following the principle underlying the system of suspension of Government land revenue?—Yes. We have given good contractors a little more time if there is a slump in the market.

I therefore suggest that, after properly scrutinizing the solvency and the honesty of your contractors, it is possible to enable them to pay their contract money to a large extent from the proceeds of their produce?—I think we could sometimes do so.

There are contractors who take contracts for collecting tendu leaves for *bidi* and *hurra*. Do you think that they generally have some capital of their own or do you think they pay your first instalment out of borrowed money?—Most of it is borrowed money, I should think.

Is it possible in the case of these contractors to extend the advantage of paying more from the proceeds of their produce?—I do not think it is possible.

Do you at all know whether these contractors have got such good credit as to be able to get money on cheaper rates of interest from the ordinary sowkar?—I do not think they have.

*Rao Bahadur M. G. Deshpande:* Several complaints have come to us, during our enquiry about fuel. The villagers generally say that they are burning cow-dung cakes simply because they are not getting any fuel for household purposes from the forest. Is it a fact?—The expenses of transport by road make the cost of fuel so high that it is not economical to cart fuel from a greater distance than 10 miles. In Raipur we have got a tramway and railway. We take timber 50 miles and sell it at reasonable rates at Raipur. We sell in this way about 3,000 tons a year and we do not make much profit out of it.

*Seth Narsinghdas Daga:* If a contractor requests for a postponement of his instalment, would you allow him time?—There is no rule: it rests with the Divisional Forest Officer whether he trusts the man or not. He uses his discretion and sometimes his commonsense too.

If a contractor is a man of credit and you allow him for payment, do you charge any interest?—It is not done in practice but I am advocating it.

Do you think contractors would not get advances from the Imperial Bank or any other bank?—Not on these petty forest contracts. I do not think these petty contractors have tried the Imperial Bank. One of the Agents of the Imperial Bank told me that our forest contracts are not negotiable instruments.

*Vice-Chairman:* Do you think the Imperial Bank ought to make advances to your contractors if they properly stored their produce after collection?—Yes. This does not refer to these petty contractors, where the stuff is stocked and sold locally. No insurance company will insure the produce.

MR. D. V. PANDIT, B.A., LL.B., Additional District Judge,  
Nagpur.

Nagpur, the 13th February 1930.

Oral Evidence.

*Chairman:* Have you prepared a statement to show the percentage of the population of the Nagpur territory who go to courts for litigation?—I have not prepared any; but my idea is that it will be about 3 or 4 per cent of the total population. I will prepare a statement and send it on to the Committee.

*Rao Bahadur K. V. Brahma, C.I.E.:* As regards the Usurious Loans Act, you say that the chief difficulty is ambiguity. What change do you recommend?—The difficulty will be removed by fixing the rate of interest having regard to the nature of the security.

You have got a provision in the Transfer of Property Act for a maximum rate of interest, viz., 6 per cent. Would you like the courts have the power to interfere with the original contract rate from the time of the contract?—I would mean the fixation of maximum rates of interest on all contracts from the very beginning of the formation of the contract till the period of limitation.

As regards your second difficulty, viz., the ignorance of the debtors and their inability to grasp the provisions of the Act, you think that we must depend on the general knowledge of society. Is it not?—I think that every difficulty will be solved by the fixation of the rates.

You have recommended that the law of *Damdapat* should be made general?—This is an alternative, in case my other suggestion as to the fixation of maximum interest is not agreed to.

As regards the Insolvency Act, you have advocated the appointment of Official Receivers. I think you mean whole-time paid Official Receivers?—Yes. We have them in some places in our province. We want one in Nagpur. I want Official Receivers on the lines of the Bombay Presidency town with absolute powers to enquire into the whereabouts of debtors, etc., and other powers vested in Official Receivers under the Official Receivers Act.

Why is it that the ordinary Receivers fall short of the requirements?—My experience about insolvency work is limited to Nagpur itself. This work is so heavy that I found that almost in 25 per cent of cases the appointment of a Receiver was necessary, and Receivers that we used to get had absolutely no experience and did not know how to deal with the property with the result that as much results as could have been made were not made. If proper persons with experience and knowledge are engaged, we are sure to realize a good deal of commission fee and proper realizations will also be made. At least in Nagpur there is sufficient work for a whole-time Official Receiver. There are enough estates to pay revenue sufficient for the entertainment of such Official Receivers.

*Vice-Chairman:* I do not agree that it is not possible to fix a reasonable rate of interest on the merits of a case before the civil court. Every Sub-Judge ought to be able to come to a finding of fact about the reasonableness or otherwise of a rate of interest on the basis of equity. Do you agree to this?—What you mean to say is, what is a fair rate of interest should be determined as a matter of fact, leaving statutory provision aside. It is to be judged from the circumstances of each case. A Pathan goes to a debtor and he requests him to take a loan from him and says that he will charge 2 annas per rupee as interest. In this case this rate of interest will be a fair rate.

I therefore further say that whenever the rates are speculative, the civil court ought to exercise its discretion and not recognize them. Do you agree?—Discretion is a very wide term. I think that 2 annas in such cases is a fair rate, another may think that 4 annas is a fair rate.

You know that in many spheres the State has interfered in order to safeguard the interest of the ignorant and the poor. I think there is a case for civil courts even now exercising their discretion for not recognizing any speculative rate of interest?—You may have to fix some limit, either by the High Court or by legislation.

MR. D. V. PANDIT.

*Chairman:* I dare say that you are aware, as a man of the world, that the rate of interest varies from time to time according to demand for money and various other considerations and therefore no rate of interest fixed by the High Court or by anybody else could be fixed permanently?—Yes.

Personally, I appreciate your own difficulty in the matter and I am inclined to suggest that either the Deputy Commissioner or some person who is in touch with local conditions of the money markets should be required to report, from time to time, to the civil courts what is the current and reasonable rate of interest on various kinds of securities. Do you agree?—No.

Do you not think that it would be dangerous if you were to be tied hand and foot by some fixed rate? Do you not agree that the maximum rate fixed for secured and unsecured debts should be varied from time to time after considering the prevailing rates in the money market?—Yes. But it is not the business of the judge to be enquiring into the rates of interest here and there and thus import his personal knowledge in a suit.

Do you think that the existing judicial staff is adequate for dealing with these cases if we are to adopt this lengthy process of deciding the fair rate of interest in every case?—Such processes will take a long period of time and the judges will be very much over worked.

*Chairman:* Thank you very much.

*Statement showing the percentage of institutions of suits instituted during the year 1929 to the population of the Nagpur district according to the census of 1921.*

Population according to census of 1921.	Suits instituted in 1929.	Percentage.
762,521	12,367	1.6

(Figures taken from pages 130 and 134 of the supplement to *Central Provinces Gazette*, dated the 8th February 1930.)

**SETH GAURISHANKAR NAINSUKH, Money-lender,  
Kamptee.**

*Nagpur, the 13th February 1930.*

**Oral Evidence.**

*In reply to the questions put by the Chairman the witness answered:* I am a money-lender and I am also adatya in grain. I do money-lending business to the extent of 6 lakhs. The commercial rate of interest for the money advanced to businessmen is between 6 to 9 per cent. The rate of interest on mortgage is not less than 12 per cent and it varies between 12 to 18 per cent. For unsecured but small sums the rate goes as high as 18 to 24 per cent. The rate of interest is 6 to 9 per cent for businessmen and shroffs because they are always prompt in repayments and they do not make defaults and very often this money is advanced on an oral promise or on an ordinary chitti and yet we never had difficulties in recovering amounts. But when the advanced money is on the security of land to the landlords it is often then that we cannot recover the amount till we go to law courts and therefore we have to incur all kinds of expenses and suffer delays and by the time we recover the money the net profit is not more than 6 or 7½ per cent. We make advances to cultivators in spite of the difficulty which we have in recovering because we have to carry on our business and invest our money somewhere rather than let it lie idle. Though the documents are presented in court the borrowers go on denying them and they even go to the length of denying a document even if it is registered. As all the laws are being introduced the cultivators and debtors become more and more cunning. The Small Cause Court has grown into an enormous building in the place of a small one and there are about 20 Judges. The number of pleaders is also increasing. In the old days the cultivators used to look on the mahajan as God but they look on him now as if he was a devil. The misfortune to sowkars is that our difficulties are largely increased. As the remedy to all this I think the Insolvency Act should be repealed. Owing to the existence of the Insolvency Act people have become absolutely reckless and waste money because they can go and obtain an adjudication in an Insolvency Court escaping payment of their debts.

*To the questions put by the Vice-Chairman the witness answered:* All I know about civil court is that they trouble us in every way. They make all sorts of enquiries, inspect our accounts and thus delay decisions. But I do not think that the courts favour anybody. As regards dishonest ways of sowkars in the matter of lending I have not come across any case of fraudulent transaction on the part of sowkars and I cannot say anything about it. As regards getting advances from the Imperial Bank of India there are many difficulties. The Imperial Bank does not advance money unless the solvency of the borrower is guaranteed by some reliable man and such reliable men are not prepared to guarantee without the payment of some commission. I am of opinion that the Imperial Bank should advance money on the personal security of the borrower. As regards charging of commission by local merchants I submit that even banks do charge commission.



MR. C. M. TRIVEDI, I.C.S., Deputy Commissioner, Nagpur.

Nagpur, the 15th February 1930

Oral Evidence.

In reply to the Chairman, the witness said: I have been Deputy Registrar of Co-operative Societies from 1924 to June 1925, and Registrar, Co-operative Societies, from June 1925 to January 1929 and I am at present Deputy Commissioner, Nagpur. I have noticed that as regards taccavi for purchase of bullocks, the amount paid at present is insufficient. As regards the question whether Government should extend its taccavi operations on a much larger scale than at present, I certainly feel that much more could be done for financing land improvements than is done at present. I am not at all certain that in ordinary times the amount required under the Agriculturists' Loans Act is not adequate in a large number of cases. As regards Land Improvement loans, I understand that there is scope in ordinary times for giving more than is given at present with advantage both to the State and to the cultivator.

I suppose that the position really would be that in normal times in well developed tracts the advances for purchase of bullocks are really the only extraordinary needs which we need arrange for. What about the cases of other more backward tracts, say the north of the Ramtek tahsil, where it is difficult to make provisions for finance and where the people do not understand the principles of the co-operative movement and at present have to pay a very high rate of interest?—In normal times as regards the Agriculturists' Loans Act, except as regards purchase of bullocks, I do not think much money is required.

A view has been put forward that in raiyatwari villages Government should take a larger part in financing the raiyats. What is your opinion?—I would much prefer that this financing should be done by co-operative agency. If this is not possible, then the raiyats of raiyatwari villages have got a greater claim than other cultivators on Government help.

The next thing is whether, in order to improve the credit facilities of occupancy tenants, the time has now come when they should be given rights of transfer in land?—I think the time has now come for this, except in very backward tracts. In fact I have been a very strong advocate of the granting of rights of transfer for some time past. Absolute occupancy tenants and malik-makbuzas fight shy of the co-operative societies because they fear that if the occupancy tenants default they will be held responsible for these losses.

With regard to the co-operative credit movement, I feel that this would be the best method known up to now for financing agriculturists if it could be properly applied, and I think that we would all like to extend the movement as much as we could. The real question is, having regard to the past history of the movement, what hope is there of our being able to bring the blessing of co-operation on the door of every agriculturist within some reasonable period of time. What is your view on this?—My view is that in certain parts of the province it is certainly possible and desirable to take a forward step in the expansion of the movement. I will, for instance, mention Raipur, Bilaspur, Brahmपुर and Wardha, and perhaps certain parts of Berar, where the movement, during the last 6 or 7 years has stabilized its position and has recovered a good deal of the lost ground by eliminating defaulting members and by enforcement of a higher standard of punctuality than in the past. The proper starting point of expansion would be round about societies which are in a reasonably good condition. In Raipur, Bilaspur and Brahmपुर a large number of societies are in a good condition. In the other districts I consider that a good deal of time will be required before an expansion of the movement can be hoped for. I had felt that in certain districts which have an unfavourable economic history the movement should retire. The first thing we want in the movement is reasonable stability and where agriculture is a gamble we can have no stability whatsoever. The dominant characteristic of the movement in Saugor and Damoh in recent years has been precarious.

Your considered opinion would be that the movement is more likely to be successful in those tracts where agriculture is secure than in less secure tracts?—Yes. At any rate the movement is faced with a considerable number of difficulties in precarious tracts which, in actual practice, are very difficult of surmounting.

MR. C. M. TRIVEDI,

I think you will agree that agriculture in India, certainly in the Central Provinces, owing to the extreme variations of the monsoon is far more insecure and liable to variation than in Germany or France or in England. The question which occurs to my mind is whether the co-operative movement is not faced with very much greater difficulties in India than it would be in Europe and is less likely to be successful.—I think so. The whole economic position of this province is dominated by this factor. If you take a cycle of years, Saugor and Damoh have a larger number of bad years than other districts. These districts are much more insecure and right from 1924 we had to face this problem perpetually.

Is it your opinion that the movement is now on a sounder basis than before?—Yes, speaking generally. The rather hasty desire for the expansion of the movement is now past history. Nowadays we do not form 14 societies in one night or even in a month. I can inform the Committee that in Katni the number of societies rose in 1912 or 1913 from 14 to 80 in one year. Such mushroom growths are not possible now.

What is your view about general indebtedness?—I should say that there are many causes for indebtedness. I have already prepared a note on these and will send it to your Committee. I have practically nothing to add to what I have said in the note.

Was the Land Mortgage Committee appointed when you were Registrar of Co-operative Societies?—Yes. I was elected President of the Committee.

Would you have anything to add to that report?—I think I have nothing to add to it.

Is it advisable to have separate land mortgage banks in different districts or would you like to have one Provincial Mortgage Bank for the whole province, so as to obtain money at the cheapest possible rate?—Our Committee did not recommend the floatation of debentures by separate land mortgage banks, because obviously it is most undesirable that each bank should float its own debentures. It would not inspire public confidence. We have said in our report that the existing Provincial Bank should float debentures. If at any time the number of land mortgage banks increase very largely, I think it will be necessary and desirable to have a separate Central Land Mortgage Bank as in Madras. But we thought that with only two land mortgage banks it would not be economical to have a separate Provincial Land Mortgage Bank.

Do you think it is better to start with small experiments or to make an attempt to float a big bank to start operating in all districts?—I personally adhere to caution and that is how every other province has started. Land mortgage banks have not been in existence for sufficiently long to draw any conclusion. In Bombay, they were started only lately; in Madras they have been in existence for four years. In Punjab they have been in existence for a longer period and their experience is not unfavourable.

It has been suggested that some debt conciliation proceedings are required in some districts and that the sowkar would be perfectly willing to take a smaller sum than the total sum due to him, provided he is paid cash down. If a land mortgage bank could be started and cash advances made, in many cases the sowkar would take a smaller sum in cash in satisfaction of an old debt of a larger sum. This would seem to be the only practical form of debt conciliation. Do you approve of this?—Yes, if it is coupled with land mortgage banks.

*Continuing the witness said:* I have not thought out what the continuation of a Central Land Mortgage Bank should be. But we could find assistance from the Madras system where the establishment of a central institution is contemplated.

*Vice-Chairman:* Do you agree that loans under the Land Improvement Loans Act, both in normal times and in years of scarcity, are not always properly utilized?—In some cases they are not. I would not say that in a large number of cases they are not properly utilized.

The system of checking the proper utilization of such loans is not really working properly?—I would not say that it is a general proposition that it is not working properly.

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In any case you will agree that the machinery for checking the utilization of such loans should be improved and should function properly?—Greater care should be taken to see that the advance is properly utilized. The only experience of land improvement loans which I had was in the Raipur district where large amounts were advanced during scarcity in 1919 and 1921. I think we did check the utilization fairly accurately, because we were out on tour all the time and I myself have checked a large number of cases on the spot. In my opinion, nobody below the rank of a Tahsildar should be allowed to check this expenditure.

Referring to banks like those in Saugor and Damoh, apart from more frequent crop failure, one of the causes of the present condition has been the inability on the part of the bank authorities to make proper recoveries in years of moderate harvest. Do you agree?—Yes.

They have been too much inclined to paint the future in glowing colours and to wait for bumper crops, and renewals were granted far too easily?—Yes.

That largely accounts for the present position?—I would say that very largely the bad condition of the movement in these tracts is due to crop failures.

These societies which were hastily got up could have been made into fairly good societies if close and continuous supervision were kept up?—In such societies there was something wrong initially and there was more difficulty in making them successful.

You will agree that in our province and for the matter of that anywhere in India, people with moderate amounts of old debt must be admitted to our societies?—Yes; if the foundation was faulty, the building would never be substantial.

So what is more important is not so much their freedom from indebtedness as close and continuous supervision after the society was formed?—Yes. What is more important to see that the man whom we admit to a society is a man who can be saved and also who is willing to be saved. In attempting to achieve the impossible, we may not achieve the possible.

Whatever fresh organizations we may set up for providing better credit to the agriculturist must provide controlled credit, that is to say, the new creditor must not advance loans recklessly and should also keep close watch on the budget of the borrower?—Yes. This is the first principle.

I put it to you that this should be the basic principle of any financing agency in our province?—Yes.

From this point of view, I suggest that the co-operative machinery would be the most suitable financing machinery?—Yes, from the point of view of ensuring control and supervision over the borrower.

And even for long-term loans for the purpose of relieving existing old indebtedness we must have a co-operative machinery?—Undoubtedly it will be more suitable.

You have read our questionnaire. Question No. 11, Part II, reads:

How in your opinion should the indigenous banking system be linked with the central market and provincial capital?—Do you think co-operative banks would serve the purpose of this link that they want?—I agree that certain reasonably well conducted banks might with advantage do other banking business. A good many Registrars, notably Mr. Calvert, were strongly of opinion that co-operative central banks should confine their activities to co-operative business; otherwise they would run the risk of losing the various facilities given to them and would also arouse the opposition of other interests. That view has not been held in Bombay because the Bombay Provincial Bank and the Bombay district banks do a lot of other business. The Agent of the Oriental Insurance Company suggested that the Akola Central Bank might act as a collecting centre for the insurance premium and remit them to their central office on a small commission.

*Continuing the witness said:* I see no reason why bigger landholders and other persons who were usually not included in the small village societies should not form themselves into a large landholders' co-operative society as had actually been done in Mehtar which was financed directly by the Provincial Bank at 7 per cent and their record of punctuality is very good. This particular society has worked very well.

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We have noted that your view is that the unsatisfactory character of the movement has been due to the laxity of administration on the part of the directors and also to unsatisfactory harvests. When you left the department, was it not your clear impression that non-officials were more alive to the necessity of strict recovery and administration?—I should think so. Everywhere there was a keen realization of the necessity of greater attention to business principles.

In the last three or four years they have been more agreeable to accept official guidance and control in the interest of efficiency?—I should say so.

This improvement has been brought about by the realization of the dangers of laxity?—Yes. The opposition to the right of transfer being given to occupancy tenants in the Central Provinces is based on the fear of these tenants being expropriated and as a safeguard against that it has been suggested that occupancy tenants should be given the right of transferring their holdings to co-operative and land mortgage banks. What are your views on this?—I should personally prefer an extension of the general right of transfer, both because a restriction in favour of co-operative societies only would provoke a lot of opposition from other interests and also because of the fact that the movement touches only the fringe of the problem, it would not solve the difficulty.

In our province a committee was appointed in 1920-21 for improving the movement?—Yes.

Would it be right to say that all that we want to improve this movement is really contained in the report of this committee?—I would not say that. A good deal of many things which are necessary for improving the movement are contained therein. The report mainly concerned itself with the financial side of the movement. It did not say anything about the moral and educational side of the movement.

So far as the financial side is concerned you think these recommendations substantially hold good?—Yes.

The King Committee recommended separate systems of short-term and long-term loans in case the co-operative banks began to extend the transactions to the ordinary money market?—Yes.

Do you agree that all these safeguards should be maintained if we are to extend their dealings to the ordinary money market?—I think some of the safeguards mentioned there are quite unnecessary. I think the co-operative movement should come into touch with the money market through the Provincial Bank.

You know that the unwillingness on the part of the Imperial Bank to advance money on the security of the pro-notes of societies is due to a vague fear that these banks are not run on strictly commercial and banking lines?—I know that such vague apprehension exists and we should do all that is necessary to remove it. The Imperial Bank formerly came to the Provincial Bank to coax business.

Therefore you think that even with the present standard of management our Central Banks ought to be allowed to establish relations with joint stock and Imperial Bank?—Some of the banks are certainly fit to enter in relations with the Imperial Bank.

The Royal Commission on Agriculture apparently held that so far as the Central Provinces was concerned, there was no case for reviewing the history of the movement, and the Commission went further and recommended that other provinces should have a special investigation on the lines of the King Committee's Report?—Yes.

Some of the other province have since then appointed such committees?—Yes.

You have recommended fresh expansion in Chhattisgarh and Nagpur Divisions: but you will agree that such expansion would be possible and safe only if closer and continuous supervision is maintained: otherwise the history of the past will be repeated?—Yes, I quite agree.

In our village enquiries it has been disclosed that members of co-operative societies are more indebted than non-members. So far as I have been able to find out the possible cause it seems to me that this is due to those agriculturists who had old debts having been absorbed in our societies?—I should think that

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would perhaps be the predominating cause. You may find in some of these cases that their assets also have increased.

Do you think that over-financing in the early years of the movement may be the possible cause?—It might possibly be the case.

Two criticisms have been made on the recommendations of the Land Mortgage Committee: one is that the rate of interest proposed is rather high. What do you say to this?—The first duty is to get money as cheap as possible. If it can be got at a least rate it could be lent at a cheaper rate of interest but the margin which we have recommended should be kept.

You will agree that in these proposed land mortgage banks we must insist on a much higher standard of management and efficiency?—Undoubtedly.

Do you think, from your experience of the working of the Central Banks and co-operative institutes, you will be able to maintain that standard with the directorate like the one proposed on page 17 of the report?—Yes. The Committee thought so. Our foundation for the recommendation was that there should be a very strict valuation. I was strongly against any postponement.

*Chairman:* With the rate of interest at 9 per cent what is the maximum period of loans that you recommended?—Sixteen years. They would have to repay a loan of Rs. 100 in yearly instalments of Rs. 12-0-6.

Was there any detailed consideration of the average paying capacity of the agriculturists, because it has been brought to our notice during the course of our enquiry that, after the maintenance charges and the cost of cultivation have been deducted, the actual amount left over for the cultivator is probably not more than 6 or 7 per cent on the value of the land and that therefore if the man is to pay Rs. 12 per year on a loan of Rs. 100, you would never be able to lend him more than 35 or 40 per cent of his assets?—Yes, we proposed to lend only 40 per cent.

It has been suggested to us that it will be a good thing to have premium bonds and that the rate of interest could be kept very low if about one per cent was distributed in prizes every year on lottery drawings. The advantage of this scheme is said to be that it would be popular in India and particularly in the sowkar class so that a larger number of people might invest money. Do you think it would be worth trying?—It must be very attractive: but I do not know whether it might not encourage the speculative habit amongst the people.

*Vice-Chairman:* You will agree that a certain percentage of agriculturists are so heavily indebted now that they are beyond redemption and that we cannot devise any sort of financial machinery for saving them?—That is my impression. There are certain persons who cannot be redeemed as they are so hopelessly involved.

Any machinery for long-term loans can only redeem those whose debts are within their paying capacity?—Yes.

We have before us the question as to whether the financing of primary societies should be done by the Provincial Bank or by the Central Bank. What are your views on the subject?—It is a question that has been acutely discussed and I gather the general view is that where we can start a Central Bank it is better on the whole to start it rather than to start a branch of the Provincial Bank. Where it is not possible, there is no reason why branches of the Provincial Bank should not be started. Pusad, Basim and Chanda may be places where branches of the Provincial Bank may be started.

Would you recommend the establishment of such banks in areas where existing Central Banks have steadily deteriorated?—I would: but I rather fancy that the Provincial Bank itself would not be willing to undertake the liabilities of such institutions.

As Director of Industries, you came to know something about a certain number of our smaller industries like weaving, etc?—Yes, I knew a little.

In the light of such co-operators' societies, e.g., Basim Weavers' Society, would you agree that co-operative financing is the best for smaller industries?—Yes. We require extraordinarily good supervision over these societies. We might put one or two auditors on special duty. I am free to admit that I have been

regilly of having registered the Bell-metal Workers' Co-operative Society in Mandla. With great reluctance I registered the society and I understand it has not repaid its advances.

The King Committee recommended that apart from the final power of liquidation, the Registrar should be given some sort of *ad interim* control over co-operative institution especially Central Banks?—Yes, in case a particular bank was mismanaging hopelessly.

But did you feel the necessity of such power? Do you think it would be a good thing if any such powers are bestowed on the Registrar?—I think it would place the Registrar in an awkward position. At present we have the power of withdrawing privileges, e.g., the exemption of such societies from income-tax. I myself did not know of this power until my attention was directed to this. If there is a drastic situation, it requires a remedy: otherwise the alternative is disaster.

You will be surprised if in this Committee's recommendations for improving credit machinery, co-operative institutions do not find a prominent place.—I should be astounded. *Replying to the Chairman, the witness said:* I do not really think there is any reason to treat the Registrar of Co-operative Societies as a mere Registrar of Joint Stock Banks. The Government position is that the Registrar is not merely a registering authority, but has the responsibility of seeing that the movement is conducted on safe lines, although it assumes no financial responsibility whatsoever. This is the position in theory. The departmental checks are in the interests of both the agriculturists and of the depositors whose money might not be safe. I should say that if Government control is withdrawn, the movement will not be successful. The sole predominating aim of the Central Banks would then be to earn profit. As regards competition between co-operative banks and other financial houses, that complaint would not hold good in areas where there is no branch of the Imperial Bank. There is competition as regards receiving deposits to some extent. There are some people who would go to the Central Banks either because there is no Imperial Bank in that place or because they have not sufficient confidence in the local indigenous banker. But the co-operative Central Bank has also succeeded in collecting a certain amount of capital which would otherwise have not been collected.

*Vice-Chairman:* I would like to have your views on the question in our questionnaire, which reads:—

Describe any difficulties in the matter of finance in the case of co-operative societies both in regard to short and long term capital.

Is there any difficulty at all in your opinion?—Certainly not in regard to the short term capital. As regard long term capital this Committee knows the difficulties as well as myself. There is one thing which I might bring to the notice of this Committee. It is that members of primary societies have often complained and not without reason, of the delays which take place at Central Banks and many of them say that they find it far easier to go to the sowkar who is next door to them and where they have no forms to fill up. The only way to meet this difficulty is the development of a spirit of acting together among members of societies. There must be a greater development of forecasting and looking ahead.

*Chairman:* As regards the thrift habit a lot has been said before us with regard to the need of opening more Post Office Savings Banks in rural areas for sale of cash certificates. The suggestion was put forward that this need might be met equally well if the Central Banks themselves issued cash certificates and kept them at least with the better societies for sale both to members and non-members and it was suggested by Mr. Staley that, we might go as far as to give a certain number to the village school masters for sale on a small commission?—It is a very good idea. The only danger is that these papers might be lost by the poor villagers. Greater propaganda is wanted to bring about this.

*Rao Bahadur M. G. Deshpande:* As regards transfer of rights you have stated that it should be given to all occupancy tenants. Do you not think that the malguzars will suffer thereby?—They would suffer in losing their *asarams*.

Can you suggest any remedy to avoid this, as otherwise the value of land in malguzari villages will go down?—Probably it might be necessary to pay some

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compensation to malguzars. On the other hand, it should be remembered that this restriction of the right of transfer was put only in 1898, before which time these holdings were mortgageable.

Are you not in favour of asking occupancy tenants to purchase these transferable rights if they at all desired to do so?—I have not thought of this.

Your are in charge of some Courts of Wards estates now. May I know what percentage of *nazaranas* you take?—In occupancy land, we take roughly 33 per cent and in the case of absolute occupancy holdings we take five times the rent. I agree that in a large majority of cases, we charge as much as the malguzars, because we feel that we are only trustees.

Do you think that by giving transfer of rights the debts would not increase?—It is very difficult to say. I do not anticipate any considerable increase in indebtedness. Many of them are in a position to take care of their own interests.

If the rate of interest on loans is reduced, do you not think that agriculturists will borrow more and spend it recklessly?—I do not think that all would do so.

Can you assign any reason why occupancy lands are continuing in the same family for years together?—One reason is the tenancy legislation.

Do you not think that it is a gift by Government that all these hindrances are kept?—I am not sufficiently acquainted with the previous history to be able to answer this.

You have now got an estate with surplus money. Why do you not finance your own tenants?—I will consider your suggestion and see if anything can be done.

Why do you not cultivate your home farms?—We do not, because of the difficulty of supervision but last year we have extended home farm in two estates.

*Professor A. C. Sen Gupta:* Do you agree that the best form of control is be members themselves?—Yes. That is the reasons why there is joint liability. I do not think that in a large majority of cases members have exercised supervision which they were supposed to do. This supervision has largely been in the hands of the staff of the banks. When the supervision fell in the hands of the Central Banks, I do not think it has not been successful at all.

Do you not think under the circumstances that it would be better if it is placed in the hands of officials?—I would prefer a system of supervision which will not be predominantly official, but on which the officials would bring their influence to bear. I personally feel hopeful that this system will work. It is rather difficult for me to give an opinion, because I am to a certain extent responsible for revising the system. I agree also that members have not succeeded in controlling one another. I doubt whether we can modify the present system. People who join the system are not of equal status in the eyes of the law. What we require is a greater emphasis on education and supervision. Joint liability helps the Central Bank: but many people lose their lands who should not have lost. These losses are due not wholly to primary societies, but because Central Banks have failed to have proper supervision.

Could we evolve the system under present circumstances with individual liability?—I do not consider it safe from the point of view of the general financial aspect especially when we have no tangible security.

*Seth Narsingdas Daga:* You have said that the capital for the land mortgage bank should be raised by shares and debentures. If the money-lenders think that it is injurious to their business and refuse to put money into it, have you any alternative?—If debentures cannot be raised in the Province, we can raise them from outside. If we cannot get the capital from India at reasonable rates, we must get from somewhere, if necessary from foreign countries. But I have every confidence that the debentures would be sold, if not here, at least in Bombay or Calcutta. It is said by the indigenous bankers that money-lending is a very risky business and, though they are supposed to charge 18 to 24 per cent as interest, they do not recover more than 6 to 7 per cent. Here is a debenture which is a safe investment at 6 per cent and I am confident that all indigenous money-lenders will gladly invest in such debentures.

*Chairman:* Do you think that the land mortgage bank would be injurious in any way to the sowkars?—I do not think so.

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Suppose it was able to pay off a number of old debts due to these big sowkars, it would be advantageous to them?—Yes.

*Seth Narsingdas Daga:* Arising from the previous question and your reply, would the land mortgage bank advance money for the repayment of old mortgage debts alone or would it also make advances for repaying old unsecured debts?—In the Report of the Committee appointed for drawing up a scheme for the land mortgage bank, it has been specially recommended that advances should be made for the repayment of both secured and unsecured debts.

If a man has got no mortgageable assets of any kind, will the land mortgage bank be able to recover any advance which it may make for repaying any old debts?—The mortgage bank would not lend any money to any person who has not got any mortgageable asset, and this question does not, therefore, arise.

If a loan is raised in foreign countries for obtaining capital, would not the result be that the interest which is at present going to indigenous sowkars would go outside the country?—Would this be a good thing?—It would not be a bad thing for the cultivator for whom the mortgage bank would be established. Assuming that the land mortgage bank is a good thing, which it clearly and obviously is, the fact that because the local capitalists refused to invest money in it, it is necessary to obtain a loan from outside is not a bad thing.

It is said that the land of the cultivators is going into the hands of sowkars. If the capital raised for the land mortgage bank comes from foreign countries, would not the result be that the land of the cultivators eventually would go into the hands of foreigners?—The whole object of the land mortgage bank is to retain the land in the hands of cultivators. A few rare cases may arise where it may be necessary to take possession of land in satisfaction of debts.

Has any provision been made in those proposals for the immediate disposal of the land and its sale to some other cultivator?—Yes. The land will be sold by the mortgage bank to some other cultivator. Foreigners would only be entitled to the return of their money and interest.

*Chairman:* I will suggest to you that it is an elementary axiom of economics that interest is only the price which you pay to another man for the use of his money, and, provided you make some good use of that money, you are obtaining an advantage from the transaction. Is it not?—Yes. The land mortgage bank is for the benefit of the cultivator and if the Indian sowkars refused to put their money into a thing which is beneficial to cultivators, they have no reason to complain. But I do not agree that capital will not be forthcoming from inside India.

If it is impossible to raise capital except from outside India, would it not be advisable to abandon the idea of having land mortgage banks?—No.

*Chairman:* We are most grateful to you for your valuable evidence. Thank you very much.

MR. H. E. ST. G. McCLENAGHAN, I.C.S., Deputy  
Commissioner, Chanda.

Oral Evidence.

Nagpur, the 15th February 1930

*Chairman:* Will you kindly give us your views about taccavi?—I have actually advocated recently that in the areas commanded by State Irrigation Works, Government should adopt a very advanced policy as regards giving taccavi, acting on the principle that if we do not speculate we cannot accumulate. The amount of the loans should be increased on a much more liberal basis. In Chanda, we are dealing with the problem of inducing people to open up new land and I have been advocating that we must adopt a much bolder policy and take more risks in our taccavi policy there.

Are you in favour of granting any rights of transfer in this land or not?—Personally my view is that, if the present system is properly administered, it is satisfactory. But I find it extraordinarily difficult to get it properly administered. We do not recognize that the raiyatwari estate demands special care and that our standard of administration there is not satisfactory.

We always blame the absentee malguzar. The Government should avoid following his example in raiyatwari villages. Is it not?—Yes, exactly.

As regards taccavi you think that the present system as regards raiyatwari villages would work well if it were worked in an intelligent manner.—Yes.

If you give the raiyats the right of transfer, they could raise money on a mortgage of their land?—Yes.

If they are not to get rights of transfer then they should be more liberally financed by Government? Is that your meaning?—Yes. A new man who takes a new holding in the commanded areas in Chanda, has to spend a very large sum of money before he can make the land culturable at all. Roughly he will have to spend Rs. 100 per acre for preparing the land for cultivation of rice.

What action is being taken at present to finance these pioneer operations?—The only action I have taken is to allow the raiyat who gets virgin land which contains a certain amount of timber to sell the timber. But frequently the subordinates of Forest Department immediately come along and seize the timber, and the matter takes some time to put right by correspondence between the Divisional Forest Officer and the Deputy Commissioner.

These raiyats then presumably borrow from the money-lenders at high interest. How are they going to repay?—A raiyat who takes over ten acres of rice land, actually clears one or two acres in the first year and works as a labourer in a neighbouring established raiyatwari village, or in a neighbouring malguzari village.

If it has happened actually in the Tapti valley the new raiyat does borrow money from money-lenders to tide him over his difficulties, the bania will naturally charge a very high rate of interest, with the result that probably by the time the raiyat begins to get any crops, the debt would have swollen to such a large sum that he will lose his land and will run away saddled with the debt. Is it not?—Yes. But my impression is that, as far as Chanda is concerned, there is not a great deal of borrowing.

I believe you were for a considerable time Sub-divisional Officer of Burhanpur in the Nimar district. It has been brought to our notice that the newly excised areas in the Tapti valley are very heavily indebted. Could you give us any opinion as to the reason of this?—I must blame the co-operative movement largely for this. I cannot give you chapter and verse. My general impressions then were that there was a Central Bank in Khandwa and there was a Local Committee at Burhanpur. This Committee did not consist of men who were actuated by the true spirit of the co-operative movement. They allowed societies to be formed in raiyatwari villages in the most reckless fashion. It was even alleged that some members of the Local Committee actually lent money and formed societies in villages where there was a large number of their own debtors. The conditions of the Sironcha Bank in the Chanda district have also been very unsatisfactory and there also the same allegations have been made.

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This bank is now under liquidation and there is no possibility of reviving it for some time to come.

As regards taccavi, have you, during your service as an executive officer, found difficulty in recovering these advances? Do you consider that Government undergoes undue risk?—I have had no trouble at all in recovering taccavi advances. I have never been in a district which suffered from a continuous series of famine, but I have been constantly told by my elders and betters that my views about liberality in making advances in areas where special measures are necessary, are wrong, and that if they were put into practice, they would not stand the strain of a series of bad years and would lead to heavy loss to Government. In Chanda we had two fairly unsatisfactory years and we had no trouble at all in recovering fairly generous taccavi advances. Recoveries are as a rule prompt, but care has to be taken to see that subordinate revenue officers realize the necessity for arranging to distribute their taccavi allotments before they get them, and of distributing these allotments promptly as soon as they are placed at their disposal. Otherwise a Tahsildar gets an allotment on April 1st and he does not seriously think of distributing it till September or October. Owing to this fact, Government loses a lot by way of interest which the money would otherwise have earned.

Have you any idea about the outturn and costs of cultivation of rice?—I have had varied opinions and I cannot give you accurate figures.

Could you tell us something about the co-operative credit movement in the Chanda district?—We have two co-operative credit banks in the Chanda district: one at Brahmapuri which is very good and the other at Warora which is quite fair. I have been trying to prevent advances of taccavi being given in villages which already have a co-operative credit society. This has given rise to opposition from those persons who were not members of societies and from members also. Their complaint is that they are not allowed to get taccavi at 6½ per cent like other people but are compelled to borrow money at 12 per cent from the co-operative credit bank. My usual retort in such cases is that it is difficult to get taccavi and that the difference between the simplicity of getting a loan from the Central Bank should be worth 2 or 3 per cent at least to them.

Is the amount of taccavi allotment which you receive then not really at present adequate to meet the demand?—Not at all. We could easily distribute a considerably greater sum. But it would need a considerable expansion of our staff.

You say that the greater facility of obtaining money from the co-operative bank is worth 2 or 3 per cent. You mean to say that taccavi operations result in some trouble and harassment to the agriculturists.—Yes. For example when I was once carrying out the usual hot weather inspection at an outlying tahsili I saw the same set of people waiting for three days. I discovered eventually that they were waiting for taccavi. The people said that they were waiting like that for five days. This is of course an extreme case of delay by an incompetent Tahsildar. It is very difficult for the superior revenue officers to check these delays.

Do you think it would be worth while appointing special taccavi officers whose sole duty would be the distribution of taccavi?—It might certainly be worth while if we increased our taccavi operations. If an increase in taccavi operations did not justify the appointment of a taccavi officer, it would certainly justify the reducing of the sizes of administrative units in the backward tracts where a more liberal taccavi policy seems indicated.

Your own view would be that the taccavi operations should be extended provided there is no difficulty in raising the necessary finance.—Yes: but only in certain areas. Government should not take over the duty of financing agriculturists, if other sources of finance are available.

Vice-Chairman: Do you think that even in normal times the State is under an obligation to finance agriculture?—Not under an obligation. But I should think it is prudent, from the point of view of the State, in selected areas.

Is this grant of taccavi on a larger scale advocated by you be made in times of scarcity only?—Not necessarily. There are three types of loans: loans under the Agriculturists' Loans Act distributed by the Revenue Department, loans under the same Act distributed through the agency of the Agricultural Department and loans under the Land Improvement Loans Act. The last named loans would naturally be large in times of scarcity.

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Have you had occasions to surrender taccavi allotments?—No.

From what little you have seen of the working of the two co-operative banks in your district, do you think that if properly worked these banks as managed by non-officials can undertake agricultural finance?—I think they can.

Are those two banks working badly?—The financial position of the Brahmपुरi bank is sound and that of the Warora bank is fairly sound; but the general standard of co-operative education among the members of primary societies is nowhere very high.

*Chairman:* Have you taken any part in co-operation in Ireland?—Yes. There was a co-operative creamery in my own village in the north of Ireland. I was an office-bearer of a society which was then believed to be the only successful University Co-operative Society. This society was located in rooms inside Trinity College, Dublin, and the function was to provide food supplies and later on every article required by the undergraduates inside the limits of the University. The usefulness of its work varied considerably with the personnel of the society directorate. It has the merit of bringing a number of undergraduates into touch with the central organizations of the co-operative movement in Dublin.

Do you see any difference between the co-operative spirit among primary societies in Brahmपुरi and the degree of co-operative spirit and education in the north of Ireland?—Yes. But there is a certain similarity at times too. I knew of a case of a bad society in Ireland where a magistrate was found to be indebted to the society to the extent of 12 times the amount of his share.

Do you think that the movement will ever spread to any great degree in India within our lifetime?—I doubt if it will be successful in our life-time. It has taken a longer time to build up elsewhere.

*Vice-Chairman:* Do you not think that free and compulsory education will make some difference?—Undoubtedly. But I do not hope to see free and compulsory education all over Chanda in my life-time.

Apart from raiyatwari and backward tracts have the occupancy tenants a keen desire to acquire rights of transfer?—My personal impression is that there is no keen desire in Chanda or in other districts like Nimar for rights of transfer. I am not in favour of granting such rights to occupancy tenants. There will be an increasing tendency to lose their lands.

You have taken some interest in cottage industries like hand-loom weaving in Chanda?—Yes.

Has it struck you that the main difficulty with these people is proper facilities of marketing?—That is clearly the case in Chanda.

Do you think that co-operative marketing will be the most suitable solution?—Yes. It would be a great development if we could secure co-operative marketing facilities not only for hand-loom products but also for agricultural products.

What do you suggest towards providing such facilities?—The main thing is to get the right type of persons who are prepared to run it. A certain amount of success in marketing produce has been achieved by the Chanda Khadi Karyalaya. There is, of course, a considerable amount of weaving carried out in villages, but one of the great objections to extending it is the fact that all this work is being regarded as one of the functions of the Mahars.

We have heard a general cry nowadays that agriculturists should be taught to utilize spare hours in some sort of subsidiary industry. What do you think of the possibilities of these industries in Chanda?—I think development of subsidiary industries would require a tremendous amount of fostering supervision and assistance. Occupations such as tendu leaf collection, propagation of lac, etc., are prevalent in the Chanda district at present.

Would it be right to say that the average agriculturist in Chanda is not after all so slow to explore means of eking out his income?—No. If it is a thing that can be done without any plant or without any special organization or requiring large expenditure, he takes to it.

*Chairman:* A very large portion of the Chanda district produces rice?—Yes. Roughly half the area is under rice.

What do you consider to be the first need for improving the outturn of rice?—The outturn always depends upon manure, especially in irrigated areas.

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There is also the necessity of teaching the cultivator to discriminate between the types of seed for the different types of soil. There is a primitive practice in Chanda, which is recorded in many places in the Settlement records of Chanda, of folding sheep in the rice fields at night. The Agricultural Department is at present making experiments with artificial manures at Sindewahi, which have produced satisfactory results. I think it will be a long time before the cultivator can get the full benefit from these. I do not think the Agricultural Department staff itself is strong enough for this. Their activities are divided between demonstration and experiment. If artificial manure is supplied at a cheap price, the Chanda cultivator would not be slow to take to it, if he is once convinced of its usefulness.

A 50 per cent increase in the gross outturn means a very much large increase in the net income after deducting the cultivating expenses. Is it not?—Yes.

Up to now have the Agricultural Department made any demonstration in the use of fertilizers?—The department has not been able to do much. This is a pure question of personnel.

From the economic point of view, for the increased prosperity of the cultivator I gather from you that an increased co-ordination between the departments might be a good thing. There is a good deal of waste of energy?—There is a certain amount of waste of energy.

Do you feel that, as Deputy Commissioner everybody is working as one and you are in complete touch with the various departments and that they are in complete touch with each other in your district?—By no means.

What do you think to be the principal cause of indebtedness in Chanda district?—The necessity for large expenditure on ceremonial occasions. This is the first thing that starts a man on the downward path of borrowing. The ease with which money can be obtained for such occasions encourages a lack of thrift. The ordinary cultivator gives me the impression that he prefers to be indebted to some extent to some person, as this gives him a claim to be allowed to borrow from that person in times of special need.

You will agree that in years of crop failure it is the local sowkar who keeps the people going. Government has never attempted to do that, and the local sowkar does perform a great service in rural economy?—Undoubtedly. His whole system seems to be based on taking amazing risks. I found cases recently in the Warora tahsil where people who keep quite large holdings made no effort to cultivate more than 5 to 10 acres out of 40 to 50, because they said that they can borrow money on their rent certificates. The rate of interest naturally is as high as possible.

You agree then that no person can advance money at a low rate of interest, without security and the rate of interest must depend very largely on the nature of the credit of the borrower?—Yes.

In order to reduce the rate of interest one of the main problems would be to improve the credit of the individual?—Yes.

How do you propose to do this?—By encouraging the thrift habit and by making him develop regularity in payments and by instilling in him some rudimentary ideas of budgeting.

It has become fashionable to abuse local money-lenders and call them Shylocks and blood-suckers. Do you consider that this is justifiable?—No. Many of them take risks which no ordinary person would take, and it is only natural they should charge high rates of interest.

Would you go further and admit that there are a certain number of cultivators who deliberately try to defraud their creditors?—Yes: there are many cultivators who regard the professional money-lender as fair game and have no conscience about securing money by deceit. The state of affairs which obtains often reminds me of the complaints about misconduct in cotton and grain markets. In Burhanpur there was once a dispute about weights. When I enquired I found that the cultivator himself had soaked four out of five carts in the river in order to increase the weight and was still complaining that the local *dawal* indulged in malpractices. I do not think it is unreasonable to say that faults often lie on both sides.

*Rao Bahadur M. G. Deshpande:* Have you heard any complaints from agriculturists that because they are not getting sufficient fuel they are burning cow-dung cakes?—I have never heard such complaints in the Chanda district, where the agriculturists are absolutely regardless of the preservation of their nistar areas. The difficulty of obtaining fuel is increasing in Warora, where there is plenty of land which ought to produce fuel but is not producing it, owing to neglect. At present there is an adequate supply of fuel at low rates all over the district.

Do you find in Brahmapuri and Mul that agriculturists are given to gur-making now?—Anybody who grows sugarcane endeavours to make his own gur.

Could you not say that this is due to the activities of the Agricultural Department?—Yes. Much credit is due to the department who have profited by the activities of Mr. M'Glashan, who tried extensive sugarcane cultivation under the Ghorajheri tank and who failed in his attempts to develop this sugar industry, as the tank failed to supply the expected quantities of water.

Has the Agricultural Department introduced green manuring?—I have heard the Agricultural Assistants accompanying me on tour lecturing on this. I have seen a green manured area on the Sindewahi Farm. I understand that the department prefers to popularize artificial manures, as proper green manuring requires considerable skill and judgment on the part of the cultivator.

Do you think that the Agricultural Department have succeeded in selling these cane mills?—Yes. At present the taccavi allotment distributed in Chanda on the advice of the Agricultural Department is spent chiefly on the purchase of cane mills and 1st ploughs.

You have got sufficient grazing areas in the Brahmapuri and Mul areas. Have you got any experimental cattle breeding farm there?—No. There was a cattle breeding farm at Sindewahi: but it has since been closed down. I was told that there was no demand locally for the animals bred there, a combined milk and draught strain, the real reason being that the Chanda cultivator, for curious reasons, is averse to drinking milk. For the same reason, the cattle breeding farm at Aheri, established when the estate was under the Court of Wards, is not properly made use of.

Have you got any premium bull system in Chanda?—I believe that we have a solitary premium bull in Warora owned by Rao Sahib S. D. Deshpande. But I am not certain of this.

*Chairman:* I understand there is no branch of the Imperial Bank. Therefore the treasury has always a very large currency chest, and is drawn on very largely by the collieries.—Yes.

Do you know the conditions under which this is done?—I have never studied this question.

Chanda is a large town. How are remittances carried on in the absence of a bank? Are there any shroffs or other persons who issue hundis?—The curious feature of Chanda is that there is no sale of hundi stamps at all.

Do they make use of Supply Bills, etc.?—There is a great deal of use of Supply Bills and Telegraphic Transfers.

Do you think there is any scope for the opening of any kind of branch bank in Chanda?—I understand the question had been investigated by the Imperial Bank and they came to the conclusion that there was no scope for opening a branch bank in Chanda.

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